PILGRIMS PRIDE CORP
Form 10-K
February 12, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 28, 2014
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File number 1-9273
PILGRIM'S PRIDE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	75-1285071
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1770 Promontory Circle, Greeley, Colorado	80634-9038
(Address of principal executive offices)	(Zip code)

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

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

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No x
Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer x	Accelerated Filer ¨
Non-accelerated Filer ¨	Smaller reporting company ¨

(Do not check if a smaller reporting company)

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

The aggregate market value of the Registrant's Common Stock, $0.01 par value, held by non-affiliates of the Registrant as of June 29, 2014, was $1,691,841,901. For purposes of the foregoing calculation only, all directors, executive officers and greater than 10% beneficial owners have been deemed affiliates. Number of shares of the Registrant's Common Stock outstanding as of February 11, 2015 was 259,700,145.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement for the 2015 Annual Meeting of Stockholders are incorporated by reference into Part III of this annual report.

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PART I

Item 1. Business

Company Overview

Pilgrim’s Pride Corporation (referred to herein as “Pilgrim’s,” “PPC,” “the Company,” “we,” “us,” “our,” or similar terms), wh
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. We are one of the largest chicken producers in the world with operations in the United States (“U.S.”), Mexico and Puerto Rico. We are primarily engaged in the production, processing, marketing and distribution of fresh, frozen and value-added chicken products to retailers, distributors and foodservice operators. We offer a wide range of products to our customers through strong national and international distribution channels.

Pilgrim's fresh chicken products consist of refrigerated (non-frozen) whole chickens, whole cut-up chickens and selected chicken parts that are either marinated or non-marinated. The Company's prepared chicken products include fully cooked, ready-to-cook and individually frozen chicken parts, strips, nuggets and patties, some of which are either breaded or non-breaded and either marinated or non-marinated.

We market our balanced portfolio of fresh, prepared and value-added chicken products to a diverse set of over 5,000 customers across the U.S., Mexico and in approximately 95 other countries, with no single one accounting for more than 10% of total sales. We have become a valuable partner to our customers and a recognized industry leader by consistently providing high-quality products and services designed to meet their needs and enhance their business. Our sales efforts are largely targeted towards the foodservice industry, principally chain restaurants and food processors such as Chick-fil-A® and Yum! Brands®, distributors such as US Foods and Sysco® and retail customers, including grocery store chains and wholesale clubs such as Kroger®, Wal-Mart®, Costco®, Publix® and Sam’s Club®.

As a vertically integrated company, we control every phase of the production process, which helps us better manage food safety and quality, as well as more effectively control margins and improve customer service. We operate feed mills, hatcheries, processing plants and distribution centers in 12 U.S. states, Puerto Rico and Mexico. Our plants are strategically located to ensure that customers timely receive fresh products. With our global network of approximately 3,750 growers, 28 feed mills, 36 hatcheries, 27 processing plants, five prepared foods cook plants, 14 distribution centers, eight rendering facilities and three pet food plants, we believe we are well positioned to supply the growing demand for our products.

We are one of the largest, and we believe one of the most efficient, producers and sellers of chicken in Mexico. Our presence in Mexico provides access to a market with growing demand and has enabled us to leverage our operational strengths within the region. The market for chicken products in Mexico is still developing with most sales attributed to fresh, commodity-oriented, market price-based business. We believe our Mexico business is well positioned to continue benefiting from these trends in the Mexican consumer market. Additionally, we are an important player in the live market, which accounted for approximately 33% of the industry’s chicken sales in Mexico in 2014.

We have approximately 35,000 employees and have the capacity to process more than 34.7 million birds per week for a total of more than 10.2 billion pounds of live chicken annually. In 2014, we produced 7.5 billion pounds of chicken products, generating approximately $8.6 billion in net sales and approximately $711.6 million in net income attributable to Pilgrim’s.

The Company operates on the basis of a 52/53-week fiscal year that ends on the Sunday falling on or before December 31. The reader should assume any reference we make to a particular year (for example, 2014) applies to our fiscal year and not the calendar year. Fiscal 2014 was a 52-week fiscal year.

Our Industry

Industry Overview

The U.S. consumes more chicken than any other protein (approximately 32.0 billion pounds projected in calendar year 2015 according to the U.S. Department of Agriculture (“USDA”)), and chicken is the second most consumed protein globally after pork. The U.S. is the world’s largest producer of chicken and is projected to produce approximately 39.2 billion pounds of ready-to-cook broiler meat in calendar year 2015, representing 20.3% of the total world production. Brazil and China produce the second and third most broiler meat, with 15.0% and 14.9% of the world market, respectively, according to the USDA.

According to the USDA, the export of U.S. chicken products increased at an average annual growth rate of 3.7% from 2003 through 2013. The U.S. is the second-largest exporter of broiler meat behind Brazil. The U.S. is projected to export 7.4 billion pounds in calendar year 2015, which would account for 30.6% of the total world exports and 18.8% of the total U.S. production, according to the USDA. The top five exporters are projected to control over 85.1% of the market in 2015.

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According to the USDA, chicken production in the U.S. increased from 2003 through 2013 at a compounded annual growth rate of 1.3%. The growth in chicken demand is attributable to (i) relative affordability compared to other proteins such as beef and pork, (ii) the increasingly health conscious nature of U.S. consumers, (iii) chicken's consistent quality and versatility and (iv) its introduction on many foodservice menus. In addition, global protein demand continues to be strong, consistent with rising standards of living and a growing middle class in developing countries around the world. USDA estimates from 2010 through 2020 show an anticipated increase of global chicken demand of 29%, 81% of which is expected to come from emerging markets. We believe our relationship with our largest stockholder, JBS USA Holdings, Inc. ("JBS USA") positions us to capture a portion of those emerging markets.

Key Industry Dynamics

Pricing. Items that influence chicken pricing in the U.S. include international demand, changes in production by other broiler producing countries, input costs and the demand associated with substitute products such as beef and pork. We believe our focus on sales mix enables us to adapt to changing supply demand dynamics by adjusting our production to maximize value. We also benefit from a shorter production lifecycle of broilers compared to other proteins. While production for cattle takes approximately 28 to 39 months from breeding to slaughter and the production for pork takes 11 to 12 months, the production lifecycle for the broiler is only ten weeks.

Feed. Broilers are fed corn and soybean meal as well as certain vitamins and minerals. Corn and soybean meal accounted for approximately 38.9% and 37.5% of our feed costs, respectively, in 2014. Broiler production is significantly more efficient from a feed perspective than cattle or hog production. Approximately two pounds of feed are required for each pound of chicken, as compared to approximately seven and 3.5 pounds for cattle and hogs, respectively. We have sought to mitigate the impact of feed price volatility on our profitability by decreasing the amount of our products that are sold under longer term fixed price contracts, broadening our product portfolio and expanding the variety of contracts within our book of business.

Competitive Strengths

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

Leading market position in the growing chicken industry. We are one of the largest chicken producers globally and a leading chicken producer in the U.S. with a 17.5% market share, based on ready-to-cook production in 2014, according to WATT PoultryUSA . We are also one of the largest chicken producers on a global basis. We believe we can maintain this prominent market position as we are one of the few producers in the chicken industry that can fully satisfy the requirements of large retailers and foodservice companies due to our broad product range, national distribution vertically integrated operations and technical capabilities. Further, our scale of operations, balanced product portfolio and a wide range of production capabilities enable us to meet both the capacity and quality requirements of our customer base. Finally, we believe we are well positioned with our global footprint to benefit from the growth in the U.S. chicken export market.

Broad product portfolio. We have a diversified product portfolio ranging from large to small birds and from fresh to cooked to processed chicken. In addition, our prepared foods segment is focused on our most profitable product lines. We believe we are well positioned to be the primary chicken supplier for large customers due to our ability to provide consistent supply, innovate and develop new products to address consumer desires and provide competitive pricing across a diverse product portfolio. Our balanced portfolio of fresh, prepared and value-added chicken products yields a diversified sales mix, mitigating supply and market volatility and creating more consistent gross margins.

Blue chip and diverse customer base across all industry segments. We benefit from strong relationships with leading companies in every customer segment, including Chick-fil-A®, Sysco®, US Foods, Yum! Brands®, Kroger®, Wal-Mart®, Costco®, Publix®, Sam's Club® and ConAgra Foods®, all of whom have been doing business with us for more than five years. We sell our products to a large and diverse customer base, with over 5,000 customers, with no single one accounting for more than 10% of total sales.

Lean and focused enterprise. We are an efficient and lean organization supported by our market-driven business strategy. We also have a shared service center as a majority owned subsidiary of JBS USA. Since 2008, we have closed, idled or sold 13 plants and 14 distribution centers, reduced or consolidated production at other facilities, streamlined our workforce and reduced administrative and corporate expenses. In addition, we continue to make

significant production improvements driven by improved yields, labor, cost savings and product mix. We utilize zero-based budgeting and plant-level profit and loss analysis, driving engagement and ownership over the results at each plant. These strategic initiatives have reduced our cost base, resulting in higher and more sustainable profits.

Robust cash flow generation with disciplined capital allocation. Our leading market position, strong customer relationships and highly efficient operations help drive attractive and we believe sustainable margins. We also have a proven track record of disciplined capital allocation. We have spent approximately $378 million since 2011 in capital spending towards identified projects with rapid payback, further driving our profitability. Since the end of 2011, we have also reduced our net debt from over $1.4 billion to a net cash position of $572 million at the end of 2014.
Experienced management team and results-oriented corporate culture. We have a proven senior management team whose tenure in the chicken industry has spanned numerous market cycles and is among the most experienced in the industry. Our senior management team is led by William W. Lovette, our Chief Executive Officer, who has over 30 years of experience in the chicken industry. Our management team has successfully improved and realigned our business and instilled a corporate culture focused on performance and accountability. We also benefit from management ideas, best practices, and talent shared with the seasoned management team of our controlling stockholder, JBS USA, and its parent company, JBS S.A., which have over 50 years of combined experience operating protein processing facilities in South America, North America and Australia.
Relationship with JBS USA. PPC is a majority-owned subsidiary of JBS USA, an indirect subsidiary of Brazil-based JBS S.A., which beneficially owns approximately 75.5% of PPC’s outstanding common stock. As such, we work closely with JBS USA’s management to identify areas where both companies can achieve synergies. As part of our integration plan, we moved our headquarters to Greeley, Colorado, the headquarters of JBS USA. In addition to cost savings through the integration of certain corporate functions and the rationalization of facilities, our relationship with JBS USA allows us to enjoy several advantages given its diversified international operations and strong record in commodity risk management. We seek to leverage JBS USA’s international network by expanding into untapped international markets and strengthening our presence in geographies in which we already operate. In addition, JBS USA’s expertise in managing the risk associated with volatile commodity inputs will help us to further improve our operations and manage our margins.

Business Strategy

We intend to continue growing our business and enhancing profitability by pursuing the following strategies:
Be a valued partner with our key customers. We have developed and acquired complementary markets, distributor relationships and geographic locations that have enabled us to expand our customer base and provide nationwide distribution capabilities for all of our product lines. As a result, we believe we are one of only two U.S. chicken producers that can supply the growing demand for a broad range of price competitive standard and specialized products with well-known brand names on a nationwide basis from a single-source supplier. Additionally, we intend to leverage our innovation capabilities to develop new products along with our customers to accelerate sales and enhance the profitability of chicken products at their businesses. We plan to further enhance our industry position by optimizing our sales mix and accelerating innovation.
Relentless pursuit of operational excellence. As production and sales grow, we continue to focus on improving operating efficiencies by focusing on cost reductions, more effective processes, training and our total quality management program. Specific initiatives include:

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

Between 2011 and 2014, these initiatives have resulted in approximately $841.0 million of cumulative operational improvements, including from reduction of plant-related costs and improved sales mix and product yield. Between 2007 and 2014, our SG&A has also decreased by approximately 250 basis points as a percentage of net sales, as we have reduced these costs while significantly increasing revenue.
Strategically grow value added exports. We will continue our focus on expanding international sales by seeking opportunities to increase penetration in our existing markets and entering attractive new markets. Expansion of our export sales complements our U.S. chicken operations and positions us to capitalize on expected global demand

growth, particularly in emerging markets. Utilizing the extensive sales network of JBS USA, we believe that we can accelerate the sales of value-added chicken

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products into our international distribution channels. Our relationship with JBS USA has improved our access to markets such as Africa, the Middle East, Latin America and Asia. We believe substantial opportunities exist to expand our sales to these markets by capitalizing on direct international distribution channels supplemented by our existing export broker relationships. Our export sales accounted for approximately 8.3% of our U.S. chicken sales in 2014.
Accountability and ownership culture. We have a results-oriented culture with our business strategy centered on reducing fixed costs and increasing profitability, consistent with JBS values. Our employee accountability has further increased as we have de-layered the organization through our recent restructuring and cost improvement initiatives. In addition, we continue to invest in developing our talent internally. As a result, we have a strong accountability and ownership culture. We strive to be the best managed and most respected company in our industry.

Reportable Business Segment

We operate in one reportable business segment, as a producer and seller of chicken products we either produce or purchase for resale in the U.S., Puerto Rico and Mexico. We conduct separate operations in the U.S., Puerto Rico and Mexico; however, for geographic reporting purposes, we include Puerto Rico with our U.S. operations. See "Note 18. Business Segment and Geographic Reporting" of our Consolidated Financial Statements included in this annual report for additional information.

Products and Markets

Our primary product types are fresh chicken products, prepared chicken products and value-added export chicken products. We sell our fresh chicken products to the foodservice and retail markets. Our fresh chicken products consist of refrigerated (nonfrozen) whole or cut-up chicken, either pre-marinated or non-marinated and prepackaged case-ready chicken. Our case-ready chicken includes various combinations of freshly refrigerated, whole chickens and chicken parts in trays, bags or other consumer packs labeled and priced ready for the retail grocer's fresh meat counter. Our fresh chicken sales accounted for 66.2% of our total U.S. chicken sales in 2014.

We also sell prepared chicken products, including portion-controlled breast fillets, tenderloins and strips, delicatessen products, salads, formed nuggets and patties and bone-in chicken parts. These products are sold either refrigerated or frozen and may be fully cooked, partially cooked or raw. In addition, these products are breaded or non-breaded and either pre-marinated or non-marinated. Our prepared chicken products sales accounted for 25.1% of our total U.S. chicken sales in 2014.

Value-added export and other chicken products primarily consist of whole chickens and chicken parts sold either refrigerated for distributors in the U.S. or frozen for distribution to export markets. We sell U.S.-produced chicken products for export to Mexico, the Middle East, Asia, countries within the Commonwealth of Independent States (the "CIS") and other world markets. In the U.S., prices of these products are negotiated daily or weekly and are generally related to market prices quoted by the USDA or other public price reporting services. Prices for export sales are determined by supply and demand and local market conditions. In certain newly accessed international markets, we have established premium brands, which allow us to market our products at a premium to commodity price levels within those regions. Our value-added export and other chicken products sales accounted for 8.7% of our total U.S. chicken sales in 2014.

Our primary customer markets consist of the foodservice and retail channels, as well as selected export and other markets.

Our foodservice market principally consists of chain restaurants, food processors, broad-line distributors and certain other institutions located throughout the continental U.S. Within this market, we service frozen, fresh and corporate accounts. Fresh and frozen chicken products are usually pre-cut to customer specifications and are often marinated to enhance value and product differentiation. Corporate accounts include further-processed and value-added products supplied to select foodservice customers, improving their ability to manage product consistency and quality in a cost efficient manner. We believe we are positioned to be the primary or secondary supplier to national and international chain restaurants who require multiple suppliers of chicken products. Additionally, we believe we are well suited to be the sole supplier for many regional chain restaurants. Regional chain restaurants often offer better margin opportunities and a growing base of business. We believe that our full-line product capabilities, high-volume production capacities, research and development expertise and extensive distribution and marketing experience are competitive strengths compared to smaller and non-vertically integrated producers. Foodservice growth is anticipated

to continue, despite the effects resulting from continued weak economic conditions in the U.S.

Our retail market consists primarily of grocery store chains, wholesale clubs and other retail distributors. Our retail market products consist primarily of branded, prepackaged cut-up and whole chicken and chicken parts. We concentrate our efforts in this market on creating value for our customers through category management and supporting key customers in expanding their private label sales programs. Additionally, for many years, we have invested in both trade and retail marketing designed to establish high levels of brand name awareness and consumer preference. We utilize numerous advertising and marketing techniques to

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develop and strengthen trade and consumer awareness and increase brand loyalty for consumer products marketed under the Gold Kist®, County Post®, Pierce Chicken®, Pilgrim's Pride® and Pilgrim's® brands. We believe our efforts to achieve and maintain brand awareness and loyalty help to achieve greater price premiums than would otherwise be the case in certain markets and support and expand our product distribution. We actively seek to identify and address consumer preferences by using sophisticated qualitative and quantitative consumer research techniques in key geographic markets to discover and validate new product ideas, packaging designs and methods.

Our export and other chicken market consists primarily of customers who purchase for distribution in the U.S. or for export to Mexico, the Middle East, Asia, countries within the CIS and other world markets. Our value-added export and other chicken products, with the exception of our exported prepared chicken products, consist of whole chickens and chicken parts sold in bulk, or value-added form, either refrigerated or frozen. We believe that U.S. chicken exports will continue to grow as worldwide demand increases for high-quality, low-cost meat protein sources. We expect that worldwide demand for higher-margin prepared food products will increase over the next several years and believe our strategy of value-added export growth positions us to take advantage of this expected demand.

Historically, we have targeted international markets to generate additional demand for our dark chicken meat, for which there has been less demand in the U.S. than for white chicken meat. We have expanded our portfolio to provide prepared chicken products tailored for export to the international divisions of our U.S. chain restaurant customers, as well as newly identified customers in regions not previously accessed. Through our relationship with JBS USA, we have developed an international distribution channel focused on growing our tailored export program and expanding value-added products such as all-vegetable-fed whole griller birds, chicken franks and further processed thigh meat. Utilizing the extensive sales network of JBS USA, we believe that we can accelerate the sales of value-added chicken products into these international channels.

The following table sets forth, for the periods beginning with 2010, net sales attributable to each of our primary product lines and markets served with those products. We based the table on our internal sales reports and their classification of product types.

	2014	2013	2012	2011	2010
	(In thousands)				
U.S. chicken:					
Prepared chicken	$1,787,389	$2,046,746	$2,239,289	$2,135,337	$2,262,107
Fresh chicken	4,703,993	4,123,089	3,583,854	3,160,429	2,834,972
Export and other chicken by-products	620,082	715,969	817,723	808,038	581,303
Total U.S. chicken	7,111,464	6,885,804	6,640,866	6,103,804	5,678,382
Mexico chicken	900,360	864,454	758,023	720,333	615,433
Total chicken	8,011,824	7,750,258	7,398,889	6,824,137	6,293,815
Other products:					
U.S.	535,572	614,409	608,619	674,923	558,675
Mexico	35,969	46,481	113,874	36,638	29,139
Total other products	571,541	660,890	722,493	711,561	587,814
Total net sales	$8,583,365	$8,411,148	$8,121,382	$7,535,698	$6,881,629

The following table sets forth, beginning with 2010, the percentage of net U.S. chicken sales attributable to each of our primary product lines and the markets serviced with those products. We based the table and related discussion on our internal sales reports and their classification of product types and customers.

	2014	2013	2012	2011	2010
Prepared chicken	25.1	29.7	33.7	35.0	39.9
Fresh chicken	66.2	59.9	54.0	51.7	49.9
Export and other chicken by-products	8.7	10.4	12.3	13.3	10.2
Total U.S. chicken	100.0	100.0	100.0	100.0	100.0

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United States Operations

Product Types

Fresh Chicken Overview. Fresh chicken is an important component of our sales and accounted for $4,704.0 million, or 66.2%, of our total U.S. chicken sales in 2014 and $2,835.0 million, or 49.9%, in 2010. Most fresh chicken products are sold to established customers, based upon certain weekly or monthly market prices reported by the USDA and other public price reporting services, plus a markup, which is dependent upon the customer's location, volume, product specifications and other factors. We believe our practices with respect to sales of fresh chicken are generally consistent with those of our competitors. The majority of these products are sold pursuant to agreements with varying terms that set a price according to formulas based on underlying chicken price markets, subject in many cases to minimum and maximum prices.

Prepared Chicken Overview. In 2014, $1,787.4 million, or 25.1%, of our U.S. chicken sales were in prepared chicken products to foodservice customers and retail distributors, as compared to $2,262.1 million, or 39.9%, in 2010. The production and sale in the U.S. of prepared chicken products reduce the impact of the costs of feed ingredients on our profitability. Feed ingredient costs are the single largest component of our U.S. cost of sales, representing approximately 40.8% of our U.S. cost of sales in 2014. The production of feed ingredients is positively or negatively affected primarily by the global level of supply inventories, demand for feed ingredients, the agricultural policies of the U.S. and foreign governments and weather patterns throughout the world. As further processing is performed, feed ingredient costs become a decreasing percentage of a product's total production cost, thereby reducing their impact on our profitability. Products sold in this form enable us to charge a premium, reduce the impact of feed ingredient costs on our profitability and improve and stabilize our profit margins.

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

Value-Added Export and Other Chicken Products Overview. Our value-added export and other products consist of whole chickens and chicken parts sold primarily in bulk, nonbranded form, either refrigerated to distributors in the U.S. or frozen for distribution to export markets, and branded and nonbranded prepared chicken products for distribution to export markets. In 2014, approximately $620.0 million, or 8.7%, of our total U.S. chicken sales were attributable to U.S. chicken export and other products, as compared to $581.3 million, or 10.2%, in 2010.

Markets for Other Products

Presently, this category includes chicken by-products, which we convert into protein products and sell primarily to manufacturers of pet foods. In addition, many of our U.S. feed mills produce and sell some livestock feeds to local dairy farmers and livestock producers. Until November 2011, this category also included products sold through our distribution centers. In 2011, we had regional distribution centers located in Arizona, Texas and Utah that were primarily focused on distributing our own chicken products. In November 2011, we sold the distribution centers to JBS Trading International, Inc., a wholly owned subsidiary of JBS USA. See "Note 15. Related Party Transactions" of our Consolidated Financial Statements included in this annual report for additional information on the sale of the distribution centers. In addition, we marketed fresh eggs under private labels, in various sizes of cartons and flats to U.S. retail grocery and institutional foodservice customers located primarily in Texas through August 2012. In August 2012, we sold our commercial egg operation to Cal-Maine Foods, Inc.

Mexico Operations

Background

Our Mexico operations generated approximately 10.9% of our net sales in 2014. We are one of the largest producers and sellers of chicken in Mexico. We believe that we operate one of the more efficient business models for chicken production in Mexico.

During 2014, we invested approximately $8.0 million in the first phase of a new poultry processing complex in Veracruz, Mexico, and we plan to initiate live production operations in June 2015.

During 2014, we also executed our first grower contract for breeding flocks in Mexico. The contract grower farms, which initiated operations in November 2014, are located in San Luis Potosí, Mexico and will allow us to replace some of our current company-owned breeder farms in Querétaro, Mexico.

Product Types

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

Markets

We sell our chicken products primarily to wholesalers, large restaurant chains, fast food accounts and supermarket chains, and also engage in direct retail distribution in selected markets. Our largest presence is by far in the central states of the country where we have been able to gain market share. Our presence in Mexico reaches 74.5% of the population.

Foreign Operations Risks

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

On July 25, 2014, the Company entered into a definitive agreement to purchase Provemex Holdings LLC and its subsidiaries (together, “Tyson Mexico”) from Tyson Foods, Inc. and certain of its subsidiaries for approximately $400.0 million, which is subject to adjustment for closing date working capital. The transaction is expected to be completed during the first quarter of 2015, subject to customary closing conditions, including regulatory approvals. We expect to fund the purchase price from available cash balances and bank credit. Tyson Mexico is a vertically integrated poultry business based in Gomez Palacio, Durango, Mexico. It has a production capacity of 3 million birds per week in its three plants and employs more than 5,400 in its plants, offices and seven distribution centers. The acquisition further strengthens our strategic position in the Mexico chicken market. Once the acquisition is completed, we currently expect to maintain the operations working to capacity with the existing workforce, maintaining labor contracts in place. For additional information regarding the Tyson Mexico acquisition, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Executive Summary - Tyson Mexico Acquisition” in this annual report.

During 2014, we invested approximately $8.0 million in the first phase of a new poultry processing complex in Veracruz, Mexico, and we plan to initiate live production operations in June 2015.

During 2014, we also executed our first grower contract for breeding flocks in Mexico. The contract grower farms, which initiated operations in November 2014, are located in San Luis Potosí, Mexico and will allow us to replace our current company-owned breeder farms in Querétaro, Mexico.

Key Customers

Our two largest customers accounted for approximately 14.6% of our net sales in 2014. No customer accounted for ten percent or more of our net sales in 2014.

Competition

The chicken industry is highly competitive. We are one of the largest chicken producers in the world and we believe our relationship with JBS USA enhances our competitive position. In the U.S. and Mexico, we compete principally with other vertically integrated poultry companies. However, there is some competition with non-vertically integrated further processors in the U.S. prepared chicken business. We believe vertical integration generally provides significant, long-term cost and quality advantages over non-vertically integrated further processors.

In general, the competitive factors in the U.S. chicken industry include price, product quality, product development, brand identification, breadth of product line and customer service. Competitive factors vary by major market. In the U.S. retail market, we believe that product quality, brand awareness, customer service and price are the primary bases of competition. In the foodservice market, competition is based on consistent quality, product development, service and price. The export market is competitive on a global level based on price, product quality, product tailoring, brand

identification and customer service. Competitive factors vary by market and may be impacted further by trade restrictions, sanitary and phyto-sanitary issues, brand awareness and the

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relative strength or weakness of the U.S. Dollar against local currencies. We believe that product customization, service and price are the most critical competitive factors for export sales.

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

Regulation and Environmental Matters

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

Our operations are subject to extensive regulation by the EPA and other state and local authorities relating to handling and discharge of waste water, storm water, air emissions, treatment, storage and disposal of wastes, handling of hazardous substances and remediation of contaminated soil, surface water and groundwater. Our Mexican operations also are subject to extensive regulation by Mexican environmental authorities. The EPA and/or other U.S. or Mexican state and local authorities may, from time to time, adopt revisions to environmental rules and regulations, and/or changes in the terms and conditions of our environmental permits, with which we must comply. Compliance with existing or new environmental requirements, including more stringent limitations imposed or expected in recently-renewed or soon-to be renewed environmental permits, may require capital expenditures and operating expenses which may be significant. Our operations are also subject to regulation by the EPA, Occupational Safety and Health Administration (“OSHA”) and other state and local regulatory authorities regarding the treatment and disposal of agricultural and food processing wastes, the use and maintenance of refrigeration systems, including ammonia-based chillers, noise, odor and dust management, the operation of mechanized processing equipment, and other operations. Some of our facilities have been operating for many years, and were built before current environmental, health and safety standards were imposed and/or in areas that recently have become subject to residential and commercial development pressures. We are upgrading wastewater treatment facilities at a number of our facilities, either pursuant to consent agreements with regulatory authorities or on a voluntary basis in anticipation of future permit requirements. We do not anticipate that the capital expenditures associated with these upgrades, which will be spread over a number of years, will be material.

We have from time to time had incidents at our plants involving worker health and safety. These have included ammonia releases due to mechanical failures in chiller systems and worker injuries and fatalities involving processing equipment and vehicle accidents. We have taken preventive measures in response.

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

We anticipate increased regulation by the USDA concerning food safety, by the FDA concerning the use of medications in feed and by the EPA and various other state agencies concerning discharges to the environment. Although we do not currently anticipate that such increased regulation will have a material adverse effect upon us, new environmental, health and safety requirements that are more stringent than we anticipate, stricter interpretations of existing environmental requirements, or obligations related to the investigation or clean-up of contaminated sites may materially affect our business or operations in the future.

Restructuring Efforts

Since January 2010, we have implemented significant operational changes to reduce costs and operate more efficiently, as well as realized substantial benefits through synergies following the JBS USA acquisition. We reduced our production footprint to mitigate capacity utilization and efficiency issues created by previously enacted across-the-board production cuts. In addition, we continue to evaluate our noncore businesses, which resulted in the sale of certain noncore businesses. Exit and disposal activities

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from January 2010 to present have eliminated approximately 1,500 positions and recognized net pre-tax charges totaling $115.6 million.

We continue to review and evaluate various restructuring and other alternatives to streamline our operations, improve efficiencies and reduce costs. Such initiatives may include selling assets, consolidating operations and functions and voluntary and involuntary employee separation programs. Any such actions may require us to obtain the pre-approval of our lenders under our credit facilities. In addition, such actions will subject us to additional short-term costs, which may include asset impairment charges, lease commitment costs, employee retention and severance costs and other costs. Certain of these activities may have a disproportionate impact on our income relative to the cost savings in a particular period.

Employees

As of December 28, 2014, we employed approximately 29,900 persons in the U.S. and approximately 5,100 persons in Mexico. Approximately 38.1% of the Company's employees were covered under collective bargaining agreements. Substantially all employees covered under collective bargaining agreements are covered under agreements that expire in 2015 or 2016 with the exception of two live operations location where the collective bargaining agreements expired in 2014 and negotiations are ongoing. We have not experienced any labor-related work stoppage at any location in over nine years. We believe our relationship with our employees and union leadership is satisfactory. At any given time, we will likely be in some stage of contract negotiations with various collective bargaining units. The Company is currently in negotiations at one location, and there is no assurance that agreement will be reached. In the absence of an agreement, we may become subject to labor disruption at this location, which could have an adverse effect on our financial results.

Financial Information about Foreign Operations

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

Available Information

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

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

Executive Officers

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

Name	Age	Positions
William W. Lovette	55	President and Chief Executive Officer
Fabio Sandri	43	Chief Financial Officer

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

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

Item 1A. Risk Factors

Forward Looking Statements

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

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

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

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

Risk Factors

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

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

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

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

We have recently benefited from low market prices for feed ingredients, but market prices for feed ingredients remain volatile. Consequently, there can be no assurance that the price of corn or soybean meal will not continue to rise as a

result of, among other things, increasing demand for these products around the world and alternative uses of these products, such as ethanol and biodiesel production.

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Volatility in feed ingredient prices has had, and may continue to have, a materially adverse effect on our operating results, which has resulted in, and may continue to result in, additional noncash expenses due to impairment of the carrying amounts of certain of our assets. We periodically seek, to the extent available, to enter into advance purchase commitments or financial derivative contracts for the purchase of feed ingredients in an effort to manage our feed ingredient costs. The use of these instruments may not be successful. In addition, we have not designated the derivative financial instruments that we have purchased to mitigate commodity purchase exposures as cash flow hedges. Therefore, we recognize changes in the fair value of these derivative financial instruments immediately in earnings. Unexpected changes in the fair value of these instruments could adversely affect the results of our operations. Although we have sought to mitigate the impact of feed price volatility on our profitability by decreasing the amount of our products that are sold under longer term fixed price contracts, these changes will not eliminate the impact of changes in feed ingredient prices on our profitability and would prevent us from profiting on such contracts during times of declining market prices of chicken.

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

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

During 2012 and 2013, there was substantial publicity regarding a highly pathogenic strain of avian influenza, known as H7N3, which affected several states in central Mexico. There are several hypotheses about the cause of the outbreak in Mexico, including transmission from wild birds or the possibility of introduction through poultry trade. Approximately 85% of the birds affected were table egg laying hens, a component of the industry in which Pilgrim's does not participate. The Mexican government and poultry industry culled approximately 28.3 million birds. The disease was found in approximately 90 commercial facilities, including one Pilgrim's breeder farm. The Mexican government and poultry industry undertook an extensive vaccination program with the goal of administering approximately 210 million doses per month. To prevent further spread, the Mexican government also authorized the administration of 205 million doses of vaccine to “long-life” birds in nine Mexican states with priority given to progenitor birds (producing breeder hens), breeders (producing broiler chicks and layer chicks for table eggs) and layers.

During the first half of 2013, there was also substantial publicity regarding a low pathogenic strain of avian influenza, known as H7N9, which affected eastern and northern China in and around the cities of Shanghai and Beijing. It is widely believed that H7N9 circulates in wild birds and may be transmitted to domestic poultry. H7N9 is also believed to have passed from birds to humans as humans came into contact with live birds that were infected with the disease. There were 133 confirmed cases, including 43 deaths, of H7N9 infection in humans related to this outbreak.

Although neither H7N3 nor H7N9 have been identified in the U.S., there have been outbreaks of other low pathogenic strains of avian influenza in the U.S., and in Mexico outbreaks of both high and low-pathogenic strains of avian influenza are a fairly common occurrence. Historically, the outbreaks of low pathogenic strains of avian influenza have not generated the same level of concern, or received the same level of publicity or been accompanied by the same reduction in demand for poultry products in certain countries as that associated with highly pathogenic strains such as H7N3 or highly infectious strains such as H7N9. Even if H7N3 and H7N9 do not spread to the U.S., there can be no assurance that outbreaks of these strains in other countries will not materially adversely affect demand for U.S.-produced poultry internationally and/or domestically, and, if any of these strains were to spread to the U.S., there can be no assurance that it would not significantly affect our ability to conduct our operations and/or demand for our products, in each case in a manner having a material adverse effect on our business, reputation and/or prospects.

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

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

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and may lead to increased risk of exposure to product liability claims, product recalls and increased scrutiny by federal and state regulatory agencies and may have a material adverse effect on our business, reputation and prospects.

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

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

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

We currently maintain insurance with respect to certain of these risks, including product liability insurance, business interruption insurance and general liability insurance, but in many cases such insurance is expensive, difficult to obtain and no assurance can be given that such insurance can be maintained in the future on acceptable terms, or in sufficient amounts to protect us against losses due to any such events, or at all. Moreover, even though our insurance coverage may be designed to protect us from losses attributable to certain events, it may not adequately protect us from liability and expenses we incur in connection with such events.

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

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

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

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

Our two largest customers accounted for approximately 14.6% of our net sales in 2014. Our business could suffer significant setbacks in revenues and operating income if we lost one or more of our largest customers, or if our customers' plans and/or markets should change significantly.

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

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

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

Our operations in Mexico are conducted through subsidiaries organized under the laws of Mexico. Claims of creditors of our subsidiaries, including trade creditors, will generally have priority as to the assets of our subsidiaries over our claims. Additionally, the ability of our Mexican subsidiaries to make payments and distributions to us may be limited by the terms of our Mexico credit facility and will be subject to, among other things, Mexican law. In the past, these

laws have not had a material

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adverse effect on the ability of our Mexican subsidiaries to make these payments and distributions. However, laws such as these may have a material adverse effect on the ability of our Mexican subsidiaries to make these payments and distributions in the future.

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

Historically, we have targeted international markets to generate additional demand for our products. In particular, given U.S. customers' general preference for white meat, we have targeted international markets for the sale of dark chicken meat, specifically leg quarters, which are a natural by-product of our U.S. operations' concentration on prepared chicken products. As part of this initiative, we have created a significant international distribution network into several markets in Mexico, the Middle East, Asia and countries within the CIS. Our success in these markets may be, and our success in recent periods has been, adversely affected by disruptions in chicken export markets. For example, China imposed anti-dumping and countervailing duties on the U.S. chicken producers in 2010, which have deterred Chinese importers from purchases of U.S.-origin chicken products and Russia banned the importation of chicken and other agricultural products from the U.S. and certain other western countries in August 2014. Additionally, from time to time Russia has restricted the importation of U.S. poultry products for the protection of their domestic poultry producers and in cases of allegations of consumer health issues.

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

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

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

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

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

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

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

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

Our success is largely dependent on the skills, experience, and efforts of our management and other employees. The loss of the services of one or more members of our senior management or of numerous employees with essential skills could have a negative effect on our business, financial condition and results of operations. If we are not able to retain

or attract talented, committed individuals to fill vacant positions when needs arise, it may adversely affect our ability to achieve our business objectives.

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

As of December 28, 2014, we employed approximately 29,900 persons in the U.S. and approximately 5,100 persons in Mexico. Approximately 35.0% of the Company's employees were covered under collective bargaining agreements. Substantially all employees covered under collective bargaining agreements are covered under agreements that expire in 2015 or 2016 with the exception of one live operations location where the collective bargaining agreement expired in 2014 and negotiations are ongoing. We have not experienced any labor-related work stoppage at any location in over nine years. We believe our relationship with our employees and union leadership is satisfactory. At any given time, we will likely be in some stage of contract negotiations with various collective bargaining units. The Company is currently in negotiations at one location, and there is no assurance that an agreement will be reached. In the absence of an agreement, we may become subject to labor disruption at this location, which could have an adverse effect on our financial results.

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

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

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

Our operations are subject to extensive and increasingly stringent federal, state, local and foreign laws and regulations pertaining to the protection of the environment, including those relating to the discharge of materials into the environment, the handling, treatment and disposal of wastes and remediation of soil and groundwater contamination. Failure to comply with these requirements could have serious consequences for us, including criminal as well as civil and administrative penalties, claims for property damage, personal injury and damage to natural resources and negative publicity. Compliance with existing or changing environmental requirements, including more stringent limitations imposed or expected to be imposed in recently-renewed or soon-to be renewed environmental permits, will require capital expenditures for installation of new or upgraded pollution control equipment at some of our facilities. Operations at many of our facilities require the treatment and disposal of wastewater, stormwater and agricultural and food processing wastes, the use and maintenance of refrigeration systems, including ammonia-based chillers, noise, odor and dust management, the operation of mechanized processing equipment, and other operations that potentially could affect the environment, health and safety. Some of our facilities have been operating for many years, and were built before current environmental standards were imposed, and/or in areas that recently have become subject to residential and commercial development pressures. Failure to comply with current and future environmental, health and safety standards could result in the imposition of fines and penalties, and we have been subject to such sanctions from time to time. We are upgrading wastewater treatment facilities at a number of these locations, either pursuant to consent agreements with regulatory authorities or on a voluntary basis in anticipation of future permit requirements. In the past, we have acquired businesses with operations such as pesticide and fertilizer production that involved greater use of hazardous materials and generation of more hazardous wastes than our current operations. While many of those operations have been sold or closed, some environmental laws impose strict and, in certain circumstances, joint and several liability for costs of investigation and remediation of contaminated sites on current and former owners and operators of the sites, and on persons who arranged for disposal of wastes at such sites. In addition, current owners or operators of such contaminated sites may seek to recover cleanup costs from us based on past operations or contractual indemnifications.

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

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

JBS USA holds a majority of the shares and voting power of our common stock and is entitled to appoint a majority of the members of our board of directors. As a result, JBS USA will, subject to restrictions on its voting power and actions in a stockholders agreement between us and JBS USA and our organization documents, have the ability to control our management,

policies and financing decisions, elect a majority of the members of our board of directors at the annual meeting and control the vote on most matters coming before the holders of our common stock.

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

Our operations are subject to general risks of litigation.

We are involved on an on-going basis in litigation with our independent contract growers or arising in the ordinary course of business or otherwise. See “Item 3. Legal Proceedings.” Trends in litigation may include class actions involving consumers, shareholders, employees or injured persons, and claims relating to commercial, labor, employment, antitrust, securities or environmental matters. Litigation trends and the outcome of litigation cannot be predicted with certainty, and adverse litigation trends and outcomes could adversely affect our financial results.

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

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

Changes in consumer preference could negatively impact our business.

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

The consolidation of customers could negatively impact our business.

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

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

We anticipate that we will incur substantial indebtedness during the first quarter of fiscal year 2015, which could adversely affect our financial condition. On a consolidated basis, as of December 28, 2014, we had approximately $0.6 million in secured indebtedness, $3.6 million of unsecured indebtedness and had the ability to borrow approximately $718.0 million under our credit agreements. During the first quarter of fiscal year 2015, we anticipate we will incur additional secured indebtedness of approximately $1.12 billion under amended credit facilities in order to partially finance a special cash dividend to our stockholders and our pending acquisition of Tyson Mexico. Following the completion of those transactions, we anticipate we will have the ability to borrow approximately $595.0 million under our credit agreements. Significant amounts of cash flow will be necessary to make payments of interest and repay the principal amount of such indebtedness.

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

- It could affect our ability to satisfy our obligations under our credit agreements;
- A substantial portion of our cash flow from operations is required to be dedicated to interest and principal payments and may not be available for operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes;
- Our ability to obtain additional financing and to fund working capital, capital expenditures and other general corporate requirements in the future may be impaired;

- We may be more highly leveraged than some of our competitors, which may place us at a competitive disadvantage;
- Our flexibility in planning for, or reacting to, changes in our business may be limited;
- It may limit our ability to pursue acquisitions and sell assets; and
- It may make us more vulnerable in the event of a continued or new downturn in our business or the economy in general.

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

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

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Media campaigns related to food production present risks.

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

There can be no assurance that we will consummate the acquisition of Tyson Mexico or that Tyson Mexico can be combined successfully with our business.

In evaluating the terms of our acquisition of Tyson Mexico, we analyzed the respective businesses of Pilgrim’s Pride and Tyson Mexico 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 Tyson Mexico will be successfully integrated in a timely manner.

Assumption of unknown liabilities in acquisitions may harm our financial condition and operating results.

Acquisitions may be structured in such a manner that would result in the assumption of unknown liabilities not disclosed by the seller or uncovered during pre-acquisition due diligence. For example, our proposed acquisition of Tyson Mexico is structured as a stock purchase in which we effectively assume all of the liabilities of Tyson Mexico, including liabilities that may be unknown. Such unknown obligations and liabilities could harm our financial condition and operating results.

We may pursue additional opportunities to acquire complementary businesses, which could further 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;

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- 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.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

Operating Facilities

Our main operating facilities are as follows:

	Operating	Idled	Capacity(a)(b)	Average Capacity Utilization(b)	
U.S. Facilities					
Fresh processing plants	23	6	32.5 million head	91.6	%
Prepared foods cook plants	5	3	11.4 million pounds	95.4	%
Feed mills	23	3	11.5 million tons	78.0	%
Hatcheries	29	3	2,131.8 million eggs	87.7	%
Rendering	5	2	8,186 tons	60.7	%
Pet food processing	3	—	1,493 tons	56.8	%
Freezers	1	1	125,000 square feet	N/A	
Puerto Rico Facilities					
Fresh processing plant	1	—	336,000 head	94.3	%
Feed mill	1	—	112,320 tons	77.5	%
Hatchery	1	—	27.0 million eggs	77.6	%
Rendering	1	—	100 tons	71.1	%
Distribution center	1	—	N/A	N/A	
Mexico Facilities					
Processing plants	3	—	2.8 million head	89.3	%
Feed mills	4	—	1.15 million tons	76.8	%
Hatcheries	6	—	247.9 million eggs	96.2	%
Rendering	2	—	26,000 tons	55.5	%
Distribution centers	13	—	N/A	N/A	

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

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

Other Facilities and Information

In the U.S, our corporate offices share a building with JBS USA in Greeley, Colorado. We own a building in Richardson, Texas, which houses our computer data center; we also own office buildings in both Broadway, Virginia, and Pittsburg, Texas, which house additional administrative, sales and marketing, research and development, and other support activities. We also lease office buildings in Bentonville, Arkansas; Louisville, Kentucky; Cincinnati, Ohio and Winchester, Virginia, for members of our sales team and building space in Carrollton, Texas, which houses a second computer data center.

In Mexico, we lease an office building in Querétaro, Mexico, which houses our Mexican administrative functions, and we lease office space in Mexico City, which houses our Mexican marketing office.

Most of our property, plant and equipment are pledged as collateral on our credit facilities. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Item 3. Legal Proceedings

Grower Claims and Proceedings

On June 1, 2009, approximately 555 former and current independent contract broiler growers, their spouses and poultry farms filed an adversary proceeding against us in the Bankruptcy Court styled “Shelia Adams, et al. v. Pilgrim’s Pride Corporation.” In the adversary proceeding, the plaintiffs assert claims against us for: (i) violations of Sections 202(a), (b) and (e), 7 US C. § 192 of the Packers and Stockyards Act of 1921 (the “PSA”); (ii) intentional infliction of emotional distress; (iii) violations of the Texas Deceptive Trade Practices Act (“DTPA”); (iv) promissory estoppel; (v) simple fraud; and (vi) fraud by nondisclosure. The case relates to our Farmerville, Louisiana; Nacogdoches, Texas; and the El Dorado, De Queen and Batesville, Arkansas complexes.

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The plaintiffs also filed a motion to withdraw the reference of the adversary proceeding from the Bankruptcy Court to the U.S. District for the Eastern Court of Texas ("Marshall Court"). The motion was filed with the U.S. District Court for the Northern District of Texas-Fort Worth Division (the "Fort Worth Court"). The Bankruptcy Court recommended the reference be withdrawn, but that the Fort Worth Court retain venue over the action to ensure against forum shopping. The Fort Worth Court granted the motion to withdraw the reference. We filed a motion to dismiss the plaintiffs' claims. The Fort Worth Court granted in part and denied in part our motion, dismissing the following claims and ordering the plaintiffs to file a motion to amend their lawsuit and re-plead their claims with further specificity or the claims would be dismissed with prejudice: (i) intentional infliction of emotional distress; (ii) promissory estoppel; (iii) simple fraud and fraudulent nondisclosure; and (iv) DTPA claims with respect to growers from Oklahoma, Arkansas, and Louisiana. The plaintiffs filed a motion for leave to amend on October 7, 2009. Plaintiffs' motion for leave was granted and the plaintiffs filed their Amended Complaint on December 7, 2009. Subsequent to the Fort Worth Court granting in part and denying in part our motion to dismiss, the plaintiffs filed a motion to transfer venue of the proceeding from the Fort Worth Court to the Marshall Court. We filed a response to the motion, but the motion to transfer was granted on December 17, 2009. On December 29, 2009, we filed our answer to plaintiffs' Amended Complaint with the Marshall Court. A bench trial commenced on June 16, 2011. The trial concluded as to the El Dorado growers on August 25, 2011. On September 30, 2011, the Marshall Court issued its Findings of Facts and Conclusions of Law and Judgment finding in favor of the Company on each of the grower claims with exception of claims under 7 U.S.C. §192(e), and awarding damages to plaintiffs in the aggregate of approximately $25.8 million. Afterward, the Company filed post-judgment motions attacking the trial court's findings of fact and conclusions of law, which, on December 28, 2011, were granted in part and resulted in a reduction of the damages award from $25.8 million to $25.6 million. On January 19, 2012, the Company appealed the findings of fact and conclusions of law and decision concerning the post-judgment motions to the United States Fifth Circuit Court of Appeals. Oral argument occurred on December 3, 2012. On August 27, 2013, the Fifth Circuit reversed the judgment, and entered a judgment in favor of the Company. Plaintiffs thereafter filed a petition for rehearing en banc. Plaintiffs' petition for rehearing was denied on October 15, 2013. On January 13, 2014, Plaintiffs filed a Petition for a Writ of Certiorari requesting the Supreme Court of the United States to accept their case for review. Plaintiff's petition for a Writ of Certiorari was denied on February 24, 2014. The Fifth Circuit's decision and prior favorable trial court rulings regarding the El Dorado growers' claims suggest that the likelihood of any recovery by growers remaining in the case is too remote to maintain the previously-recorded loss accrual. Therefore, the Company reversed the accrual on September 1, 2013.
As for the remaining chicken grower claims, the bench trial relating to the allegations asserted by the plaintiffs from the Farmerville, Louisiana complex began on July 16, 2012. That bench trial concluded on August 2, 2012, but the Marshall Court postponed its ruling until the appeals process regarding the allegations asserted by the El Dorado growers was exhausted. The bench trial relating to the claims asserted by the plaintiffs from the Nacogdoches, Texas complex began on September 12, 2012, but was also postponed until the appeals process regarding the allegations asserted by the El Dorado growers was exhausted. The remaining bench trial for the plaintiffs from the De Queen and Batesville, Arkansas complexes was scheduled for October 29, 2012, but that trial date was canceled. Following the denial by the Supreme Court of the United States for a Writ of Certiorari related to the claims asserted by the plaintiffs from the El Dorado, Arkansas complex, the Marshall Court requested briefing on the allegations asserted by the plaintiffs from the Farmerville, Louisiana complex and scheduled trial proceedings for allegations asserted by the plaintiffs from the Nacogdoches complex on August 25, 2014 and allegations asserted by the plaintiffs from the De Queen and Batesville, Arkansas complexes on October 27, 2014. Prior to commencing the trial proceedings on the allegations asserted by the plaintiffs from the De Queen and Batesville, Arkansas complexes, the Marshall Court announced it would enter judgment in PPC's favor on all remaining federal causes of action, and plaintiffs from the De Queen and Batesville complexes were given additional time to brief Arkansas state law claims. The court-imposed deadline passed with no briefs filed by plaintiffs. At this time, the Marshall Court has not memorialized its decision in writing.

ERISA Claims and Proceedings

On December 17, 2008, Kenneth Patterson filed suit in the U.S. District Court for the Eastern District of Texas, Marshall Division, against Lonnie "Bo" Pilgrim, Lonnie Ken Pilgrim, Clifford E. Butler, J. Clinton Rivers, Richard A.

Cogdill, Renee N. DeBar, our Compensation Committee and other unnamed defendants (the “Patterson action”). On January 2, 2009, a nearly identical suit was filed by Denise M. Smalls in the same court against the same defendants (the “Smalls action”). The complaints in both actions, brought pursuant to section 502 of the Employee Retirement Income Security Act of 1974 (“ERISA”), 29 US C. § 1132, alleged that the individual defendants breached fiduciary duties to participants and beneficiaries of the Pilgrim’s Pride Stock Investment Plan (the “Stock Plan”), as administered through the Pilgrim’s Pride Retirement Savings Plan (the “RSP”), and the To-Ricos, Inc. Employee Savings and Retirement Plan (the “To-Ricos Plan”) (collectively, the “Plans”) by failing to sell the common stock held by the Plans before it declined in value in late 2008. Patterson and Smalls further alleged that they purported to represent a class of all persons or entities who were participants in or beneficiaries of the Plans at any time between May 5, 2008 through the present and whose accounts held our common stock or units in our common stock. Both complaints sought actual damages in the amount of any losses the Plans suffered, to be allocated among the participants’ individual accounts as benefits

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due in proportion to the accounts' diminution in value, attorneys' fees, an order for equitable restitution and the imposition of constructive trust, and a declaration that each of the defendants have breached their fiduciary duties to the Plans' participants.

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

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

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

The Defendants filed a motion to dismiss the Amended Complaint on May 3, 2010. On August 29, 2012, the Magistrate judge issued a Report and Recommendation to deny the Defendants' motion to dismiss the complaint on grounds that the complaint included too many exhibits. Defendants filed objections with the District Court, and on October 29, 2012, the District Court adopted the Recommendation of the Magistrate Judge and entered an order denying Defendants' motion to dismiss. On November 11, 2012, Plaintiffs filed a motion for class certification. The motion is fully briefed and was argued to the Court on February 28, 2013. The parties are awaiting a decision on the motion.

Tax Claims and Proceedings

The United States Department of Treasury, Internal Revenue Service ("IRS") filed an amended proof of claim in the Bankruptcy Court pursuant to which the IRS asserted claims that total $74.7 million. We filed in the Bankruptcy Court (i) an objection to the IRS' amended proof of claim, and (ii) a motion requesting the Bankruptcy Court to determine our U.S. federal tax liability pursuant to Sections 105 and 505 of Chapter 11 of Title 11 of the United States Code. The objection and motion asserted that the Company had no liability for the additional U.S. federal taxes that have been asserted for pre-petition periods by the IRS. The IRS responded in opposition to our objection and motion. On July 8, 2010, the Bankruptcy Court granted our unopposed motion requesting that the Bankruptcy Court abstain from determining our federal tax liability. As a result we have worked with the IRS through the normal processes and procedures that are available to all taxpayers outside of bankruptcy (including the United States Tax Court ("Tax Court") proceedings discussed below) to resolve the IRS' amended proof of claim. On December 13, 2012, we entered into two Stipulation of Settled Issues ("Stipulation" or "Stipulations") with the IRS. The first Stipulation relates to the Company's 2003, 2005, and 2007 tax years and resolves all of the material issues in the case. The second Stipulation relates to the Company as the successor in interest to Gold Kist Inc. ("Gold Kist") for the tax years ended June 30, 2005 and September 30, 2005, and resolves all substantive issues in the case. These Stipulations account for approximately $29.3 million of the amended proof of claim and should result in no additional tax due.

In connection with the remaining claim of $45.4 million included in the amended proof of claim, we filed a petition in Tax Court on May 26, 2010 in response to a Notice of Deficiency that was issued to the Company as the successor in interest to Gold Kist. The Notice of Deficiency and the Tax Court proceeding relate to a loss that Gold Kist claimed for its tax year ended June 26, 2004. On December 11, 2013, the Tax Court issued its opinion in the case holding the loss that Gold Kist claimed for its tax year ended June 26, 2004 is capital in nature. On January 10, 2014, PPC filed both a Motion for Reconsideration and a Motion for Full Tax Court review of both its Motion for Reconsideration and any order issued in response to such motion. On March 10, 2014, the Tax Court denied both the Motion for Reconsideration and the Motion for Full Tax Court review. On April 14, 2014, the Company appealed the findings of fact and conclusions of law and decision concerning the post-judgment motions to the Fifth Circuit. The Company filed an opening brief with the Fifth Circuit on June 30, 2014. The IRS filed a response brief with the Fifth

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Circuit on August 15, 2014. The Company then filed their reply brief with the Fifth Circuit on September 2, 2014. Oral argument before the Fifth Circuit occurred during the week beginning January 5, 2015.

We can provide no assurances as to the likelihood of an unfavorable outcome or the amount or range of any possible loss to us related to the above Tax Court case related to Gold Kist's tax year ended June 26, 2004. If adversely determined, the outcome could have a material effect on the Company's cash flow, operating results and financial position.

Other Claims and Proceedings

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

Item 4. Mine Safety Disclosures

None.

PART II

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

Market Information

Our common stock is listed on the NASDAQ Global Select Market ("NASDAQ") under the symbol "PPC." High and low closing prices of the Company's common stock for 2014 and 2013 are as follows:

	2014 Prices		2013 Prices	
Quarter	High	Low	High	Low
First	$19.83	$15.46	$9.29	$7.24
Second	26.83	19.98	14.94	8.75
Third	32.27	27.36	18.58	14.69
Fourth	37.59	25.91	16.82	13.92

Holders

The Company estimates there were approximately 43,000 holders (including individual participants in security position listings) of the Company's common stock as of February 11, 2015.

Dividends

The Company did not pay dividends in 2014 or 2013. On January 15, 2015, the Company announced that its Board of Directors had approved the declaration of a special cash dividend of $5.77 per share. The total amount of the special cash dividend payment will be approximately $1.5 billion based on the current number of shares outstanding. The special cash dividend is payable on February 17, 2015, to stockholders of record on January 30, 2015. For additional information, see "- Executive Summary - Recent Developments" and "Note 13. Stockholders' Equity - Special Cash Dividend" of our Consolidated Financial Statements included in this annual report.

With the exception of the special cash dividend payable on February 17, 2015 to the holders of record on January 30, 2015, the Company has no current intention to pay any further dividends to its stockholders. Any change in dividend policy will depend upon future conditions, including earnings and financial condition, general business conditions, any applicable contractual limitations, and other factors deemed relevant by our board of directors in its discretion.

Issuer Purchases of Equity Securities in 2014

The Company did not repurchase any of its equity securities in 2014.

Total Return on Registrant's Common Equity

The following graph compares the performance of the Company with that of the Russell 2000 composite index and a peer group of companies for the period from December 29, 2009 to December 28, 2014, with the investment weighted on market capitalization. The total cumulative return on investment (change in the year-end stock price plus reinvested dividends) for each of the periods for the Company, the Russell 2000 composite index and the peer group is based on the stock price or composite index at the beginning of the applicable period. Companies in the peer group index include Sanderson Farms Inc., Hormel Foods Corp. and Tyson Foods Inc.

The graph covers the period from December 29, 2009 to December 28, 2014, and reflects the performance of the Company's single class of common stock. The stock price performance represented by this graph is not necessarily indicative of future stock performance.

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	12/29/09	06/30/10	12/26/10	06/30/11	12/25/11	06/30/12	12/30/12	06/30/13	12/29/13	06/30/14	12/28/14
PPC	$100.00	$70.73	$80.00	$58.24	$67.30	$80.34	$80.79	$167.87	$185.06	$307.42	$382.81
Russell 2000	100.00	96.85	126.08	133.08	121.13	130.31	136.86	161.86	193.49	200.12	205.10
Peer Group	100.00	118.44	134.03	155.61	159.62	157.17	163.24	210.49	257.08	290.06	304.69

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Item 6. Selected Financial Data

(In thousands, except ratios and per share data)	2014	2013	2012	2011	2010
Operating Results Data:					
Net sales	$8,583,365	$8,411,148	$8,121,382	$7,535,698	$6,881,629
Gross profit (loss)[a]	1,393,995	845,439	435,832	(141,537)	460,993
Operating income (loss)[a]	1,203,115	658,863	250,342	(373,591)	185,427
Interest expense, net	77,271	84,881	103,529	110,067	101,748
Loss on early extinguishment of debt	—	—	—	—	11,726
Reorganization items, net	—	—	—	—	18,541
Income (loss) before income taxes[a]	1,102,391	573,940	153,062	(487,126)	66,488
Income tax expense (benefit)[b]	390,953	24,227	(20,980)	8,564	(23,838)
Net income (loss)[a]	711,438	549,713	174,042	(495,690)	90,326
Net income (loss) attributable to noncontrolling interest	(210)	158	(192)	1,082	3,185
Net income (loss) attributable to Pilgrim's Pride Corporation[a]	711,648	549,555	174,234	(496,772)	87,141
Ratio of earnings to fixed charges[c]	12.96x	7.47x	2.34x	(d)	1.49x
Per Common Diluted Share Data:					
Net income (loss) attributable to Pilgrim's Pride Corporation	$2.74	$2.12	$0.70	$(2.21)	$0.39
Adjusted net income (loss) attributable to Pilgrim's Pride Corporation[d]	2.96	2.14	0.68	(2.14)	0.42
Book value	8.46	5.75	3.50	2.59	5.01
Balance Sheet Summary:					
Working capital	1,140,221	845,584	812,551	747,020	971,830
Total assets	3,119,063	3,172,402	2,913,869	2,879,545	3,218,898
Notes payable and current maturities of long-term debt	262	410,234	15,886	15,611	58,144
Long-term debt, less current maturities	3,980	501,999	1,148,870	1,408,001	1,281,160
Total stockholders' equity	2,196,801	1,492,602	908,997	558,430	1,072,663
Cash Flow Summary:					
Cash flows from operating activities	1,066,692	878,533	199,624	(128,991)	14,605
Depreciation and amortization[e]	155,824	150,523	147,414	209,061	231,045
Impairment of goodwill and other assets	—	4,004	2,770	22,895	26,484
Purchases of investment securities	(55,100)	(96,902)	(162)	(4,596)	(17,201)
Proceeds from sale or maturity of investment securities	152,050	—	688	15,852	68,100
Acquisitions of property, plant and equipment	(171,443)	(116,223)	(90,327)	(135,968)	(179,332)
Cash flows from financing activities	(905,595)	(250,214)	(111,029)	126,850	(29,480)
Other Data:					
EBITDA[f][g]	1,321,774	800,398	393,942	(174,801)	384,484
Adjusted EBITDA[f][g]	1,352,249	810,316	397,773	(134,413)	482,118
Key Indicators (as a percent of net sales):					
Gross profit (loss)[a]	16.2%	10.1%	5.4%	(1.9)%	6.7%
Selling, general and administrative expenses	2.2%	2.2%	2.2%	2.7%	3.0%

Operating income (loss)[(a)]	14.0 %	7.8 %	3.1 %	(5.0)%	2.7 %
Interest expense, net	0.9 %	1.0 %	1.3 %	1.5 %	1.5 %
Net income (loss)[(a)]	8.3 %	6.5 %	2.1 %	(6.6)%	1.3 %

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

	2014	2013	2012	2011	2010
	(In millions)				
Effect on gross profit and operating income:					
Operational restructuring charges	$—	$—	$—	$(2.0)	$(4.3)
Additional effect on operating income:					
Administrative restructuring charges	(2.3)	(5.7)	(8.4)	(26.9)	(66.0)

(b) Income tax expense in 2014 resulted primarily from expense recorded on our year-to-date income. Income tax expense in 2013 resulted primarily from expense recorded on our year-to-date income offset by a decrease in valuation allowance as a result of year-to-date earnings. Income tax benefit in 2012 resulted primarily from a decrease in valuation allowance and a decrease in reserves for unrecognized tax benefits. Income tax expense in 2011 resulted primarily from an increase in valuation allowance and an increase in reserves for unrecognized tax benefits. Income tax benefit in 2010 resulted primarily from the benefit on the deconsolidation for tax purposes of the Mexico operations and a decrease in valuation allowance. The deconsolidation

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for tax purposes of the Mexico operations was in response to changes in the Mexican tax laws that became effective January 1, 2010. The deconsolidation reduces the accrued taxes that had been previously recognized under the consolidated filing status as it eliminates recapturing certain taxes required under the new consolidation laws.

(c) For purposes of computing the ratio of earnings to fixed charges, earnings consist of income before income taxes plus fixed charges (excluding capitalized interest). Fixed charges consist of interest (including capitalized interest) on all indebtedness, amortization of capitalized financing costs and that portion of rental expense that we believe to be representative of interest. Earnings were inadequate to cover fixed charges by $490.6 million in 2011.

(d) Adjusted net income (loss) attributable to Pilgrim's Pride Corporation per common diluted share is presented because it is used by us and we believe it is frequently used by securities analysts, investors and other interested parties, in addition to and not in lieu of results prepared in conformity with GAAP, to compare the performance of companies. Adjusted net income (loss) attributable to Pilgrim's Pride Corporation per common diluted share is not a measurement of financial performance under GAAP, has limitations as an analytical tool and should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP. It does not reflect the impact of earnings or charges resulting from matters we consider to not be indicative of our ongoing operations.

A reconciliation of net income (loss) attributable to Pilgrim's Pride Corporation per common diluted share to adjusted net income (loss) attributable to Pilgrim's Pride Corporation per common diluted share is as follows:

	2014	2013	2012	2011	2010
	(In millions)				
Net income (loss) attributable to Pilgrim's Pride Corporation	$711,648	$549,555	$174,234	$(496,772)	$87,141
Loss on early extinguishment of debt	29,475	—	—	3,628	8,098
Foreign currency transaction losses (gains)	27,979	4,415	(4,810)	12,601	212
Adjusted net income (loss) attributable to Pilgrim's Pride Corporation	769,102	553,970	169,424	(480,543)	95,451
Weighted average diluted shares of common stock outstanding	259,471	259,241	250,216	224,996	224,996
Adjusted net income (loss) attributable to Pilgrim's Pride Corporation per common diluted share	$2.96	$2.14	$0.68	$(2.14)	$0.42

(e) Includes amortization of capitalized financing costs of approximately $13.7 million, $9.3 million, $10.1 million, $9.5 million and $14.8 million in 2014, 2013, 2012, 2011 and 2010, respectively.

(f) "EBITDA" is defined as the sum of net income (loss) plus interest, taxes, depreciation and amortization . "Adjusted EBITDA" is calculated by adding to EBITDA certain items of expense and deducting from EBITDA certain items of income that we believe are not indicative of our ongoing operating performance consisting of: (i) income (loss) attributable to noncontrolling interests in the period from 2010 through 2014, (ii) restructuring charges in the period from 2010 through 2014, (iii) reorganization items in 2010, (iv) losses on early extinguishment of debt in 2010 and (v) foreign currency transaction losses (gains) in the period from 2010 through 2014. EBITDA is presented because it is used by us and we believe it is frequently used by securities analysts, investors and other interested parties, in addition to and not in lieu of results prepared in conformity with GAAP, to compare the performance of companies. We believe investors would be interested in our Adjusted EBITDA because this is how our management analyzes EBITDA applicable to continuing operations. We also believe that Adjusted EBITDA, in combination with our financial results calculated in accordance with GAAP, provides investors with additional perspective regarding the impact of certain significant items on EBITDA and facilitates a more direct comparison of its performance with its competitors. EBITDA and Adjusted EBITDA are not measurements of financial performance under GAAP. EBITDA and Adjusted EBITDA have limitations as analytical tools and should not be considered in isolation or as substitutes for an analysis of our results as reported under GAAP. Some of the limitations of these measures are:

- They do not reflect our cash expenditures, future requirements for capital expenditures or contractual commitments;
- They do not reflect changes in, or cash requirements for, our working capital needs;

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

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

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A reconciliation of net income (loss) to EBITDA and Adjusted EBITDA is as follows:

	2014	2013	2012	2011	2010
	(In thousands)				
Net income (loss)	$711,438	$549,713	$174,042	$(495,690)	$90,326
Add:					
Interest expense, net [(a)]	77,271	84,881	103,529	110,067	101,748
Income tax expense (benefit)	390,953	24,227	(20,980)	8,564	(23,838)
Depreciation and amortization [(b)]	155,824	150,884	147,414	211,780	231,045
Minus:					
Amortization of capitalized financing costs[(c)]	13,712	9,307	10,063	9,522	14,797
EBITDA	1,321,774	800,398	393,942	(174,801)	384,484
Add:					
Foreign currency transaction losses (gains)[(d)]	27,979	4,415	(4,810)	12,601	212
Restructuring charges[(e)]	2,286	5,661	8,449	28,869	70,340
Reorganization items, net [(f)]	—	—	—	—	18,541
Loss on early extinguishment of debt[(g)]	—	—	—	—	11,726
Minus:					
Net income (loss) attributable to noncontrolling interest	(210)	158	(192)	1,082	3,185
Adjusted EBITDA	$1,352,249	$810,316	$397,773	$(134,413)	$482,118

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

(b) 2013 and 2011 include $0.4 million and $2.7 million, respectively, of asset impairments not included in restructuring charges.

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

(d) The Company measures the financial statements of its Mexico subsidiaries as if the U.S. dollar were the functional currency. Accordingly, we remeasure assets and liabilities, other than non-monetary assets, of the Mexico subsidiaries at current exchange rates. We remeasure nonmonetary assets using the historical exchange rate in effect on the date of each asset's acquisition. Currency exchange gains or losses resulting from these remeasurements are included in the line item Foreign currency transaction losses (gains) in the Consolidated Statements of Income.

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

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

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

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

Our Company

We are one of the largest chicken producers in the world, with operations in the U.S., Mexico and Puerto Rico. We are primarily engaged in the production, processing, marketing and distribution of fresh, frozen and value-added chicken products to retailers, distributors and foodservice operators. We offer a wide range of products to our customers through strong national and international distribution channels. Pilgrim's fresh chicken products consist of refrigerated (non-frozen) whole chickens, whole cut-up chickens and selected chicken parts that are either marinated or non-marinated. The Company's prepared chicken products include fully cooked, ready-to-cook and individually frozen chicken parts, strips, nuggets and patties, some of which are either breaded or non-breaded and either marinated or non-marinated.

We market our balanced portfolio of fresh, prepared and value-added chicken products to a diverse set of over 5,000 customers across the U.S., Mexico and in approximately 95 other countries, with no single one accounting for more than 10% of total sales. We have become a valuable partner to our customers and a recognized industry leader by consistently providing high-quality products and services designed to meet their needs and enhance their business. Our sales efforts are largely targeted towards the foodservice industry, principally chain restaurants and food processors such as Chick-fil-A® and Yum! Brands®, distributors such as US Foods and Sysco® and retail customers, including grocery store chains and wholesale clubs such as Kroger®, Wal-Mart®, Costco®, Publix® and Sam’s Club®.

As a vertically integrated company, we control every phase of the production process, which helps us better manage food safety and quality, as well as more effectively control margins and improve customer service. We operate feed mills, hatcheries, processing plants and distribution centers in 12 U.S. states, Puerto Rico and Mexico. Our plants are strategically located to ensure that customers timely receive fresh products. With our global network of approximately 3,750 growers, 28 feed mills, 36 hatcheries, 27 processing plants, five prepared foods cook plants, 14 distribution centers, eight rendering facilities and three pet food plants, we believe we are well positioned to supply the growing demand for our products.

We are one of the largest, and we believe one of the most efficient, producers and sellers of chicken in Mexico. Our presence in Mexico provides access to a market with growing demand and has enabled us to leverage our operational strengths within the region. The market for chicken products in Mexico is still developing with most sales attributed to fresh, commodity-oriented, market price-based business. We believe our Mexico business is well positioned to continue benefiting from these trends in the Mexican consumer market. Additionally, we are an important player in the live market, which accounted for approximately 33% of the industry’s chicken sales in Mexico in 2014.

Pilgrim's has approximately 35,000 employees and has the capacity to process more than 34.7 million birds per week for a total of more than 10.2 billion pounds of live chicken annually. In 2014, we produced 7.5 billion pounds of chicken products, generating approximately $8.6 billion in net revenues and approximately $711.6 million in net income attributable to Pilgrim’s.

We operate on a 52/53-week fiscal year that ends on the Sunday falling on or before December 31. The reader should assume any reference we make to a particular year (for example, 2014) in this report applies to our fiscal year and not the calendar year.

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Executive Summary

We reported net income attributable to Pilgrim's Pride Corporation of $711.6 million, or $2.74 per diluted common share, for 2014. These operating results included gross profit of $1.4 billion. During 2014, we generated $1.1 billion of cash from operations.

Market prices for feed ingredients remain volatile. Consequently, there can be no assurance that our feed ingredients prices will not increase materially and that such increases would not negatively impact our financial position, results of operations and cash flow. The following table compares the highest and lowest prices reached on nearby futures for one bushel of corn and one ton of soybean meal during the current year and previous two years:

	Corn		Soybean Meal	
	Highest Price	Lowest Price	Highest Price	Lowest Price
2014:				
Fourth Quarter	$4.14	$3.21	$411.60	$304.60
Third Quarter	4.24	3.23	464.20	307.20
Second Quarter	5.16	4.39	506.00	448.40
First Quarter	4.92	4.12	470.50	416.50
2013:				
Fourth Quarter	4.49	4.12	464.60	392.80
Third Quarter	7.17	4.49	535.30	396.00
Second Quarter	7.18	6.29	490.30	391.80
First Quarter	7.41	6.80	438.50	398.20
2012:				
Fourth Quarter	8.46	6.88	518.00	393.00
Third Quarter	8.49	5.70	541.80	407.50
Second Quarter	6.77	5.51	437.50	374.30
First Quarter	6.79	5.93	374.50	299.00

We purchase derivative financial instruments, specifically exchange-traded futures and options, in an attempt to mitigate price risk related to our anticipated consumption of commodity inputs such as corn, soybean meal, sorghum, wheat, soybean oil and natural gas. We will sometimes take a short position on a derivative instrument to minimize the impact of a commodity's price volatility on our operating results. We will also occasionally purchase derivative financial instruments in an attempt to mitigate currency exchange rate exposure related to the financial statements of our Mexico operations that are denominated in Mexican pesos. We do not designate derivative financial instruments that we purchase to mitigate commodity purchase or currency exchange rate exposures as cash flow hedges; therefore, we recognize changes in the fair value of these derivative financial instruments immediately in earnings. We recognized $16.1 million, $25.1 million and $8.3 million in net gains related to changes in the fair value of derivative financial instruments during 2014, 2013 and 2012.

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

Commodities such as corn, soybean meal, sorghum, wheat and soybean oil are actively traded through various exchanges with future market prices quoted on a daily basis. These quoted market prices, although a good indicator of the commodity's base price, do not represent the final price for which we can purchase these commodities. There are several components in addition to the quoted market price, such as freight, storage and seller premiums, that are included in the final price that we pay for grain.Although changes in quoted market prices may be a good indicator of

the commodity's base price, the components mentioned above may have a significant impact on the total change in grain costs recognized from period to period. Prices related to these individual components of the total price of corn were especially high in late 2013 as we transitioned from a year of record low corn stocks, primarily caused by drought conditions, to a year with normal corn stocks. Prices related to these individual components

of the total price of corn returned to normal levels in the first quarter of 2014. Prices related to these individual components of the total price of soybean meal remain near historically high levels due to low soybean stocks in the U.S.

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

Recent Developments

MOFCOM Proceedings. During the first quarter of 2014, we participated in antidumping and countervailing duty proceedings initiated by the Ministry of Commerce of the People's Republic of China ("MOFCOM"). In these proceedings, MOFCOM re-examined whether US chicken producers, including us, were dumping certain chicken products into the People's Republic of China (excluding the Special Administrative Region of Hong Kong), and whether US chicken producers, including us, were receiving countervailable subsidies in respect of those chicken products. Following review in World Trade Organization ("WTO") dispute settlement proceedings, MOFCOM concluded their most recent proceedings in June 2014 and imposed antidumping and countervailing duties on the US chicken producers. The combined antidumping and countervailing duties imposed range from 50.6% to 78.0%. The rate imposed on us is 77.9%. Until these duties are modified or eliminated, the duty rates can be expected to deter Chinese importers from purchases of US-origin chicken products, including our chicken products, and can be expected to diminish the volume of such purchases. The basis for imposing the duties may be challenged by the U.S. in further WTO dispute settlement proceedings. The assessment of these duty rates on our sales to Chinese importers has not had a material impact on our operating results.

Tyson Mexico Acquisition. On July 28, 2014, the Company entered into a definitive agreement to purchase Provemex Holdings LLC and its subsidiaries (together, "Tyson Mexico") from Tyson Foods, Inc. and certain of its subsidiaries for approximately $400.0 million,which is subject to adjustment for closing date working capital. The transaction is expected to be completed during the the first quarter of 2015, subject to customary closing conditions, including regulatory approvals. We expect to fund the purchase price from available cash balances and bank credit. Tyson Mexico is a vertically integrated poultry business based in Gomez Palacio, Durango, Mexico. It has a production capacity of 3 million birds per week in its three plants and employs more than 5,400 in its plants, offices and seven distribution centers. The acquisition further strengthens our strategic position in the Mexico chicken market. Once the acquisition is completed, we expect to maintain the operations working to capacity with the existing workforce, maintaining labor contracts in place. The financial information included into this annual report does not give pro forma effect to the Tyson Mexico acquisition unless specifically identified.

Amended and Restated U.S. Credit Facility. On February 11, 2015, the Company and certain of its subsidiaries entered into a Second Amended and Restated Credit Agreement (the "U.S. Credit Facility") with Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland, New York Branch ("Rabobank"), as administrative agent, and the other lenders party thereto. The U.S. Credit Facility amends and restates the Company's existing credit agreement dated August 7, 2013 with CoBank, ACB, as administrative agent and collateral agent, and other lenders party thereto. The U.S. Credit Facility provides for a revolving loan commitment of at least $700 million and a term loan commitment of up to $1.0 billion (the "Term Loan"). The U.S. Credit Facility also includes an accordion feature that allows us, at any time, to increase the aggregate revolving loan and term loan commitments by up to an additional $1.0 billion, subject to the satisfaction of certain conditions, including obtaining the lenders' agreement to participate in the increase. For additional information regarding the U.S. Credit Facility, see " - Liquidity and Capital Resources - Debt Obligations - U.S. Credit Facility."

Special Cash Dividend. On January 14, 2015, we declared a special cash dividend of $5.77 per share with a total payment amount of approximately $1.5 billion based on the number of shares outstanding. The special cash dividend is payable on February 17, 2015, to stockholders of record as of January 30, 2015. We anticipate that proceeds from certain borrowings under the U.S. Credit Facility, along with cash on hand, will be used to pay the special cash dividend to our stockholders on February 17, 2015. For additional information, see "Note 13. Stockholders' Equity - Special Cash Dividend" of our Consolidated Financial Statements included in this annual report.

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Business Segment and Geographic Reporting

We operate in one reportable business segment, as a producer and seller of chicken products we either produce or purchase for resale in the U.S., Puerto Rico and Mexico. We conduct separate operations in the U.S., Puerto Rico and Mexico; however, for geographic reporting purposes, we include Puerto Rico within our U.S. operations. Corporate expenses are allocated to Mexico based upon various apportionment methods for specific expenditures incurred related thereto with the remaining amounts allocated to the U.S. For additional information, see “Note 18. Business Segment and Geographic Reporting” of our Consolidated Financial Statements included in this annual report.

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Results of Operations

2014 Compared to 2013

Net sales. Net sales for 2014 increased $172.2 million, or 2.0%, from 2013. The following table provides additional information regarding net sales:

Source of net sales	2014	Change from 2013 Amount	Percent	
	(In thousands, except percent data)			
United States	$7,647,036	$146,824	2.0	%(a)
Mexico	936,329	25,393	2.8	%(b)
Total net sales	$8,583,365	$172,217	2.0	%

(a) U.S. sales generated in 2014 increased $146.8 million, or 2.0%, from U.S. sales generated in 2013, primarily because of an increase in the net revenue per pound sold that was partially offset by a decrease in pounds sold. Increased net revenue per pound sold, which resulted primarily from an increase in market prices due to continued healthy demand for chicken products in combination with constrained supply, contributed $217.8 million, or 2.9 percentage points, to the revenue increase. A decrease in pounds sold partially offset the increase in revenue per pound sold by $70.8 million, or 0.9 percentage points. Included in U.S. sales generated during 2014 and 2013 were sales to JBS USA, LLC totaling $39.7 million and $61.9 million, respectively.

(b) Mexico sales generated in 2014 increased $25.4 million, or 2.8%, from Mexico sales generated in 2013, primarily because of an increase in the net revenue per pound sold and an increase in sales volume partially offset by the impact of foreign currency translation. The increase in net revenue per pound contributed $42.4 million, or 4.7%, to the increase in sales. The increase in volume contributed $24.2 million, or 2.7 percentage points, to the increase in sales, partially offset by the unfavorable impact of foreign currency translation contributed $41.2 million, or 4.4 percentage points, to the revenue decrease.

Gross profit. Gross profit increased by $548.6 million, or 64.9%, from $845.7 million generated in 2013 to $1.4 billion generated in 2014. The following tables provide gross profit information:

Components of gross profit	2014	Change from 2013 Amount	Percent		Percent of Net Sales 2014		2013	
	(In thousands, except percent data)							
Net sales	$8,583,365	$172,217	2.0	%	100.0	%	100.0	%
Cost of sales	7,189,370	(376,339)	(5.0	)%	83.8	%	89.9	%(a)(b)
Gross profit	$1,393,995	$548,556	64.9	%	16.2	%	10.1	%

Sources of gross profit	2014	Change from 2013 Amount	Percent	
	(In thousands, except percent data)			
United States	$1,202,802	$485,818	67.8	%
Mexico	191,193	62,738	48.8	%
Elimination	—	—	—	%
Total gross profit	$1,393,995	$548,556	64.9	%

Sources of cost of sales	2014	Change from 2013 Amount	Percent	
	(In thousands, except percent data)			
United States	$6,444,234	$(338,994)	(5.0	)%(a)
Mexico	745,136	(37,345)	(4.8	)%(b)
Elimination	—	—	—	%
Total cost of sales	$7,189,370	$376,339	(5.0	)%

(a) Cost of sales incurred by our U.S. operations in 2014 decreased $339.0 million, or 5.0%, from cost of sales incurred by our U.S. operations in 2013. Cost of sales decreased primarily because of a $464.7 million decrease in feed ingredients costs, a $23.6 million decrease in wages and benefits, a $17.2 million decrease in co-pack labor, a

$15.4 million decrease in freight and storage and a $5.1 million decrease in repairs and maintenance. Decreases to cost of sales were partially offset by a decrease in derivative gains from $23.4 million in 2013 to $16.0 million in 2014, a $6.2 million increase in utilities costs, a $5.8 million increase in contract labor costs and a $2.6 million increase in lease costs. Other factors affecting U.S. cost of sales were immaterial.

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(b) Cost of sales incurred by the Mexico operations during 2014 decreased $37.3 million, or 4.8%, from cost of sales incurred by the Mexico operations during 2013. Cost of sales decreased primarily because of lower feed ingredients costs partially offset by the impact of foreign currency translation. The impact of lower feed ingredients costs contributed $41.6 million, or 6.8 percentage points, to the decrease in costs of sales. The impact of foreign currency translation contributed $31.9 million, or 4.1 percentage points, to the decrease in cost of sales. Cost of sales also decreased because of a $1.7 million decrease in wages and benefits offset by an increase of $4.1 million in freight and storage costs, a $2.4 million increase in contract labor costs, a $2.4 million increase in utilities costs, a $2.2 million increase in grower costs and a decrease in derivative gains from $1.8 million in 2013 to $0.2 million in 2014. Other factors affecting cost of sales were individually immaterial.

Operating income. Operating income increased $544.3 million, or 82.6%, from $658.8 million generated for 2013 to $1.2 billion generated for 2014. The following tables provide operating income information:

Components of operating income	2014	Change from 2013 Amount	Change from 2013 Percent	Percent of Net Sales 2014	Percent of Net Sales 2013	
	(In thousands, except percent data)					
Gross profit	$1,393,995	$548,556	64.9 %	16.2 %	10.1 %	
SG&A expenses	188,594	7,679	4.2 %	2.2 %	2.2 %	(a)(b)
Administrative restructuring charges	2,286	(3,375)	(59.6)%	— %	0.1 %	(c)
Operating income	$1,203,115	$544,252	82.6 %	14.0 %	7.8 %	

Source of operating income	2014	Change from 2013 Amount	Change from 2013 Percent
	(In thousands, except percent data)		
United States	$1,031,120	$480,025	87.1 %
Mexico	171,995	64,227	59.6 %
Elimination	—	—	— %
Total operating income	$1,203,115	$544,252	82.6 %

Sources of SG&A expenses	2014	Change from 2013 Amount	Change from 2013 Percent	
	(In thousands, except percent data)			
United States	$169,396	$9,168	5.7 %	(a)
Mexico	19,198	(1,489)	(7.2)%	(b)
Total SG&A expense	$188,594	$7,679	4.2 %	

Sources of administrative restructuring charges	2014	Change from 2013 Amount	Change from 2013 Percent	
	(In thousands, except percent data)			
United States	$2,286	$(3,375)	(59.6)%	(c)
Total administrative restructuring charges	$2,286	$(3,375)	(59.6)%	

(a) SG&A expense incurred by the U.S. operations during 2014 increased $9.2 million, or 5.7%, from SG&A expense incurred by the U.S. operations during 2013 primarily because of an $8.2 million increase in employee wages and benefits, a $6.2 million increase in management fees charged for administrative functions shared with JBS USA, LLC and a $1.6 million increase in legal services expenses that were partially offset by a $2.2 million gain on asset disposals, a $1.4 million decrease in outside services expenses, a $1.4 million decrease in depreciation expenses, recognition of a $1.1 million bad debt recovery, a $1.0 million decrease in brokerage expenses and a $1.0 million decrease in contract labor expenses. Other factors affecting SG&A expense were individually immaterial.

(b) SG&A expense incurred by the Mexico operations during 2014 decreased $1.5 million, or 7.2%, from SG&A expense incurred by the Mexico operations during 2013 primarily because of a $2.7 million decrease in contract labor expenses, a $2.0 million decrease in government fees and a $1.1 million decrease in management fees charged by the U.S. operations that were partially offset by a $2.8 million increase in employee wages and benefits,

a $0.6 million loss recognized on asset disposals, a $0.4 million increase in marketing expenses and a $0.4 million increase in legal services expenses. Other factors affecting SG&A expense were individually immaterial.

(c) Administrative restructuring charges incurred during 2014 decreased $3.4 million, or 59.6%, from administrative restructuring charges incurred during 2013. During 2014, we incurred administrative restructuring charges composed of (i) live operations rationalization costs of $0.9 million, (ii) employee-related costs of $0.6 million, (iii) other exit or disposal costs of $0.4 million and (iv) inventory valuation costs of $0.3 million.

Interest expense. Consolidated interest expense decreased 5.6% to $82.1 million in 2014 from $87.0 million in 2013 primarily because of decreased average borrowings of $526.7 million in 2014 compared to $990.5 million in 2013 and a decrease in the weighted average interest rate to 6.45% in 2014 from 7.10% in 2013. As a percent of net sales, interest expense in 2014 and 2013 was 0.96% and 1.03%.

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Income taxes. Our consolidated income tax expense in 2014 was $390.9 million, compared to income tax expense of $24.2 million in 2013. The income tax expense in 2014 resulted primarily from an increase in income partially offset by decreases in valuation allowance and reserves for unrecognized tax benefits during 2013. We expect a future effective tax rate that is comparative to 2014.

2013 Compared to 2012

Net sales. Net sales for 2013 increased $289.8 million, or 3.6%, from 2012. The following table provides additional information regarding net sales:

Source of net sales	2013	Change from 2012 Amount	Percent	
	(In thousands, except percent data)			
United States	$7,500,212	$250,727	3.5	% (a)
Mexico	910,936	39,039	4.5	% (b)
Total net sales	$8,411,148	$289,766	3.6	%

(a) U.S. sales generated in 2013 increased $250.7 million, or 3.5%, from U.S. sales generated in 2012, despite a decrease in the number of weeks included in the fiscal year from 53 in 2012 to 52 in 2013, primarily because of an increase in the net revenue per pound sold that was partially offset by a decrease in pounds sold. Increased net revenue per pound sold, which resulted primarily from an increase in market prices due to continued healthy demand for chicken products in combination with constrained supply, contributed $484.3 million, or 6.7 percentage points, to the revenue increase. A decrease in pounds sold partially offset the increase in revenue per pound sold by $233.6 million, or 3.2 percentage points. Included in U.S. sales generated during 2013 and 2012 were sales to JBS USA, LLC totaling $61.9 million and $206.7 million, respectively.

(b) Mexico sales generated in 2013 increased $39.0 million, or 4.5%, from Mexico sales generated in 2012, despite a decrease in the number of weeks included in the respective fiscal years, primarily because of the favorable impact of foreign currency translation and an increase in market prices that were partially offset by a decrease in unit sales volume. The favorable impact of foreign currency translation contributed $28.3 million, or 3.2 percentage points, to the revenue increase. An increase in market prices contributed $19.8 million, or 2.3 percentage points to the revenue increase. A decrease in pounds sold partially offset the favorable impact of foreign currency translation and the increase in market prices by $9.1 million, or 1.0 percentage points, and resulted primarily from the lack of broiler eggs following the H7N3 influenza outbreak in Mexico in late 2012 and early 2013.

Gross profit. Gross profit increased by $409.6 million, or 94.0%, from $435.8 million generated in 2012 to $845.4 million generated in 2013. The following tables provide gross profit information:

Components of gross profit	2013	Change from 2012 Amount	Percent		Percent of Net Sales 2013		2012	
	(In thousands, except percent data)							
Net sales	$8,411,148	$289,766	3.6	%	100.0	%	100.0	%
Cost of sales	7,565,709	(119,841)	(1.6	)%	89.9	%	94.6	% (a) (b)
Gross profit	$845,439	$409,607	94.0	%	10.1	%	5.4	%

Sources of gross profit	2013	Change from 2012 Amount	Percent	
	(In thousands, except percent data)			
United States	$717,864	$385,253	115.8	%
Mexico	128,455	25,234	24.4	%
Elimination	(880)	(880)	—	%
Total gross profit	$845,439	$409,607	94.0	%

Sources of cost of sales	2013	Change from 2012 Amount	Percent	
	(In thousands, except percent data)			
United States	$6,782,348	$(134,526)	(1.9	)% (a)
Mexico	782,481	13,805	1.8	% (b)

Elimination	880	880	—	%
Total cost of sales	$7,565,709	$(119,841)	(1.6	)%

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(a) Cost of sales incurred by our U.S. operations in 2013 decreased $134.5 million, or 1.9%, from cost of sales incurred by our U.S. operations in 2012. Along with a decrease in the number of weeks included in the respective fiscal years, the reduction in cost of sales resulted from (i) a $57.9 million decrease in co-pack labor and meat, which resulted primarily from the decrease in sales volume, (ii) a $24.1 million decrease in insurance costs resulting primarily from improved workers compensation loss performance, (iii) a $14.6 million decrease in live production costs, which were lower primarily because of a reduction in feed ingredient costs, (iv) a $13.6 million increase in derivative gains, (v) the August 2012 disposal of our commercial egg business, which incurred cost of sales totaling $12.0 million in 2012, (vi) a $10.1 million decrease in freight and storage costs, (vii) a $9.7 million decrease in compensation and employee relations costs and (viii) a $5.2 million decrease in rental and lease costs. Other factors affecting U.S. cost of sales were immaterial.

(b) Cost of sales incurred by the Mexico operations during 2013 increased $13.8 million, or 1.8%, from cost of sales incurred by the Mexico operations during 2012 despite the decrease in the number of weeks included in the respective fiscal years. The unfavorable impact of foreign currency translation contributed $24.3 million, or 3.2 percentage points, to the increase in cost of sales. Fertile egg purchases contributed $4.7 million, or 0.6% percentage points, and increased feed costs contributed $3.0 million, or 0.4 percentage points, to the increase in cost of sales. The impact of decreased sales volume, which resulted primarily from the lack of broiler eggs following the H7N3 influenza outbreak in Mexico, offset the increase in cost of sales by $10.0 million, or 1.3 percentage points. Finally, improved processing performance offset the increase in cost of sales by $8.8 million, or 1.1 percentage points. Other factors affecting Mexico cost of sales were immaterial.

Operating income. Operating income increased $408.5 million, or 163.2%, from $250.3 million generated for 2012 to $658.9 million generated for 2013. The following tables provide operating income information:

Components of operating income	2013	Change from 2012 Amount	Change from 2012 Percent	Percent of Net Sales 2013	Percent of Net Sales 2012	
	(In thousands, except percent data)					
Gross profit	$845,439	$409,607	94.0 %	10.1 %	5.4 %	
SG&A expenses	180,915	3,874	2.2 %	2.2 %	2.2 %	(a)(b)
Administrative restructuring charges	5,661	(2,788)	(33.0)%	0.1 %	0.1 %	(c)
Operating income	$658,863	$408,521	(163.2)%	7.8 %	3.1 %	

Source of operating income	2013	Change from 2012 Amount	Change from 2012 Percent
	(In thousands, except percent data)		
United States	$551,975	$387,225	(235.0)%
Mexico	107,768	22,176	(25.9)%
Elimination	(880)	(880)	(100.0)%
Total operating income	$658,863	$408,521	(163.2)%

Sources of SG&A expenses	2013	Change from 2012 Amount	Change from 2012 Percent	
	(In thousands, except percent data)			
United States	$160,228	$816	0.5 %	(a)
Mexico	20,687	3,058	17.3 %	(b)
Total SG&A expense	$180,915	$3,874	2.2 %	

Sources of administrative restructuring charges	2013	Change from 2012 Amount	Change from 2012 Percent	
	(In thousands, except percent data)			
United States	$5,661	$(2,788)	(33.0)%	(c)
Total administrative restructuring charges	$5,661	$(2,788)	(33.0)%	

(a)

SG&A expenses incurred by the U.S. operations during 2013 increased $0.8 million, or 0.5%, from SG&A expenses incurred by the U.S. operations during 2012, despite a decrease in the number of weeks included in the respective fiscal years from 53 in 2012 to 52 in 2013, primarily because of a $15.0 million increase in payroll and related benefits expenses resulting primarily from higher incentive compensation and pension costs. This increase in SG&A expenses was partially offset by (i) an $8.2 million decrease in outside services and professional fees, (ii) a $3.5 million decrease in brokerage expenses and (iii) a $2.0 million decrease in depreciation and amortization expenses. Other factors affecting U.S. SG&A expenses were immaterial.

(b) SG&A expense incurred by the Mexico operations during 2013 increased $3.1 million, or 17.3%, from SG&A expense incurred by the Mexico operations during 2012, despite a decrease in the number of weeks included in the respective fiscal years, primarily because of a $2.1 million fine assessed by a commission of the Mexican government that we are currently appealing. The unfavorable impact of foreign currency translation also contributed $0.6 million, or 3.6 percentage points, to the increase in SG&A expenses. Other factors affecting Mexico SG&A expenses were immaterial.

(c) Administrative restructuring charges incurred during 2013 decreased $2.7 million, or 33.0%, from administrative restructuring charges incurred during 2012. During 2013, we incurred administrative restructuring charges related to noncash impairment charges of $3.7 million and live operations rationalization totaling $2.0 million. During 2012, we incurred administrative restructuring charges composed of (i) flock rationalization costs of $3.7

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million related to our Dallas, Texas plant closure, (ii) impairment costs of $2.8 million and (iii) a loss resulting from the disposal of certain unused assets of $2.0 million.

Interest expense. Consolidated interest expense decreased 17.1% to $87.0 million in 2013 from $104.9 million in 2012 primarily because of decreased average borrowings of $990.5 million in 2013 compared to $1,242.2 million in 2012 partially offset by an increase in the weighted average interest rate to 7.10% in 2013 from 7.00% in 2012. As a percent of net sales, interest expense in 2013 and 2012 was 1.0% and 1.3%, respectively.

Income taxes. Our consolidated income tax expense in 2013 was $24.2 million, compared to income tax benefit of $21.0 million in 2012. The income tax expense in 2013 resulted primarily from an increase in income and a decrease in the valuation allowance. The net change in the total valuation allowance for 2013 was a decrease of $178.0 million, resulting primarily from the utilization of almost all of our domestic net operating losses.

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Liquidity and Capital Resources

The following table presents our available sources of liquidity as of December 28, 2014, after giving effect to the payment of our approximately $1.5 billion special cash dividend to our stockholders, consummation of our acquisition of Tyson Mexico and the entry into our U.S. Credit Facility:

Source of Liquidity[(a)]	Facility Amount	Amount Outstanding	Available	
	(In millions)			
Cash and cash equivalents	$—	$—	$10.0	(b)
Debt facilities:				
U.S. Credit Facility	1,700.0	1,358.8	341.2	(c)
Mexico Credit Facility (defined below)	38.1	—	38.1	(d)

(a) We believe that the assumptions used provide a reasonable basis on which to present our available sources of liquidity as of December 28, 2014 after giving effect to the payment of the special cash dividend, the consummation of our acquisition of Tyson Mexico and the entry into our U.S. Credit Facility. The resulting presentation does not purport to be indicative of the available sources of liquidity that would actually have resulted if payment of the special cash dividend, consummation of our acquisition of Tyson Mexico and the related borrowings necessary to fund the special cash dividend and our acquisition of Tyson Mexico had been completed as of such date or that may result in the future. This presentation should be viewed in conjunction with the Consolidated Financial Statements and the Notes to Consolidated Financial Statements in this annual report.

(b) We have assumed that $566.1 million of our cash and cash equivalents on hand at December 28, 2014 will be used to (i) fund a portion of the special cash dividend, (ii) fund a portion of our acquisition of Tyson Mexico and (iii) pay financing fees on our credit facilities.

(c) Actual borrowings by us under the revolving loan commitment of the U.S. Credit Facility will be subject to a borrowing base, which is a formula based on certain eligible inventory and eligible receivables. Had the borrowing base under the U.S. Credit Facility been in effect on December 28, 2014, it would have totaled $700.0 million. Availability under the revolving loan commitment of the U.S. Credit Facility will also be reduced by our outstanding standby letters of credit. Standby letters of credit outstanding at December 28, 2014 totaled $20.1 million. We have also assumed that proceeds of $1.33 billion from borrowings under the U.S. Credit Facility will be used to (i) fund a portion of the special cash dividend and (ii) fund a portion of our acquisition of Tyson Mexico.

(d) The loan commitment under the Mexico Credit Facility is $560.0 million Mexican pesos. As of December 28, 2014, the U.S. dollar-equivalent of the loan commitment under the Mexico Credit Facility was $38.1 million.

Debt Obligations

Senior and Subordinated Notes. On December 15, 2014, we redeemed all of our outstanding $500,000,000 principal amount of 7.875% senior notes due 2018 (the “2018 Notes”) for a redemption price of 103.9375% of the principal amount, plus accrued and unpaid interest to the redemption date. As a result, at December 28, 2014, no 2018 Notes remained outstanding. Additionally, we have an aggregate principal balance of $3.6 million of 7 5/8% senior unsecured notes and 8 3/8% senior subordinated unsecured notes outstanding at December 28, 2014.

JBS Subordinated Loan Agreement. On June 23, 2011, we entered into a Subordinated Loan Agreement with JBS USA (the “Subordinated Loan Agreement”). Pursuant to the terms of the Subordinated Loan Agreement, we agreed to reimburse JBS USA up to $56.5 million for draws upon any letters of credit issued for JBS USA's account that support certain obligations of our company or its subsidiaries. JBS USA agreed to arrange for letters of credit to be issued on its account in the amount of $56.5 million to an insurance company serving us in order to allow that insurance company to return cash it held as collateral against potential workers compensation, auto and general liability claims. In return for providing this letter of credit, we agreed to reimburse JBS USA for the letter of credit cost we would otherwise incur under our U.S. Credit Facility (as defined below). The total amount we paid in 2014, 2013 and 2012 to reimburse JBS USA was $1.3 million, $2.2 million and $2.2 million, respectively. As of December 28, 2014, we have accrued an obligation of $0.1 million to reimburse JBS USA for letter of credit costs incurred on our behalf. There remains no other commitment to make advances by JBS USA under the Subordinated Loan Agreement.

U.S. Credit Facility. We and certain of our subsidiaries entered into the U.S. Credit Facility with Rabobank, as administrative agent, and the other lenders party thereto on February 11, 2015. The U.S. Credit Facility provides for a $700.0 million revolving loan commitment and a term loan commitment of up to $1.0 billion (the “Term Loan”). The U.S. Credit Facility also includes an accordion feature that allows us, at any time, to increase the aggregate revolving loan and term loan commitments by up to an additional $1.0 billion, subject to the satisfaction of certain conditions, including obtaining the lenders’ agreement to participate in the increase.

The revolving loan commitment under the U.S. Credit Facility matures on February 10, 2020. Beginning on April 2, 2015, the Term Loan will be payable in quarterly installments equal to 1.25% of the principal outstanding as of closing, with all remaining principal and interest due at maturity on February 10, 2020. Covenants in the U.S. Credit Facility also require us to use the proceeds we receive from certain asset sales and specified debt or equity issuances and upon the occurrence of other events to repay outstanding borrowings under the U.S. Credit Facility.

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The U.S. Credit Facility includes a $75 million sub-limit for swingline loans and a $125 million sub-limit for letters of credit. Outstanding borrowings under the revolving loan commitment and the Term Loan bear interest at a per annum rate equal to (i) in the case of LIBOR loans, LIBOR plus 1.50% through March 29, 2015 and, based on our net senior secured leverage ratio, between LIBOR plus 1.25% and LIBOR plus 2.75% thereafter and (ii) in the case of alternate base rate loans, the base rate plus 0.50% through March 29, 2015 and, based on our net senior secured leverage ratio, between the base rate plus 0.25% and base rate plus 1.75% thereafter.

Actual borrowings by us under the U.S. Credit Facility are subject to a borrowing base, which is a formula based on certain eligible inventory, eligible receivables and restricted cash under the control of Rabobank, in its capacity as administrative agent. The borrowing base formula will be reduced by the sum of (i) inventory reserves, (ii) rent and collateral access reserves, and (iii) any amount more than 15 days past due that is owed by our company or its subsidiaries to any person on account of the purchase price of agricultural products or services (including poultry and livestock) if that person is entitled to any grower's or producer's lien or other security arrangement.

The U.S. Credit Facility contains financial covenants and various other covenants that may adversely affect our ability to, among other things, incur additional indebtedness, incur liens, pay dividends or make certain restricted payments, consummate certain assets sales, enter into certain transactions with JBS USA and our other affiliates, merge, consolidate and/or sell or dispose of all or substantially all of our assets. The U.S. Credit Facility requires us to comply with a minimum level of tangible net worth covenant. We are currently in compliance with this financial covenant. The U.S. Credit Facility also provides that we may not incur capital expenditures in excess of $500.0 million in any fiscal year.

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

Mexico Credit Facility. On July 23, 2014, Avícola and certain other Mexico subsidiaries entered into an unsecured credit agreement (the “Mexico Credit Facility”) with BBVA Bancomer, S.A. Institución de Banca Multiple, Grupo Financiero BBVA Bancomer, as lender. The loan commitment under the Mexico Credit Facility is $560.0 million Mexican pesos. Outstanding borrowings under the Mexico Credit Facility will accrue interest at a rate equal to the TIIE rate plus 1.05%. The Mexico Credit Facility will mature on July 23, 2017. As of December 28, 2014, the U.S. dollar-equivalent of the loan commitment under the Mexico Credit Facility was $38.1 million. There are currently no outstanding borrowings under the Mexico Credit Facility. The Mexico Credit facility replaced our amended and restated credit agreement with ING Bank (México), S.A. Institucíon de Banca Múltiple, ING Grupo Financiero, as lender and ING Capital LLC, as administrative agent, which was terminated on July 23, 2014.

Collateral

Substantially all of our domestic inventories and domestic fixed assets are pledged as collateral to secure the obligations under the U.S. Credit Facility.

Off-Balance Sheet Arrangements

We maintain operating leases for various types of equipment, some of which contain residual value guarantees for the market value of assets at the end of the term of the lease. The terms of the lease maturities range from one to ten years. We estimate the maximum potential amount of the residual value guarantees is approximately $2.6 million; however, the actual amount would be offset by any recoverable amount based on the fair market value of the underlying leased assets. No liability has been recorded related to this contingency as the likelihood of payments under these guarantees is not considered to be probable, and the fair value of the guarantees is immaterial. We historically have not experienced significant payments under similar residual guarantees.

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

Capital Expenditures

We anticipate spending between $165.0 million and $185.0 million on the acquisition of property, plant and equipment in 2015. Capital expenditures will primarily be incurred to improve efficiencies and reduce costs. We expect to fund these capital expenditures with cash flow from operations and proceeds from the revolving lines of credit under our various debt facilities.

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Indefinite Reinvestment of Mexico Subsidiaries' Undistributed Earnings

We have determined that the undistributed earnings of our Mexico subsidiaries will be indefinitely reinvested and not distributed to the U.S. The undistributed earnings of our Mexico subsidiaries totaled $435.7 million at December 28, 2014.

Contractual Obligations

In addition to our debt commitments at December 28, 2014, we had other commitments and contractual obligations that obligate us to make specified payments in the future. The following table summarizes the total amounts due as of December 28, 2014, under all debt agreements, commitments and other contractual obligations. The table indicates the years in which payments are due under the contractual obligations.

	Payments Due By Period				
Contractual Obligations[a][b]	Total	2015	Years 2016-2017	Years 2018-2019	After 2020
	(In thousands)				
Long-term debt[c]	$3,633	$116	$3,517	$—	$—
Interest[d]	768	307	461	—	—
Capital leases	749	194	245	219	91
Operating leases	59,311	16,893	25,232	14,072	3,114
Derivative liabilities	22,683	22,683	—	—	—
Purchase obligations[e]	498,700	493,300	5,400	—	—
Total	$585,844	$533,493	$34,855	$14,291	$3,205

(a) The total amount of our unrecognized tax benefits at December 28, 2014 was $17.4 million. We did not include this amount in the contractual obligations table above as reasonable estimates cannot be made at this time of the amounts or timing of future cash outflows. The table above does not include estimated funding of our unfunded pension and other postretirement benefits obligations totaling approximately $78.5 million at December 28, 2014 as discussed in "Note 12. Pension and Other Postretirement Benefits" to the Consolidated Financial Statements.

(b) As discussed in "- Executive Summary - Recent Developments", we declared a special cash dividend of $1.5 billion on January 15, 2015. The table above does not reflect payment of the dividend or the related financing as such transactions will occur in 2015.

(c) Long-term debt excludes $20.1 million in letters of credit outstanding related to normal business transactions.

(d) Interest expense in the table above assumes the continuation of interest rates and outstanding borrowings under our credit facilities as of December 28, 2014.

(e) Includes (i) agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction and (ii) our obligation to purchase Tyson Mexico for approximately $400.0 million.

During the first quarter of 2015, we anticipate we will incur additional secured indebtedness of approximately $1.12 billion under our U.S. Credit Facility in order to partially finance the $1.5 billion special cash dividend to our stockholders and our pending acquisition of Tyson Mexico. Following the completion of those transactions, we anticipate we will have the ability to borrow approximately $595.0 million under our credit agreements. For additional information, see "- Executive Summary - Recent Developments" and "Note 13. Stockholders' Equity - Special Cash Dividend" of our Consolidated Financial Statements included in this annual report.

Historical Flow of Funds

Fiscal Year 2014

Cash provided by operating activities was $1.1 billion and $878.5 million in 2014 and 2013, respectively. The increase in cash flows provided by operating activities was primarily from net income of $711.4 million for 2014 as compared to net income of $549.7 million for 2013 and changes in working capital (excluding the impacts as a result of changes in foreign currency exchange rates).

Our net working capital position, which we define as current assets less current liabilities, increased $294.6 million to a surplus of $1.1 billion and a current ratio of 2.53 at December 28, 2014 compared to a surplus of $845.6 million and a current ratio of 1.78 at December 29, 2013. The increase in working capital was caused by the generation of cash from operations.

Trade accounts and other receivables, including accounts receivable from JBS USA, increased $5.1 million, or 1.3%, to $384.1 million at December 28, 2014 from $379.1 million at December 29, 2013.

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Inventories decreased $18.5 million, or 2.3%, to $790.3 million at December 28, 2014 from $808.8 million at December 29, 2013. The change in inventories was primarily due to decreased costs for feed grains and their impact on the value of our live chicken inventories.

Prepaid expenses and other current assets increased $33.6 million, or 54.3%, to $95.4 million at December 28, 2014 from $61.8 million at December 29, 2013. This change resulted primarily from a $27.9 million increase in open derivative positions and margin cash on deposit with our derivatives traders.

Accounts payable and accrued expenses, including accounts payable to JBS USA, increased $58.6 million, or 8.9%, to $716.2 million at December 28, 2014 from $657.6 million at December 29, 2013. This change resulted primarily from the timing of payments disbursed to vendors around December 28, 2014.

Cash used in investing activities was $63.4 million and $181.8 million in 2014 and 2013, respectively. We incurred capital expenditures of $171.4 million and $116.2 million for 2014 and 2013, respectively. In both 2014 and 2013, capital expenditures were primarily incurred for the routine replacement of equipment and to improve efficiencies and reduce costs. Capital expenditures for 2014 could not exceed $350 million under the terms of our U.S. credit facility. Cash proceeds generated from property disposals in 2014 and 2013 totaled $11.1 million and $31.3 million, respectively. Cash was used to purchase investment securities totaling $55.1 million and $96.9 million in 2014 and 2013, respectively. Cash proceeds generated in 2014 from the sale or maturity of investment securities totaled $152.0 million.

Cash used in financing activities was $905.6 million and $250.2 million in 2014 and 2013, respectively. Cash proceeds in 2013 from long-term debt totaled $505.6 million. Cash was used to repay long-term debt totaling $910.2 million and $758.6 million in 2014 and 2013, respectively. Cash proceeds in 2014 and 2013 resulting from tax benefits related to share-based compensation totaled $0.5 million and $7.7 million, respectively. Cash proceeds in 2014 from an equity contribution under a tax sharing agreement between JBS USA and our company totaled $3.8 million. Cash proceeds in 2014 from the sale of subsidiary common stock totaled $0.3 million. Additionally, cash was used to pay capitalized loan costs totaling $5.0 million in 2013.

Fiscal Year 2013

Cash provided by operating activities was $878.5 million for 2013 and cash provided by operating activities was $199.6 million for 2012. The increase in cash flows provided by operating activities was primarily from net income of $549.7 million for 2013 as compared to net income of $174.0 million for 2012 and changes in working capital (excluding the impacts as a result of changes in foreign currency exchange rates).

Our net working capital position, which we define as current assets less current liabilities, increased $33.0 million to a surplus of $845.6 million and a current ratio of 1.78 at December 29, 2013 compared to a surplus of $812.5 million and a current ratio of 2.11 at December 30, 2012. The increase in working capital was caused by the generation of cash from operations.

Trade accounts and other receivables, including accounts receivable from JBS USA, decreased $7.3 million, or 1.9%, to $379.1 million at December 29, 2013 from $386.4 million at December 30, 2012. The change in trade accounts and other receivables resulted primarily from improved collections.

Inventories decreased $141.5 million, or 14.9%, to $808.8 million at December 29, 2013 from $950.3 million at December 30, 2012. The change in inventories was primarily due to decreased costs for feed grains and their impact on the value of our live chicken inventories.

Prepaid expenses and other current assets increased $5.8 million, or 10.4%, to $61.8 million at December 29, 2013 from $56.0 million at December 30, 2012. This change resulted primarily from a $5.2 million increase in open derivative positions and margin cash on deposit with our derivatives traders.

Accounts payable and accrued expenses, including accounts payable to JBS USA, increased $48.3 million, or 7.9%, to $657.6 million at December 29, 2013 from $609.3 million at December 30, 2012. This change resulted primarily from the timing of payments disbursed to vendors around December 29, 2013.

Cash used in investing activities was $181.8 million and $60.4 million in 2013 and 2012, respectively. We incurred capital expenditures of $116.2 million and $90.3 million for 2013 and 2012, respectively. In both 2013 and 2012, capital expenditures were primarily incurred for the routine replacement of equipment and to improve efficiencies and reduce costs. Cash was used to purchase investment securities totaling $96.9 million and $0.2 million in 2013 and

2012, respectively. Capital expenditures for 2013 could not exceed $350 million under the terms of the U.S. Credit Facility. Cash proceeds generated from property disposals

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in 2013 and 2012 totaled $31.3 million and $29.4 million, respectively. Cash proceeds generated in 2012 from the sale or maturity of investment securities totaled $0.7 million.

Cash used in financing activities was $250.2 million in 2013. Cash provided by financing activities was $111.0 million in 2012. Cash proceeds in 2013 and 2012 from long-term debt were $505.6 million and $851.4 million, respectively. Cash was used to repay long-term debt totaling $758.6 million and $1,110.7 million in 2013 and 2012, respectively. Cash proceeds in 2013 resulting from a tax benefit related to share-based compensation totaled $7.7 million. Cash was used to pay capitalized loan costs totaling $5.0 million in 2013. Cash proceeds generated in 2012 from the sale of common stock totaled $198.3 million. Cash was used in 2012 to repay a $50.0 million note payable issued to JBS USA under the Subordinated Loan Agreement.

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Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued new accounting guidance on revenue recognition, which provides for a single five-step model to be applied to all revenue contracts with customers. The new standard also requires additional financial statement disclosures that will enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows relating to customer contracts. Companies have an option to use either a retrospective approach or cumulative effect adjustment approach to implement the standard. There is no option for early adoption. The provisions of the new guidance will be effective as of the beginning of our 2017 fiscal year. We are currently evaluating the impact of the new guidance on our financial statements and have not yet selected a transition approach to implement the standard.

Critical Accounting Policies and Estimates

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

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

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

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

Property, Plant and Equipment. We record impairment charges on long-lived assets held for use when events and circumstances indicate that the assets may be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. The impairment charge is determined based upon the amount by which the net book value of the assets exceeds their fair market value. In making these determinations, we utilize certain assumptions, including, but not limited to: (i) future cash flows estimated to be generated by these

assets, which are based on additional assumptions such as asset utilization, remaining length of service and estimated salvage values, (ii) estimated fair market value of the assets, and (iii) determinations with respect to the lowest level of cash flows relevant to the respective impairment test, generally groupings of related operational facilities. Given the interdependency of our individual facilities during the production process, which operate as a vertically integrated network, we evaluate impairment of assets held for use at the country level (i.e., the U.S. and Mexico). Management believes this is the lowest level of identifiable cash flows for our assets that are held for use in production activities. At the present time, our forecasts indicate that we can recover the carrying value of our assets held for use based on the projected undiscounted cash flows of the operations.

We record impairment charges on long-lived assets held for sale when the carrying amount of those assets exceeds their fair value less appropriate selling costs. Fair value is based on amounts documented in sales contracts or letters of intent accepted by us, amounts included in counteroffers initiated by us, or, in the absence of current contract negotiations, amounts determined using a sales comparison approach for real property and amounts determined using a cost approach for personal property. Under the sales comparison approach, sales and asking prices of reasonably comparable properties are considered to develop a range of unit prices within which the current real estate market is operating. Under the cost approach, a current cost to replace the asset new is calculated and then the estimated replacement cost is reduced to reflect the applicable decline in value resulting from physical deterioration, functional obsolescence and economic obsolescence. Appropriate selling costs includes reasonable broker's commissions, costs to produce title documents, filing fees, legal expenses and the like. We estimate appropriate closing costs as 4% to 6% of asset fair value. This range of rates is considered reasonable for our assets held for sale based on historical experience. We recognized impairment charges related to assets held for sale of $4.0 million and $2.8 million during 2013 and 2012, respectively.
Litigation and Contingent Liabilities. We are subject to lawsuits, investigations and other claims related to employment, environmental, product, and other matters. We are required to assess the likelihood of any adverse judgments or outcomes, as well as potential ranges of probable losses, to these matters. We estimate the amount of reserves required for these contingencies when losses are determined to be probable and after considerable analysis of each individual issue. We expense legal costs related to such loss contingencies as they are incurred. With respect to our environmental remediation obligations, the accrual for environmental remediation liabilities is measured on an undiscounted basis. These reserves may change in the future due to changes in our assumptions, the effectiveness of strategies, or other factors beyond our control.
Accrued Self Insurance. Insurance expense for casualty claims and employee-related health care benefits are estimated using historical and current experience and actuarial estimates. Stop-loss coverage is maintained with third-party insurers to limit our total exposure. Certain categories of claim liabilities are actuarially determined. The assumption used to arrive at periodic expenses is reviewed regularly by management. However, actual expenses could differ from these estimates and could result in adjustments to be recognized.
Income Taxes. Starting in 2011, we follow provisions under ASC 740-10-30-27 in the Expenses-Income Taxes topic with regard to members of a group that file a consolidated tax return but issue separate financial statements. We file our own U.S. federal tax return, but we are included in certain state consolidated returns with JBS USA. The income tax expense of our company is computed using the separate return method. The provision for income taxes has been determined using the asset and liability approach of accounting for income taxes. Under this approach, deferred income taxes reflect the net tax effect of temporary differences between the book and tax bases of recorded assets and liabilities, net operating losses and tax credit carry forwards. The amount of deferred tax on these temporary differences is determined using the tax rates expected to apply to the period when the asset is realized or the liability is settled, as applicable, based on the tax rates and laws in the respective tax jurisdiction enacted as of the balance sheet date. We recognize potential interest and penalties related to income tax positions as a part of the income tax provision.
Realizability of Deferred Tax Assets. We review our deferred tax assets for recoverability and establish a valuation allowance based on historical taxable income, potential for carry back of tax losses, projected future taxable income, applicable tax strategies, and the expected timing of the reversals of existing temporary differences. A valuation allowance is provided when it is more likely than not that some or all of the deferred tax assets will not be realized. Valuation allowances have been established primarily for net operating loss carry forwards. See “Note 11. Income Taxes” to the Consolidated Financial Statements.
Indefinite Reinvestment in Foreign Subsidiaries. We deem our earnings from Mexico as of December 28, 2014 to be permanently reinvested. As such, U.S. deferred income taxes have not been provided on these earnings. If such earnings were not considered indefinitely reinvested, certain deferred foreign and U.S. income taxes would be provided. For activity after 2008, we did not permanently reinvest our earnings in Puerto Rico. Therefore, net earnings generated in Puerto Rico have U.S. taxes provided as if the earnings were distributed.

Accounting for Uncertainty in Income Taxes. We follow provisions under ASC 740-10-25 that provide a recognition threshold and measurement criteria for the financial statement recognition of a tax benefit taken or expected to be taken in a tax return. Tax benefits are recognized only when it is more likely than not, based on the technical merits, that the benefits will be sustained on examination. Tax benefits that meet the more-likely-than-not recognition threshold are measured using a probability weighting of the largest amount of tax benefit that has greater than 50% likelihood of being realized upon settlement. Whether the more-likely-than-not recognition threshold is met for a particular tax benefit is a matter of judgment based on the individual facts and circumstances evaluated in light of all available evidence as of the balance sheet date. See “Note 11. Income Taxes” to the Consolidated Financial Statements in this annual report.

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

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market Risk-Sensitive Instruments and Positions

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

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

Market risk is estimated as a hypothetical 10.0% change in the weighted-average cost of our primary feed ingredients as of December 28, 2014. However, fluctuations greater than 10.0% could occur. Based on our feed consumption during 2014, such a change would have resulted in a change to cost of sales of approximately $287.4 million, excluding the impact of any feed ingredients derivative financial instruments in that period. A 10.0% change in ending feed ingredients inventories at December 28, 2014 would be $10.0 million, excluding any potential impact on the production costs of our chicken inventories.

We purchase commodity derivative financial instruments, specifically exchange-traded futures and options, in an attempt to mitigate price risk related to its anticipated consumption of commodity inputs for the next 12 months. A 10.0% increase in corn, soybean meal, and natural gas prices on December 28, 2014 would have resulted in an increase of approximately $1.3 million in the fair value of our net commodity derivative asset position, including margin cash, as of that date.

Interest Rates. At December 28, 2014, we had outstanding fixed-rate debt of $4.2 million and no outstanding variable-rate debt. At December 28, 2014, market risk related to our debt instruments was immaterial. For additional information, see "- Executive Summary - Recent Developments".

Foreign Currency. Our earnings are also 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. We are also exposed to the effect of potential currency exchange rate fluctuations to the extent that amounts are repatriated from Mexico to the U.S. We currently anticipate that the future cash flows of our Mexico subsidiaries will be reinvested in our Mexico operations. In addition, the Mexican peso exchange rate can directly and indirectly impact our financial condition and results of operations in several ways, including potential economic recession in Mexico because of devaluation of their currency. The impact on our financial position and results of operations resulting from a hypothetical change in the exchange rate between the U.S. dollar and the Mexican peso cannot be reasonably estimated. Foreign currency exchange gains and losses, representing the change in the U.S. dollar value of the net monetary assets of our Mexican subsidiaries denominated in Mexican pesos, was a loss of $28.0 million in 2014, a loss of $4.4 million in 2013 and a gain of $4.9 million in 2012. The average exchange rates for 2014, 2013 and 2012 were 13.30 Mexican pesos to 1 U.S. dollar, 12.75 Mexican pesos

to 1 U.S. dollar and 13.16 Mexican pesos to 1 U.S. dollar, respectively. No assurance can be given as to how future movements in the Mexican peso could affect our future financial condition or results of operations.

We or our Mexico subsidiaries sometimes purchase foreign currency derivative financial instruments, specifically exchange-traded forward contracts, in an attempt to mitigate foreign currency transaction exposure on U.S. dollar-denominated purchases. As of December 28, 2014, we held foreign currency derivative instruments with a fair value of $2.6 million. Our Mexico subsidiaries held no foreign currency derivative instruments at December 28, 2014.

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Quality of Investments

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

Impact of Inflation

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

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Item 8. Financial Statements and Supplementary Data
Report of Independent Registered Public Accounting Firm
The Board of Directors and Stockholders
Pilgrim's Pride Corporation
We have audited the accompanying consolidated balance sheets of Pilgrim's Pride Corporation as of December 28, 2014 and December 29, 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the fifty-two weeks ended December 28, 2014 and December 29, 2013 and the fifty-three weeks ended December 30, 2012. In connection with our audit of the consolidated financial statements, we have also audited financial statement schedule II, Valuation and Qualifying Accounts, as of and for the fifty-two weeks ended December 28, 2014 and December 29, 2013 and the fifty-three weeks ended December 30, 2012. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.
We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pilgrim's Pride Corporation as of December 28, 2014 and December 29, 2013, and the results of its operations and its cash flows for the fifty-two weeks ended December 28, 2014 and December 29, 2013 and the fifty-three weeks ended December 30, 2012, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Pilgrim's Pride Corporation's internal control over financial reporting as of December 28, 2014, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 11, 2015 expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting.
/s/ KPMG LLP
Denver, Colorado
February 11, 2015

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PILGRIM’S PRIDE CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 28, 2014	December 29, 2013
	(In thousands, except share and par value data)	
Cash and cash equivalents	$576,143	$508,206
Investment in available-for-sale securities	—	96,902
Trade accounts and other receivables, less allowance for doubtful accounts	378,890	376,678
Accounts receivable from related parties	5,250	2,388
Inventories	790,305	808,832
Income taxes receivable	10,288	64,868
Current deferred tax assets	27,345	2,227
Prepaid expenses and other current assets	95,439	61,848
Assets held for sale	1,419	7,033
Total current assets	1,885,079	1,928,982
Deferred tax assets	—	18,921
Other long-lived assets	24,406	40,163
Identified intangible assets, net	26,783	32,525
Property, plant and equipment, net	1,182,795	1,151,811
Total assets	$3,119,063	$3,172,402
Accounts payable	$399,486	$370,360
Accounts payable to related parties	4,862	3,934
Accrued expenses	311,879	283,355
Income taxes payable	3,068	—
Current deferred tax liabilities	25,301	15,515
Current maturities of long-term debt	262	410,234
Total current liabilities	744,858	1,083,398
Long-term debt, less current maturities	3,980	501,999
Deferred tax liabilities	76,216	13,944
Other long-term liabilities	97,208	80,459
Total liabilities	922,262	1,679,800
Commitments and contingencies		
Preferred stock, $.01 par value, 50,000,000 shares authorized; no shares issued	—	—
Common stock, $.01 par value, 800,000,000 shares authorized; 259,029,033 shares issued and outstanding at year-end 2014 and 2013	2,590	2,590
Additional paid-in capital	1,662,354	1,653,119
Retained earnings (accumulated deficit)	591,492	(120,156)
Accumulated other comprehensive loss	(62,541)	(45,735)
Total Pilgrim’s Pride Corporation stockholders’ equity	2,193,895	1,489,818
Noncontrolling interest	2,906	2,784
Total stockholders’ equity	2,196,801	1,492,602
Total liabilities and stockholders' equity	$3,119,063	$3,172,402

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

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PILGRIM'S PRIDE CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Fifty-Two Weeks Ended December 28, 2014	Fifty-Two Weeks Ended December 29, 2013	Fifty-Three Weeks Ended December 30, 2012
	(In thousands, except per share data)		
Net sales	$8,583,365	$8,411,148	$8,121,382
Cost of sales	7,189,370	7,565,709	7,685,550
Gross profit	1,393,995	845,439	435,832
Selling, general and administrative expense	188,594	180,915	177,041
Administrative restructuring charges	2,286	5,661	8,449
Operating income	1,203,115	658,863	250,342
Interest expense, net of capitalized interest	82,097	87,006	104,926
Interest income	(4,826)	(2,125)	(1,397)
Foreign currency transaction losses (gains)	27,979	4,415	(4,810)
Miscellaneous, net	(4,526)	(4,373)	(1,439)
Income before income taxes	1,102,391	573,940	153,062
Income tax expense (benefit)	390,953	24,227	(20,980)
Net income	711,438	549,713	174,042
Less: Net income (loss) attributable to noncontrolling interest	(210)	158	(192)
Net income attributable to Pilgrim's Pride Corporation	$711,648	$549,555	$174,234
Weighted average shares of common stock outstanding:			
Basic	258,974	258,826	250,101
Effect of dilutive common stock equivalents	497	415	115
Diluted	259,471	259,241	250,216
Net income attributable to Pilgrim's Pride Corporation per share of common stock outstanding:			
Basic	$2.75	$2.12	$0.70
Diluted	$2.74	$2.12	$0.70

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

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PILGRIM’S PRIDE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Fifty-Two Weeks Ended December 28, 2014	Fifty-Two Weeks Ended December 29, 2013	Fifty-Three Weeks Ended December 30, 2012
	(In thousands)		
Net income	$711,438	$549,713	$174,042
Other comprehensive income (loss):			
Unrealized holding gains (losses) on available-for-sale securities, net of tax of $19, $0 and $0, respectively	(31)	62	(12)
Gain (loss) associated with pension and other postretirement benefits, net of tax of $(10,173), $13,774 and $0, respectively	(16,775)	22,714	(22,429)
Total other comprehensive income (loss)	(16,806)	22,776	(22,441)
Comprehensive income	694,632	572,489	151,601
Less: Comprehensive income (loss) attributable to noncontrolling interests	(210)	158	(192)
Comprehensive income attributable to Pilgrim's Pride Corporation	$694,842	$572,331	$151,793

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

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PILGRIM'S PRIDE CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Pilgrim's Pride Corporation Stockholders						
	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
	Shares	Amount					
	(In thousands)						
Balance at December 29, 2011	214,282	$2,143	$1,443,484	$ (843,945)	$ (46,070)	$ 2,818	$558,430
Comprehensive income:							
Net income (loss)	—	—	—	174,234	—	(192)	174,042
Other comprehensive loss, net of tax:							
Net unrealized holding losses on available-for-sale securities, net of tax of $0	—	—	—	—	(12)	—	(12)
Loss associated with pension and other postretirement benefits, net of tax of $0	—	—	—	—	(22,429)	—	(22,429)
Common stock issued	44,444	444	197,837	—	—	—	198,281
Share-based compensation plans:							
Common stock issued under compensation plans	273	3	—	—	—	—	3
Requisite service period recognition	—	—	682	—	—	—	682
Balance at December 30, 2012	258,999	2,590	1,642,003	(669,711)	(68,511)	2,626	908,997
Comprehensive income:							
Net income	—	—	—	549,555	—	158	549,713
Other comprehensive income, net of tax:							
Net unrealized holding gains on available-for-sale securities, net of tax of $0	—	—	—	—	62	—	62
Gain associated with pension and other postretirement benefits, net of tax of $13,774	—	—	—	—	22,714	—	22,714
Share-based compensation plans:							
Common stock issued under compensation plans	30	—	—	—	—	—	—
Requisite service period recognition	—	—	3,345	—	—	—	3,345

Tax benefit related to share-based compensation	—	—	7,771	—	—	—	7,771
Balance at December 29, 2013	259,029	2,590	1,653,119	(120,156)	(45,735)	2,784	1,492,602
Comprehensive income:							
Net income	—	—	—	711,648	—	(210)	711,438
Other comprehensive loss, net of tax:							
Net unrealized holding losses on available-for-sale securities, net of tax of $19	—	—	—	—	(31)	—	(31)
Loss associated with pension and other postretirement benefits, net of tax of $(10,173)	—	—	—	—	(16,775)	—	(16,775)
Issuance of subsidiary common stock	—	—	—	—	—	332	332
Equity contribution under Tax Sharing Agreement between JBS USA Holdings Inc. and Pilgrim's Pride Corporation	—	—	3,849	—	—	—	3,849
Share-based compensation plans:							
Requisite service period recognition	—	—	4,928	—	—	—	4,928
Tax benefit related to share-based compensation	—	—	458	—	—	—	458
Balance at December 28, 2014	259,029	$2,590	$1,662,354	$ 591,492	$ (62,541)	$ 2,906	$2,196,801

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

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PILGRIM'S PRIDE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fifty-Two Weeks Ended December 28, 2014	Fifty-Two Weeks Ended December 29, 2013	Fifty-Three Weeks Ended December 30, 2012
	(In thousands)		
Cash flows from operating activities:			
Net income	$711,438	$549,713	$174,042
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:			
Depreciation and amortization	155,824	150,523	147,414
Asset impairment	—	4,004	2,770
Foreign currency transaction losses (gains)	38,129	3,382	(5,261)
Accretion of bond discount	2,243	456	456
Loss (gain) on property disposals	(1,407)	2,395	5,306
Share-based compensation	4,928	3,345	684
Deferred income tax expense (benefit)	78,943	(4,999)	(1,098)
Changes in operating assets and liabilities:			
Restricted cash and cash equivalents	—	—	12,680
Trade accounts and other receivables	(9,526)	7,235	(14,137)
Inventories	10,638	142,675	(65,870)
Prepaid expenses and other current assets	(38,010)	(6,070)	(2,600)
Accounts payable and accrued expenses	44,833	49,625	(16,520)
Income taxes	74,705	(21,546)	(33,714)
Deposits	—	1,877	1,783
Long-term pension and other postretirement obligations	(5,784)	(6,837)	(2,700)
Other	(262)	2,755	(3,611)
Cash provided by operating activities	1,066,692	878,533	199,624
Cash flows from investing activities:			
Acquisitions of property, plant and equipment	(171,443)	(116,223)	(90,327)
Purchases of investment securities	(55,100)	(96,902)	(162)
Proceeds from sale or maturity of investment securities	152,050	—	688
Proceeds from property disposals	11,108	31,337	29,400
Cash used in investing activities	(63,385)	(181,788)	(60,401)
Cash flows from financing activities:			
Payments on notes payable to JBS USA	—	—	(50,000)
Proceeds from long-term debt	—	505,600	851,400
Payments on long-term debt	(910,234)	(758,578)	(1,110,711)
Proceeds from sale of subsidiary common stock	332	—	198,282
Proceeds from equity contribution under Tax Sharing Agreement between JBS USA Holdings Inc. and Pilgrim's Pride Corporation	3,849	—	—
Tax benefit related to share-based compensation	458	7,771	—
Payment of capitalized loan costs	—	(5,007)	—
Cash used in financing activities	(905,595)	(250,214)	(111,029)
Effect of exchange rate changes on cash and cash equivalents	(29,775)	(6,505)	(1,623)
Increase (decrease) in cash and cash equivalents	67,937	440,026	26,571

Cash and cash equivalents, beginning of period	508,206	68,180	41,609
Cash and cash equivalents, end of period	$576,143	$508,206	$68,180
Supplemental Disclosure Information:			
Interest paid (net of amount capitalized)	$71,558	$80,320	$96,657
Income taxes paid	257,152	30,057	10,931

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

Pilgrim’s Pride Corporation (referred to herein as “Pilgrim’s,” “PPC,” “the Company,” “we,” “us,” “our,” or similar terms) i of the largest chicken producers in the world, with operations in the United States (“U.S.”), Mexico and Puerto Rico. Pilgrim's products are sold to foodservice, retail and frozen entrée customers. The Company's primary distribution is through retailers, foodservice distributors and restaurants throughout the United States and Puerto Rico and in the northern and central regions of Mexico. Additionally, the Company exports chicken products to approximately 95 countries. Pilgrim's fresh chicken products consist of refrigerated (nonfrozen) whole chickens, whole cut-up chickens and selected chicken parts that are either marinated or non-marinated. The Company's prepared chicken products include fully cooked, ready-to-cook and individually frozen chicken parts, strips, nuggets and patties, some of which are either breaded or non-breaded and either marinated or non-marinated. As a vertically integrated company, we control every phase of the production of our products. We operate feed mills, hatcheries, processing plants and distribution centers in 12 U.S. states, Puerto Rico and Mexico. Pilgrim's has approximately 35,000 employees and has the capacity to process more than 35 million birds per week for a total of more than 10 billion pounds of live chicken annually. Approximately 3,750 contract growers supply poultry for the Company's operations. As of December 28, 2014, JBS USA Holdings, Inc. (“JBS USA”), an indirect subsidiary of Brazil-based JBS S.A., beneficially owned 75.5% of the Company's outstanding common stock.

Consolidated Financial Statements

The Company operates on the basis of a 52/53-week fiscal year ending on the Sunday falling on or before December 31. The reader should assume any reference we make to a particular year (for example, 2014) in the notes to these Consolidated Financial Statements applies to our fiscal year and not the calendar year.

The consolidated financial statements include the accounts of Pilgrim’s Pride Corporation and its majority owned subsidiaries. We eliminate all significant affiliate accounts and transactions upon consolidation.

The Company measures the financial statements of its Mexico subsidiaries as if the U.S. dollar were the functional currency. Accordingly, we remeasure assets and liabilities, other than non-monetary assets, of the Mexico subsidiaries at current exchange rates. We remeasure nonmonetary assets using the historical exchange rate in effect on the date of each asset's acquisition. We remeasure income and expenses at average exchange rates in effect during the period, except for certain accounts which are remeasured at a historical rate. Currency exchange gains or losses are included in the line item Foreign currency transaction losses (gains) in the Consolidated Statements of Operations.

Revenue Recognition

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

Shipping and Handling Costs

Costs associated with the products shipped to customers are recognized in cost of sales.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising costs are included in selling, general and administrative expenses and totaled $4.4 million, $4.9 million and $6.5 million for 2014, 2013 and 2012, respectively.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development costs totaled $3.8 million, $3.9 million and $3.8 million for 2014, 2013 and 2012, respectively.

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Cash and Cash Equivalents

The Company considers highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. The majority of the Company's disbursement bank accounts are zero balance accounts where cash needs are funded as checks are presented for payment by the holder. Checks issued pending clearance that result in overdraft balances for accounting purposes are classified as accounts payable and the change in the related balance is reflected in operating activities on the Consolidated Statements of Cash Flows.

Investments in Securities

The Company's current investments are comprised of fixed income securities, primarily commercial paper. These investments are classified as available-for-sale. These securities are recorded at fair value, and unrealized holding gains and losses are recorded, net of tax, as a separate component of accumulated other comprehensive income. Investments in fixed income securities with remaining maturities of less than one year and those identified by management at the time of purchase for funding operations in less than one year are classified as current assets. Investments in fixed income securities with remaining maturities in excess of one year that management has not identified at the time of purchase for funding operations in less than one year are classified as long-term assets. Unrealized losses are charged against net earnings when a decline in fair value is determined to be other than temporary. Management reviews several factors to determine whether a loss is other than temporary, such as the length of time a security is in an unrealized loss position, the extent to which fair value is less than amortized cost, the impact of changing interest rates in the short and long term, and the Company's intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. The Company determines the cost of each security sold and each amount reclassified out of accumulated other comprehensive income into earnings using the specific identification method. Purchases and sales are recorded on a trade date basis.

Investments in entities in which the Company has an ownership interest greater than 50% and exercises control over the entity are consolidated in the Consolidated Financial Statements. Investments in entities in which the Company has an ownership interest between 20% and 50% and exercises significant influence are accounted for using the equity method. The Company invests from time to time in ventures in which its ownership interest is less than 20% and over which it does not exercise significant influence. Such investments are accounted for under the cost method. The fair values for investments not traded on a quoted exchange are estimated based upon the historical performance of the ventures, the ventures' forecasted financial performance and management's evaluation of the ventures' viability and business models. To the extent the book value of an investment exceeds its assessed fair value, the Company will record an appropriate impairment charge. Thus, the carrying value of the Company's investments approximates fair value.

Accounts Receivable

The Company records accounts receivable when revenue is recognized. We record an allowance for doubtful accounts, reducing our receivables balance to an amount we estimate is collectible from our customers. Estimates used in determining the allowance for doubtful accounts are based on historical collection experience, current trends, aging of accounts receivable, and periodic credit evaluations of our customers' financial condition. We write off accounts receivable when it becomes apparent, based upon age or customer circumstances, that such amounts will not be collected. Generally, the Company does not require collateral for its accounts receivable.

Inventories

Live chicken inventories are stated at the lower of cost or market and breeder hens at the lower of cost, less accumulated amortization, or market. The costs associated with breeder hens are accumulated up to the production stage and amortized over their productive lives using the unit-of-production method. Finished poultry products, feed, eggs and other inventories are stated at the lower of cost (average) or market.

We record valuation adjustments for our inventory and for estimated obsolescence at or equal to the difference between the cost of inventory and the estimated market value based upon known conditions affecting inventory, including significantly aged products, discontinued product lines, or damaged or obsolete products. We allocate meat costs between our various finished chicken products based on a by-product costing technique that reduces the cost of the whole bird by estimated yields and amounts to be recovered for certain by-product parts. This primarily includes leg quarters, wings, tenders and offal, which are carried in inventory at the estimated recovery amounts, with the

remaining amount being reflected as our breast meat cost.

Generally, the Company performs an evaluation of whether any lower of cost or market adjustments are required at the country level based on a number of factors, including: (i) pools of related inventory, (ii) product continuation or discontinuation,

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(iii) estimated market selling prices and (iv) expected distribution channels. If actual market conditions or other factors are less favorable than those projected by management, additional inventory adjustments may be required.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, and repair and maintenance costs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of these assets. Estimated useful lives for building, machinery and equipment are five to 33 years and for automobiles and trucks are three to ten years. The charge to income resulting from amortization of assets recorded under capital leases is included with depreciation expense.

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

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

Identified Intangible Assets

Our identified intangible assets consist of assets subject to amortization such as trade names, customer relationships and non-compete agreements. We calculate amortization of those assets that are subject to amortization on a straight-line basis over the estimated useful lives of the related assets. The useful lives range from three to 15 years for trade names and non-compete agreements and 13 years for customer relationships.

We review intangible assets subject to amortization for impairment whenever an event or change in circumstances indicates the carrying values of the assets may not be recoverable. We test intangible assets subject to amortization for impairment and estimate their fair values using the same assumptions and techniques we employ on property, plant and equipment.

Book Overdraft Balances

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

Litigation and Contingent Liabilities

The Company is subject to lawsuits, investigations and other claims related to employment, environmental, product and other matters. The Company is required to assess the likelihood of any adverse judgments or outcomes, as well as potential ranges of probable losses, to these matters. The Company estimates the amount of reserves required for these contingencies when losses are determined to be probable and after considerable analysis of each individual issue. The Company expenses legal costs related to such loss contingencies as they are incurred. The accrual for environmental remediation liabilities is measured on an undiscounted

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basis. These reserves may change in the future due to changes in the Company's assumptions, the effectiveness of strategies, or other factors beyond the Company's control.

Accrued Self Insurance

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

Income Taxes

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

The Company reviews its deferred tax assets for recoverability and establishes a valuation allowance based on historical taxable income, potential for carry back of tax losses, projected future taxable income, applicable tax strategies, and the expected timing of the reversals of existing temporary differences. A valuation allowance is provided when it is more likely than not that some or all of the deferred tax assets will not be realized. Valuation allowances have been established primarily for net operating loss carry forwards of certain foreign subsidiaries. See "Note 11. Income Taxes" to the Consolidated Financial Statements.

The Company deems its earnings from Mexico as of December 28, 2014 to be permanently reinvested. As such, U.S. deferred income taxes have not been provided on these earnings. If such earnings were not considered indefinitely reinvested, certain deferred foreign and U.S. income taxes would be provided. For activity after 2008, the Company did not permanently reinvest its earnings in Puerto Rico. Therefore, net earnings generated in Puerto Rico have U.S. taxes provided as if the earnings were distributed.

The Company follows provisions under ASC 740-10-25 that provide a recognition threshold and measurement criteria for the financial statement recognition of a tax benefit taken or expected to be taken in a tax return. Tax benefits are recognized only when it is more likely than not, based on the technical merits, that the benefits will be sustained on examination. Tax benefits that meet the more-likely-than-not recognition threshold are measured using a probability weighting of the largest amount of tax benefit that has greater than 50% likelihood of being realized upon settlement. Whether the more-likely-than-not recognition threshold is met for a particular tax benefit is a matter of judgment based on the individual facts and circumstances evaluated in light of all available evidence as of the balance sheet date. See "Note 11. Income Taxes" to the Consolidated Financial Statements.

Pension and Other Postemployment Benefits

Our pension and other postemployment benefit costs and obligations are dependent on the various actuarial assumptions used in calculating such amounts. These assumptions relate to discount rates, long-term return on plan assets and other factors. We base the discount rate assumptions on current investment yields on high-quality corporate long-term bonds. We determine the long-term return on plan assets based on historical portfolio results and management's expectation of the future economic environment. Actual results that differ from our assumptions are accumulated and, if in excess of the lesser of 10% of the projected benefit obligation or the fair market value of plan assets, amortized over either (i) the estimated average future service period of active plan participants if the plan is active or (ii) the estimated average future life expectancy of all plan participants if the plan is frozen.

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Operating Leases

Rent expense for operating leases is recorded on a straight-line basis over the lease term unless the lease contains an escalation clause which is not fixed or determinable. The lease term begins when we have the right to control the use of the leased property, which is typically before rent payments are due under the terms of the lease. If a lease has a fixed or determinable escalation clause, the difference between rent expense and rent paid is recorded as deferred rent and is included in the Consolidated Balance Sheets. Rent for operating leases that do not have an escalation clause or where escalation is based on an inflation index is expensed over the lease term as it is payable.

Risk Management

The Company attempts to mitigate commodity purchase exposures through a program of risk management that includes the use of forward purchase contractual obligations and derivative financial instruments. The Company will also occasionally purchase derivative financial instruments in an attempt to mitigate currency exchange rate exposure related to the net assets of its Mexico operations that are denominated in Mexican pesos. The Company's Mexico subsidiaries also attempt to mitigate the foreign currency exposure on certain U.S. dollar-denominated transactions through the use of derivative financial instruments. We recognize all derivative financial instruments in the Consolidated Balance Sheets at fair value. We elected not to designate derivative financial instruments executed to mitigate commodity purchase exposures and foreign currency exposures as hedges of forecasted transactions. Therefore, we recognize changes in the fair value of these derivative financial instruments immediately in earnings. Gains or losses related to both the commodity derivative financial instruments and the foreign currency derivative financial instruments are included in the line item Cost of sales in the Consolidated Statements of Operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. We make significant estimates in regard to receivables collectability; inventory valuation; realization of deferred tax assets; valuation of long-lived assets; valuation of contingent liabilities, liabilities subject to compromise and self insurance liabilities; valuation of pension and other postretirement benefits obligations; and valuation of acquired businesses.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued new accounting guidance on revenue recognition, which provides for a single five-step model to be applied to all revenue contracts with customers. The new standard also requires additional financial statement disclosures that will enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows relating to customer contracts. Companies have an option to use either a retrospective approach or cumulative effect adjustment approach to implement the standard. There is no option for early adoption. The provisions of the new guidance will be effective as of the beginning of our 2017 fiscal year. We are currently evaluating the impact of the new guidance on our financial statements and have not yet selected a transition approach to implement the standard.

2. FAIR VALUE MEASUREMENTS

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

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

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

As of December 28, 2014 and December 29, 2013, the Company held certain items that were required to be measured at fair value on a recurring basis. These included derivative assets and liabilities and deferred compensation plan assets. Derivative assets and liabilities consist of long and short positions on exchange-traded commodity and foreign currency derivative instruments.

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The Company maintains nonqualified deferred compensation plans for executives and other highly compensated employees. Investments are maintained within a trust and include money market funds, mutual funds and life insurance policies. The cash surrender value of the life insurance policies is invested primarily in mutual funds. The following items were measured at fair value on a recurring basis:

	December 28, 2014			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Derivative assets - commodity futures instruments	$8,416	$—	$—	$8,416
Derivative assets - foreign currency futures instruments	2,563	—	—	2,563
Deferred compensation plan assets	6,753	—	—	6,753
Derivative liabilities - commodity futures instruments	(8,580)	—	—	(8,580)
Derivative liabilities - commodity options instruments	(14,103)	—	—	(14,103)
Long-term debt and other borrowing arrangements:				
Public bonds and notes	(3,979)	—	—	(3,979)
Capitalized lease obligations	—	—	(587)	(587)

	December 29, 2013			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Short-term investments in available-for-sale securities	$—	$96,902	$—	$96,902
Derivative assets - commodity futures instruments	1,494	—	—	1,494
Derivative assets - commodity options instruments	—	1,395	—	1,395
Derivative assets - foreign currency futures instruments	1,214	—	—	1,214
Deferred compensation plan assets	7,208	—	—	7,208
Derivative liabilities - commodity futures instruments	(1,728)	—	—	(1,728)
Long-term debt and other borrowing arrangements:				
Public bonds and notes	(552,592)	—	—	(552,592)
Term notes and revolver	—	—	(424,650)	(424,650)
Capitalized lease obligations	—	—	(704)	(704)

	Term Notes and Revolver		Capitalized Lease Obligations	
	2014	2013	2014	2013
Change in Value of Level 3 Liabilities:	(In thousands)			
Balance, beginning of period	$(424,650)	$(686,435)	$(704)	$(880)
Borrowings	—	(509,500)	—	—
Payments	410,099	762,091	135	124
Change in fair value inputs	14,551	9,194	(18)	52
Balance, end of period	$—	$(424,650)	$(587)	$(704)

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

In addition to the fair value disclosure requirements related to financial instruments carried at fair value, accounting standards require interim disclosures regarding the fair value of all of the Company's financial instruments. The methods and significant assumptions used to estimate the fair value of financial instruments and any changes in methods or significant assumptions from prior periods are also required to be disclosed. The carrying amounts and

estimated fair values of financial assets and liabilities recorded in the Consolidated Balance Sheets consisted of the following:

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	December 28, 2014		December 29, 2013		
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Note Reference
	(In thousands)				
Short-term investments in available-for-sale securities	$—	$—	$96,902	$96,902	5
Derivative assets - commodity futures instruments	8,416	8,416	1,494	1,494	6
Derivative assets - commodity options instruments	—	—	1,395	1,395	6
Derivative assets - foreign currency futures instruments	2,563	2,563	1,214	1,214	6
Deferred compensation plan assets	6,753	6,753	7,208	7,208	
Derivative liabilities - commodity futures instruments	(8,580)	(8,580)	(1,728)	(1,728)	6
Derivative liabilities - commodity options instruments	(14,103)	(14,103)	—	—	6
Long-term debt and other borrowing arrangements	(4,242)	(4,566)	(912,233)	(977,946)	10

The carrying amounts of our cash and cash equivalents, derivative trading accounts' margin cash, restricted cash and cash equivalents, accounts receivable, accounts payable and certain other liabilities approximate their fair values due to their relatively short maturities. Derivative assets were recorded at fair value based on quoted market prices and are included in the line item Prepaid expenses and other current assets on the Consolidated Balance Sheet. Deferred compensation plan assets were recorded at fair value based on quoted market prices and are included in the line item Other assets in the Consolidated Balance Sheets. Derivative liabilities were recorded at fair value based on quoted market prices and are included in the line item Accrued expenses and other current liabilities on the Consolidated Balance Sheet. The fair values of the Company's long-term debt and other borrowing arrangements were estimated by calculating the net present value of future payments for each debt obligation or borrowing by: (i) using a risk-free rate applicable for an instrument with a life similar to the remaining life of each debt obligation or borrowing plus the current estimated credit risk spread for the Company or (ii) using the quoted market price at December 28, 2014 or December 29, 2013, as applicable.

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company records certain assets and liabilities at fair value on a nonrecurring basis. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges when required by U.S. GAAP. At December 28, 2014, long-lived assets held for sale had a fair value of $1.4 million. These assets are classified as Level 2 assets because their fair value can be corroborated based on observable market data.

3. TRADE ACCOUNTS AND OTHER RECEIVABLES

Trade accounts and other receivables (including accounts receivable from related parties), less allowance for doubtful accounts, consisted of the following:

	December 28, 2014	December 29, 2013
	(In thousands)	
Trade accounts receivable	$371,268	$369,715
Accounts receivable from related parties[(a)]	5,250	2,388
Receivables from officers and employees	—	14
Notes receivable - current	1,088	—
Other receivables	9,059	11,005
Receivables, gross	386,665	383,122
Allowance for doubtful accounts	(2,525)	(4,056)
Receivables, net	$384,140	$379,066

(a) Additional information regarding accounts receivable from related parties is included in "Note 15. Related Party Transactions."

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4. INVENTORIES

Inventories consisted of the following:

	December 28, 2014	December 29, 2013
	(In thousands)	
Live chicken and hens	$363,438	$368,582
Feed, eggs and other	198,681	216,045
Finished chicken products	227,649	223,932
Total chicken inventories	789,768	808,559
Commercial feed, table eggs and other	537	273
Total inventories	$790,305	$808,832

5. INVESTMENTS IN SECURITIES

We recognize investments in available-for-sale securities as cash equivalents, current investments or long-term investments depending upon each security's length to maturity. Additionally, those securities identified by management at the time of purchase for funding operations in less than one year are classified as current.
The following table summarizes our investments in available-for-sale securities:

	December 28, 2014		December 29, 2013	
	Cost	Fair Value	Cost	Fair Value
	(In thousands)			
Cash equivalents:				
Fixed income securities	$204,286	$204,286	$103,121	$103,121
Other	80	80	56	56
Current investments:				
Fixed income securities	—	—	96,902	96,902

All of the fixed income securities classified as cash and cash equivalents above mature within 90 days and all of the fixed income securities classified as short-term investments above mature within one year. The specific identification method is used to determine the cost of each security sold and each amount reclassified out of accumulated other comprehensive loss to earnings. Gross realized gains recognized during 2014 and 2013 related to the Company's available-for-sale securities is $1.0 million and $25,620, respectively. Gross realized losses recognized during 2014 related to the Company's available-for-sale securities totaled $18,819. No gross realized losses were recognized during 2013. Proceeds received from the sale or maturity of available-for-sale securities during 2014 and 2013 are disclosed in the Consolidated Statements of Cash Flows. Net unrealized holding gains and losses on the Company's available-for-sale securities recognized during 2014 and 2013 that have been included in accumulated other comprehensive loss and the net amount of gains and losses reclassified out of accumulated other comprehensive loss to earnings during 2014 and 2013 are disclosed in “Note 12. Stockholders' Equity.”

6. DERIVATIVE FINANCIAL INSTRUMENTS

The Company utilizes various raw materials in its operations, including corn, soybean meal, soybean oil, sorghum, natural gas, electricity and diesel fuel, which are all considered commodities. The Company considers these raw materials generally available from a number of different sources and believes it can obtain them to meet its requirements. These commodities are subject to price fluctuations and related price risk due to factors beyond our control, such as economic and political conditions, supply and demand, weather, governmental regulation and other circumstances. Generally, the Company purchases derivative financial instruments, specifically exchange-traded futures and options, in an attempt to mitigate price risk related to its anticipated consumption of commodity inputs for approximately the next 12 months. The Company may purchase longer-term derivative financial instruments on particular commodities if deemed appropriate.

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The Company has operations in Mexico and, therefore, has exposure to translational foreign exchange risk when the financial results of those operations are translated to U.S. dollars. Generally, the Company purchases derivative financial instruments such as foreign currency forward contracts to manage this translational foreign exchange risk. The fair value of derivative assets is included in the line item Prepaid expenses and other current assets on the Consolidated Balance Sheets while the fair value of derivative liabilities is included in the line item Accrued expenses and other current liabilities on the same statements. Our counterparties require that we post cash collateral for changes in the net fair value of the derivative contracts.
We have not designated the derivative financial instruments that we have purchased to mitigate commodity purchase or foreign currency transaction exposures as cash flow hedges. Therefore, we recognize changes in the fair value of these derivative financial instruments immediately in earnings. Gains or losses related to these derivative financial instruments are included in the line item Cost of sales in the Consolidated Statements of Operations. The Company recognized $16.1 million, $25.1 million and $8.3 million in net gains related to changes in the fair value of its derivative financial instruments during 2014, 2013 and 2012, respectively.
Information regarding the Company's outstanding derivative instruments and cash collateral posted with (owed to) brokers is included in the following table:

	December 28, 2014	December 29, 2013
	(Fair values in thousands)	
Fair values:		
Commodity derivative assets	$8,416	$2,889
Commodity derivative liabilities	(22,683)	(1,728)
Foreign currency derivative assets	2,563	1,214
Cash collateral posted with brokers	25,205	4,142
Derivatives Coverage[(a)]:		
Corn	(8.2)%	1.1%
Soybean meal	(16.1)%	(3.6)%
Period through which stated percent of needs are covered:		
Corn	September 2016	September 2015
Soybean meal	July 2015	July 2014

(a) Derivatives coverage is the percent of anticipated corn and soybean meal needs covered by outstanding derivative instruments through a specified date.

7. IDENTIFIED INTANGIBLE ASSETS

Identified intangible assets consisted of the following:

	Useful Life (Years)	Original Cost	Accumulated Amortization	Carrying Amount
			(In thousands)	
December 29, 2013:				
Trade names	3–15	$40,143	$(31,081)	$9,062
Customer relationships	13	51,000	(27,537)	23,463
Non-compete agreements	3	300	(300)	—
Total intangible assets		$91,443	$(58,918)	$32,525
December 28, 2014:				
Trade names	3–15	$40,143	$(32,900)	$7,243
Customer relationships	13	51,000	(31,460)	19,540
Non-compete agreements	3	300	(300)	—
Total intangible assets		$91,443	$(64,660)	$26,783

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We recognized amortization expense related to identified intangible assets of $5.7 million in 2014, $5.7 million in 2013 and $5.8 million in 2012.

We expect to recognize amortization expense associated with identified intangible assets of $5.7 million in 2015 and 2016, $5.9 million in 2017, $5.6 million in 2018 and $4.0 million in 2019.

8. PROPERTY, PLANT AND EQUIPMENT

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

	December 28, 2014	December 29, 2013
	(In thousands)	
Land	$66,798	$66,071
Buildings	1,086,690	1,077,859
Machinery and equipment	1,537,241	1,502,968
Autos and trucks	52,639	55,779
Construction-in-progress	129,701	66,926
Property, plant and equipment, gross	2,873,069	2,769,603
Accumulated depreciation	(1,690,274)	(1,617,792)
Property, plant and equipment, net	$1,182,795	$1,151,811

The Company recognized depreciation expense of $136.4 million, $135.5 million and $131.5 million during 2014, 2013 and 2012, respectively.

During 2014, the Company sold certain PP&E for cash of $11.1 million and recognized a gain of $1.4 million. PP&E sold in 2014 included a warehouse in Texas, vehicle maintenance centers in Texas and North Carolina, an office building in Mexico City, a processing plant in Pennsylvania, and a fertilizer building with miscellaneous fixtures and equipment in Texas. During 2013, the Company sold certain PP&E for cash of $31.3 million and recognized a loss of $2.4 million. PP&E sold in 2013 included vehicle maintenance centers in Texas, Arkansas, and Georgia, excess land in Texas, a hatchery in North Carolina, a complex in Arkansas, an office building in Georgia, and miscellaneous equipment.

During 2014, the Company spent $171.4 million on capital projects and transferred $110.1 million of completed projects from construction-in-progress to depreciable assets.

The Company has closed or idled processing facilities in Alabama, Georgia, Arkansas and Texas, feed mills in North Carolina and Arkansas, hatcheries in Alabama, Texas, and Arkansas, various broiler farms in Texas and Alabama, a vehicle maintenance center in Arkansas and other miscellaneous assets. Neither the Board of Directors nor JBS USA has determined if it would be in the best interest of the Company to divest any of these idled assets. Management is therefore not certain that it can or will divest any of these assets within one year, is not actively marketing these assets and, accordingly, has not classified them as assets held for sale. The Company continues to depreciate these assets. At December 28, 2014, the carrying amount of these idled assets was $69.3 million based on depreciable value of $181.3 million and accumulated depreciation of $112.0 million.

Management has committed to the sale of certain properties and related assets, including, but not limited to, a processing plant in Bossier City, Louisiana and miscellaneous assets, as such assets no longer fit into the operating plans of the Company. The Company is actively marketing these properties and related assets for immediate sale and believes a sale of each property can be consummated within the next 12 months. At December 28, 2014, the Company reported assets held for sale totaling $1.4 million in Assets held for sale on its Consolidated Balance Sheets.

The Company tested the recoverability of its long-lived assets held for use during the thirteen weeks ended December 28, 2014 by comparing the book value of its invested capital, exclusive of assets held for sale, with the undiscounted cash flows expected to result from the use and eventual disposition of its long-lived assets held for use. The Company determined that the carrying amount of its long-lived assets held for use is recoverable over the remaining life of the primary asset in the group, and the long-lived assets for use pass the Step 1 recoverability test of ASC 360-10-35, Impairment or Disposal of Long-Lived Assets.

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9. CURRENT LIABILITIES

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

	December 28, 2014	December 29, 2013
	(In thousands)	
Accounts payable:		
Trade accounts	$347,107	$313,266
Book overdrafts	47,320	55,378
Other payables	5,059	1,716
Total accounts payable	399,486	370,360
Accounts payable to related parties[(a)]	4,862	3,934
Accrued expenses and other current liabilities:		
Compensation and benefits	123,495	100,965
Interest and debt-related fees	780	7,558
Insurance and self-insured claims	85,240	99,244
Derivative liabilities:		
Futures	8,580	1,729
Options	14,103	—
Other accrued expenses	79,681	73,859
Total accrued expenses and other current liabilities	311,879	283,355
	$716,227	$657,649

(a) Additional information regarding accounts payable to related parties is included in “Note 15. Related Party Transactions.”

10. LONG-TERM DEBT AND OTHER BORROWING ARRANGEMENTS

Long-term debt consisted of the following components:

	Maturity	December 28, 2014	December 29, 2013
		(In thousands)	
Senior notes, at 7 7/8%, net of unaccreted discount	2018	$—	$497,757
2013 U.S. Credit Facility (defined below) Term B-1 note payable at 2.4375%	2014	—	204,880
2013 U.S. Credit Facility (defined below) Term B-2 note payable at 9.00%	2014	—	205,219
2013 U.S. Credit Facility (defined below) revolving note payable	2018	—	—
Mexico Credit Facility (defined below) with notes payable at TIIE Rate plus 1.05%	2014	—	—
Subordinated Loan Agreement (defined below)	2015	—	—
Other	Various	4,242	4,377
Long-term debt		4,242	912,233
Less: Current maturities of long-term debt		(262)	(410,234)
Long-term debt, less current maturities		$3,980	$501,999

Senior and Subordinated Notes

On December 15, 2014, the Company redeemed all of its outstanding $500.0 million principal amount of 7.875% senior notes due 2018 (the “2018 Notes”) for a redemption price of 103.9375% of the principal amount, plus accrued and unpaid interest to the redemption date. As a result, at December 28, 2014, no 2018 Notes remained outstanding. Additionally, we have an aggregate principal balance of $3.6 million of 7 5/8% senior unsecured notes and 8 3/8%

senior subordinated unsecured notes outstanding at December 28, 2014.
JBS Subordinated Loan Agreement

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On June 23, 2011, the Company entered into a Subordinated Loan Agreement with JBS USA (the "Subordinated Loan Agreement"). Pursuant to the terms of the Subordinated Loan Agreement, the Company agreed to reimburse JBS USA up to $56.5 million for draws upon any letters of credit issued for JBS USA's account that support certain obligations of the Company or its subsidiaries. JBS USA agreed to arrange for letters of credit to be issued on its account in the amount of $56.5 million to an insurance company serving the Company in order to allow that insurance company to return cash it held as collateral against potential workers compensation, auto and general liability claims. In return for providing this letter of credit, the Company has agreed to reimburse JBS USA for the letter of credit cost the Company would otherwise incur under its U.S. Credit Facility (as defined below). The total amount paid by the Company for 2014, 2013 and 2012 costs, to reimburse JBS USA, was $1.3 million, $2.2 million and $2.2 million, respectively. As of December 28, 2014, the Company has accrued an obligation of $0.1 million to reimburse JBS USA for letter of credit costs incurred on its behalf. There remains no other commitment to make advances by JBS USA under the Subordinated Loan Agreement.

2013 U.S. Credit Facility

Pilgrim's and certain of its subsidiaries entered into a credit agreement (the "2013 U.S. Credit Facility") with CoBank, ACB, as administrative agent and collateral agent, and other lenders party thereto, which was amended and restated on August 7, 2013. The 2013 U.S. Credit Facility currently provides for a $700.0 million revolving credit facility and a delayed draw term loan commitment of up to $400.0 million (the "Delayed Draw Term Loans"). The Company can draw upon the Delayed Draw Term Loan commitment, in one or more advances, between May 1, 2014 and December 28, 2014. The 2013 U.S. Credit Facility also includes an accordion feature that allows us, at any time, to increase the aggregate revolving loan commitment by up to an additional $250.0 million and to increase the aggregate Delayed Draw Term Loan commitment by up to an additional $500.0 million, in each case subject to the satisfaction of certain conditions, including obtaining the lenders' agreement to participate in the increase and an aggregate limit on all commitments under the 2013 U.S. Credit Facility of $1.85 billion. The 2013 U.S. Credit Facility also provides for a $100.0 million sub-limit for swingline loans and a $200.0 million sub-limit for letters of credit. The revolving loan commitment under the 2013 U.S. Credit Facility matures on August 7, 2018. Any Delayed Draw Term Loans would be payable in quarterly installments beginning in fiscal year 2015 equal to 1.875% of the principal outstanding as of December 28, 2014, with all remaining principal and interest due at maturity on August 7, 2018.

On December 28, 2009, the Company paid loan costs totaling $50.0 million related to the 2013 U.S. Credit Facility that it recognized as an asset on its balance sheet. On August 7, 2013, the Company paid loan costs totaling $5.0 million related to the amendment and restatement to the 2013 U.S. Credit Facility that is recognized as an asset on its balance sheet. The Company amortizes these capitalized costs to interest expense over the life of the 2013 U.S. Credit Facility.

Subsequent to the end of each fiscal year, a portion of our cash flow was required to be used to repay outstanding principal amounts under Term B loans executed under the 2013 U.S. Credit Facility. With respect to 2014, the Company paid $204.9 million of its cash flow toward the outstanding principal under the Term B-1 loans on December 30, 2013 and paid approximately $205.2 million of its cash flow toward the outstanding principal under the Term B-2 loans on April 28, 2014. Following the April 28, 2014 payment, the Company had no outstanding principal under the Term B loans. The 2013 U.S. Credit Facility also requires us to use proceeds we receive from certain asset sales and specified debt or equity issuances and upon the occurrence of other events to repay outstanding borrowings under the U.S. Credit Facility.

Actual borrowings by the Company under the revolving credit commitment component of the 2013 U.S. Credit Facility are subject to a borrowing base, which is a formula based on certain eligible inventory, eligible receivables and restricted cash under the control of CoBank, ACB. As of December 28, 2014, the applicable borrowing base was $700.0 million, the amount available for borrowing under the revolving loan commitment was $679.9 million. The Company had letters of credit of $20.1 million and no outstanding borrowings under the revolving loan commitment as of December 28, 2014.

The 2013 U.S. Credit Facility contains financial covenants and various other covenants that may adversely affect our ability to, among other things, incur additional indebtedness, incur liens, pay dividends or make certain restricted

payments, consummate certain assets sales, enter into certain transactions with JBS USA and our other affiliates, merge, consolidate and/or sell or dispose of all or substantially all of our assets. The 2013 U.S. Credit Facility requires the Company to comply with a minimum level of tangible net worth covenant. The Company is currently in compliance with this financial covenant. All other financial covenants were eliminated in connection with the August 7, 2013 amendment and restatement to the 2013 U.S. Credit Facility. The 2013 U.S. Credit Facility also provides that the Company may not incur capital expenditures in excess of $350.0 million in any fiscal year.

All obligations under the 2013 U.S. Credit Facility are unconditionally guaranteed by certain of the Company’s subsidiaries and are secured by a first priority lien on (i) the accounts receivable and inventories of the Company and its non-Mexico subsidiaries, (ii) 65% of the equity interests in the Company’s direct foreign subsidiaries and 100% of the equity interests in the Company’s other subsidiaries, (iii) substantially all of the personal property and intangibles of the borrowers and guarantors under the 2013

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U.S. Credit Facility and (iv) substantially all of the real estate and fixed assets of the Company and the guarantor subsidiaries under the 2013 U.S. Credit Facility.

2015 U.S. Credit Facility

On February 11, 2015, the Company and its subsidiaries, To-Ricos, Ltd. and To-Ricos Distribution, Ltd. (together, the "To-Ricos Borrowers"), entered into a Second Amended and Restated Credit Agreement (the "2015 U.S. Credit Facility") with Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland, New York Branch ("Rabobank"), as administrative agent, and the other lenders party thereto. The 2015 U.S. Credit Facility amends and restates the 2013 U.S. Credit Facility.

The 2015 U.S. Credit Facility provides for a revolving loan commitment of at least $700 million and a term loan commitment of up to $1.0 billion (the "Term Loans"). The 2015 U.S. Credit Facility also includes an accordion feature that allows us, at any time, to increase the aggregate revolving loan and term loan commitments by up to an additional $1.0 billion, subject to the satisfaction of certain conditions, including obtaining the lenders' agreement to participate in the increase.

The revolving loan commitment under the 2015 U.S. Credit Facility matures on February 10, 2020. Beginning on April 2, 2015, the Term Loans will be payable in quarterly installments equal to 1.25% of the principal outstanding as of closing, with all remaining principal and interest due at maturity on February 10 2020. Covenants in the 2015 U.S. Credit Facility also require the Company to use the proceeds it receives from certain asset sales and specified debt or equity issuances and upon the occurrence of other events to repay outstanding borrowings under the 2015 U.S. Credit Facility.

The 2015 U.S. Credit Facility includes a $75 million sub-limit for swingline loans and a $125 million sub-limit for letters of credit. Outstanding borrowings under the revolving loan commitment and the Term Loans bear interest at a per annum rate equal to (i) in the case of LIBOR loans, LIBOR plus 1.50% through March 29, 2015 and, based on our net senior secured leverage ratio, between LIBOR plus 1.25% and LIBOR plus 2.75% and (ii) in the case of alternate base rate loans, the base rate plus 0.50% through March 29, 2015 and, based on our net senior secured leverage ratio, between the base rate plus 0.25% and base rate plus 1.75% thereafter.

Actual borrowings by the Company under the 2015 U.S. Credit Facility are subject to a borrowing base, which is a formula based on certain eligible inventory, eligible receivables and restricted cash under the control of Rabobank, in its capacity as administrative agent. The borrowing base formula will be reduced by the sum of (i) inventory reserves, (ii) rent and collateral access reserves, and (iii) any amount more than 15 days past due that is owed by the Company or its subsidiaries to any person on account of the purchase price of agricultural products or services (including poultry and livestock) if that person is entitled to any grower's or producer's lien or other security arrangement. Revolving loan availability under the borrowing base also will be limited to an aggregate of $25 million with respect to the To-Ricos Borrowers.

All obligations under the 2015 U.S. Credit Facility will continue to be unconditionally guaranteed by certain of the Company's subsidiaries and will continue to be secured by a first priority lien on (i) the domestic (including Puerto Rico) accounts and inventory of the Company and its subsidiaries, (ii) 100% of the equity interests in the To-Ricos Borrowers and the Company's domestic subsidiaries and 65% of the equity interests in the Company's direct foreign subsidiaries, (iii) substantially all of the personal property and intangibles of the Company, the To-Ricos Borrowers and the guarantor subsidiaries and (iv) substantially all of the real estate and fixed assets of the Company and the subsidiary guarantors.

The Company is also subject to customary covenants under the 2015 U.S. Credit Facility, including certain reporting requirements. Proceeds of the borrowings under the 2015 U.S. Credit Facility may be used to finance the general corporate purposes of the borrowers (including capital expenditures, permitted acquisitions, refinancing indebtedness and principal and interest payments under the 2015 U.S. Credit Facility) and the payment of a special cash dividend of approximately $1.5 billion. In addition, the 2015 U.S. Credit Facility contains a number of covenants that, among other things, limit the Company's and its subsidiaries' ability to:

- Incur capital expenditures in excess of $500 million in any fiscal year;
- Incur additional indebtedness;

•Create liens on any assets;
•Pay dividends, redeem shares of capital stock or make certain restricted payments;
•Consummate certain asset sales;
•Enter into certain transactions with JBS USA Holdings, Inc. and the Company's other affiliates; and

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•Merge, consolidate and/or sell or dispose of all or substantially all of the Company's assets.

Mexico Credit Facility

On July 23, 2014, Avícola and certain Mexican subsidiaries entered into an unsecured credit agreement (the "Mexico Credit Facility") with BBVA Bancomer, S.A. Institución de Banca Multiple, Grupo Financiero BBVA Bancomer, as lender. The loan commitment under the Mexico Credit Facility is $560.0 million Mexican pesos. Outstanding borrowings under the Mexico Credit Facility will accrue interest at a rate equal to the TIIE rate plus 1.05%. The Mexico Credit Facility will mature on July 23, 2017. As of September 28, 2014, the U.S. dollar-equivalent of the loan commitment under the Mexico Credit Facility was $38.1 million. There are currently no outstanding borrowings under the Mexico Credit Facility. The Mexico Credit facility replaced our amended and restated credit agreement with ING Bank (México), S.A. Institucíon de Banca Múltiple, ING Grupo Financiero, as lender and ING Capital LLC, as administrative agent, which was terminated on July 23, 2014.

Other Disclosures

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

Annual maturities of long-term debt for the five years subsequent to December 28, 2014 are as follows (in thousands):

2015	$262
2016	87
2017	3,611
2018	102
2019	92
Thereafter	88
Total maturities	$4,242

Total interest expense was $82.0 million, $87.0 million and $104.9 million in 2014, 2013 and 2012, respectively. Interest related to new construction capitalized in 2014, 2013 and 2012 was $4.7 million, $2.2 million and $1.7 million, respectively.

11. INCOME TAXES

Income before income taxes by jurisdiction is as follows:

	2014	2013	2012
	(In thousands)		
U.S.	$953,027	$469,395	$62,332
Foreign	149,364	104,545	90,730
Total	$1,102,391	$573,940	$153,062

The components of income tax expense (benefit) are set forth below:

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	2014	2013	2012
	(In thousands)		
Current:			
Federal	$262,403	$(427)	$(28,883)
Foreign	22,867	26,206	9,279
State and other	24,056	3,512	(211)
Total current	309,326	29,291	(19,815)
Deferred:			
Federal	29,737	22,923	(293)
Foreign	31,332	(3,648)	(835)
State and other	20,558	(24,339)	(37)
Total deferred	81,627	(5,064)	(1,165)
	$390,953	$24,227	$(20,980)

The effective tax rate for 2014 was 35.5% compared to 4.2% for 2013. The effective tax rate for 2014 differed from 2013 as a result of decreases in the valuation allowance and reserves for unrecognized tax benefits during 2013 that did not occur during 2014.

The effective tax rate for 2012 was (13.7)%. The effective tax rate for 2013 differed from 2012 primarily as a result of decreases in the valuation allowance and reserves for unrecognized tax benefits during 2013 and increases in the valuation allowance and reserves for unrecognized tax benefits during 2012.

The following table reconciles the statutory U.S. federal income tax rate to the Company's effective income tax rate:

	2014	2013	2012
Federal income tax rate	35.0%	35.0%	35.0%
State tax rate, net	2.6	2.3	2.5
Permanent items	0.4	1.4	1.5
Domestic production activity	(2.4)	(1.2)	—
Difference in U.S. statutory tax rate and foreign country effective tax rate	(1.0)	(1.0)	(3.3)
Tax credits	—	(3.0)	(2.3)
Change in reserve for unrecognized tax benefits	—	—	(10.4)
Change in valuation allowance	—	(31.0)	(34.4)
Other	0.9	1.7	(2.3)
Total	35.5%	4.2%	(13.7)%

Significant components of the Company's deferred tax liabilities and assets are as follows:

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	December 28, 2014	December 29, 2013
	(In thousands)	
Deferred tax liabilities:		
PP&E and identified intangible assets	$126,536	$125,197
Inventories	48,365	74,287
Insurance claims and losses	36,953	33,625
All other current	18,696	9,453
All other noncurrent	8,105	9,031
Total deferred tax liabilities	238,655	251,593
Deferred tax assets:		
Net operating losses	5,842	20,907
Foreign net operating losses	7,873	15,437
Credit carry forwards	2,916	79,555
Allowance for doubtful accounts	4,261	4,510
Accrued liabilities	52,772	47,384
All other current	9,755	12,282
All other noncurrent	20,857	10,292
Workers compensation	43,309	42,951
Pension and other postretirement benefits	26,049	20,364
Total deferred tax assets	173,634	253,682
Valuation allowance	(9,150)	(10,400)
Net deferred tax assets	164,484	243,282
Net deferred tax liabilities	$74,171	$8,311

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carry back and carry forward periods), projected future taxable income and tax-planning strategies in making this assessment.

As of December 28, 2014, the Company believes it has sufficient positive evidence to conclude that realization of its federal and state net deferred tax assets is more likely than not to be realized. The decrease in valuation allowance of $1.3 million during 2014 was primarily due to a decrease in state and foreign net operating losses. As of December 28, 2014, the Company's valuation allowance is $9.2 million, of which $1.3 million relates to capital loss carry forwards and state net operating losses and $7.8 million relates to its Mexico operations.

As of December 28, 2014, the Company had state net operating loss carry forwards of approximately $177.8 million that will begin to expire in 2015. The Company also had Mexico net operating loss carry forwards at December 28, 2014 of approximately $25.9 million that begin to expire in 2015.

As of December 28, 2014, the Company had approximately $2.9 million of state tax credit carry forwards that begin to expire in 2015.

On November 6, 2009, H.R. 3548 was signed into law and included a provision that allowed most business taxpayers an increased carry back period for net operating losses incurred in 2008 or 2009. As a result, during 2009 the Company utilized $547.7 million of its U.S. federal net operating losses under the expanded carry back provisions of H.R. 3548 and filed a claim for refund of $169.7 million. The Company received $122.6 million in refunds from the Internal Revenue Service (“IRS”) from the carry back claims during 2010. The Company anticipates receipt of the remainder of its claim pending resolution of its litigation with the IRS. See “Note 16. Commitments and Contingencies” for additional information.

The Company has not provided any deferred income taxes on the undistributed earnings of its Mexico subsidiaries as of December 28, 2014 based upon the determination that such earnings will be indefinitely reinvested. It is not practicable to determine

the amount of incremental taxes that might arise if these earnings were to be remitted. For activity after 2008, the Company is not permanently reinvesting its earnings in Puerto Rico. Therefore, the earnings generated in Puerto Rico have U.S. taxes provided on the earnings as if the earnings were distributed.

During 2011, the Company completed its deconsolidation of its Mexico operations from a tax perspective to help minimize the impact of the Mexico tax reform that became effective January 1, 2010. As a result, all of the Mexico subsidiaries started filing separate returns in 2011. The deconsolidation reduced the accrued taxes that had been previously recognized under the consolidated filing status as it eliminated recapturing certain taxes required under the new consolidation laws. As a result of the deconsolidation, the Company recognized a benefit of $4.3 million during 2012, which reduced the additional taxes that had been previously accrued as of December 27, 2009, resulting in a total net benefit of $18.4 million.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

	December 28, 2014	December 29, 2013
	(In thousands)	
Unrecognized tax benefits, beginning of year	$17,117	$16,643
Increase as a result of tax positions taken during the current year	999	978
Increase as a result of tax positions taken during prior years	—	232
Decrease as a result of tax positions taken during prior years	(101)	—
Decrease for lapse in statute of limitations	(619)	(736)
Unrecognized tax benefits, end of year	$17,396	$17,117

Included in unrecognized tax benefits of $17.4 million at December 28, 2014, was $9.8 million of tax benefits that, if recognized, would reduce the Company's effective tax rate. It is not practicable at this time to estimate the amount of unrecognized tax benefits that will change in the next twelve months.

The Company recognizes interest and penalties related to unrecognized tax benefits in its provision for income taxes. As of December 28, 2014, the Company had recorded a liability of $10.2 million for interest and penalties. During 2014, accrued interest and penalty amounts related to uncertain tax positions remained unchanged from 2013.

The Company operates in the U.S. (including multiple state jurisdictions), Puerto Rico and Mexico. With few exceptions, the Company is no longer subject to U.S. federal, state or local income tax examinations for years prior to 2009 and is no longer subject to Mexico income tax examinations by taxing authorities for years prior to 2009.

The Company is challenging the IRS' proof of claim relating to the tax year ended June 26, 2004 for Gold Kist Inc. (“Gold Kist”). See “Note 16. Commitments and Contingencies” for additional information.

On September 13, 2013, the IRS issued the final, revised Tangible Property Repair Regulations for IRC Sections 162(a) and 263(a) which modify and supersede the Temporary Regulations that were issued on December 23, 2011. In addition, the IRS also released new proposed regulations for dispositions of tangible property under IRC Section 168. These final and proposed regulations are effective for tax years beginning January 1, 2014. The Company assessed the applicability of the regulations and concluded there was no significant impact to the Company’s tax fixed assets.

The Company entered into a tax sharing agreement during 2014 with JBS USA effective for tax years starting 2010. The net tax receivable for tax years 2010 through 2014 was accrued in 2014.

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12. PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company sponsors programs that provide retirement benefits to most of its employees. These programs include qualified defined benefit pension plans, nonqualified defined benefit retirement plans, a defined benefit postretirement life insurance plan, and defined contribution retirement savings plans. Under all of our retirement plans, the Company's expenses were $5.9 million, $7.5 million and $8.7 million in 2014, 2013 and 2012, respectively.
The Company used a year-end measurement date of December 28, 2014 for its pension and postretirement benefits plans. Certain disclosures are listed below. Other disclosures are not material to the financial statements.

Qualified Defined Benefit Pension Plans

The Company sponsors two qualified defined benefit pension plans named the Pilgrim's Pride Retirement Plan for Union Employees (the "Union Plan") and the Pilgrim's Pride Pension Plan for Legacy Gold Kist Employees (the "GK Pension Plan"). The Union Plan covers certain locations or work groups within PPC. The GK Pension Plan covers certain eligible U.S. employees who were employed at locations that the Company purchased through its acquisition of Gold Kist in 2007. Participation in the GK Pension Plan was frozen as of February 8, 2007 for all participants with the exception of terminated vested participants who are or may become permanently and totally disabled. The plan was frozen for that group as of March 31, 2007.

Nonqualified Defined Benefit Pension Plans

The Company sponsors two nonqualified defined benefit retirement plans named the Former Gold Kist Inc. Supplemental Executive Retirement Plan (the "SERP Plan") and the Former Gold Kist Inc. Directors' Emeriti Retirement Plan (the "Directors' Emeriti Plan"). Pilgrim's Pride assumed sponsorship of the SERP Plan and Directors' Emeriti Plan through its acquisition of Gold Kist in 2007. The SERP Plan provides benefits on compensation in excess of certain IRC limitations to certain former executives with whom Gold Kist negotiated individual agreements. Benefits under the SERP Plan were frozen as of February 8, 2007. The Directors' Emeriti Plan provides benefits to former Gold Kist directors.

Defined Benefit Postretirement Life Insurance Plan

The Company sponsors one defined benefit postretirement life insurance plan named the Gold Kist Inc. Retiree Life Insurance Plan (the "Retiree Life Plan"). Pilgrim's Pride also assumed defined benefit postretirement medical and life insurance obligations, including the Retiree Life Plan, through its acquisition of Gold Kist in 2007. In January 2001, Gold Kist began to substantially curtail its programs for active employees. On July 1, 2003, Gold Kist terminated medical coverage for retirees age 65 or older, and only retired employees in the closed group between ages 55 and 65 could continue their coverage at rates above the average cost of the medical insurance plan for active employees. These retired employees all reached the age of 65 in 2012 and liabilities of the postretirement medical plan then ended.

Defined Benefit Plans Obligations and Assets

The change in benefit obligation, change in fair value of plan assets, funded status and amounts recognized in the Consolidated Balance Sheets for these plans were as follows:

	Pension Benefits		Other Benefits	
	2014	2013	2014	2013
Change in projected benefit obligation:	(In thousands)			
Projected benefit obligation, beginning of year	$170,030	$194,434	$1,705	$1,933
Interest cost	8,103	7,954	81	78
Actuarial losses (gains)	24,670	(24,315)	(10)	(92)
Benefits paid	(12,154)	(8,043)	—	—
Curtailments and settlements	(248)	—	(119)	(214)
Projected benefit obligation, end of year	$190,401	$170,030	$1,657	$1,705

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	Pension Benefits		Other Benefits	
	2014	2013	2014	2013
Change in plan assets:	(In thousands)			
Fair value of plan assets, beginning of year	$108,496	$92,283	$—	$—
Actual return on plan assets	3,944	16,489	—	—
Contributions by employer	13,514	7,767	119	214
Benefits paid	(12,154)	(8,043)	—	—
Curtailments and settlements	(248)	—	(119)	(214)
Fair value of plan assets, end of year	$113,552	$108,496	$—	$—

	Pension Benefits		Other Benefits	
	2014	2013	2014	2013
Funded status:	(In thousands)			
Unfunded benefit obligation, end of year	$(76,849)	$(61,534)	$(1,657)	$(1,705)

	Pension Benefits		Other Benefits	
	2014	2013	2014	2013
Amounts recognized in the Consolidated Balance Sheets at end of year:	(In thousands)			
Current liability	$(9,373)	$(9,146)	$(129)	$(148)
Long-term liability	(67,476)	(52,388)	(1,528)	(1,557)
Recognized liability	$(76,849)	$(61,534)	$(1,657)	$(1,705)

	Pension Benefits		Other Benefits	
	2014	2013	2014	2013
Amounts recognized in accumulated other comprehensive loss at end of year:	(In thousands)			
Net actuarial loss (gain)	$43,907	$16,957	$(127)	$(126)

The accumulated benefit obligation for our defined benefit pension plans was $190.0 million and $170.0 million at December 28, 2014 and December 29, 2013, respectively. Each of our defined benefit pension plans had accumulated benefit obligations that exceeded the fair value of plan assets at December 28, 2014 and December 29, 2013, respectively.

Net Periodic Benefit Cost (Income)

Net pension and other postretirement costs included the following components:

	Pension Benefits			Other Benefits		
	2014	2013	2012	2014	2013	2012
	(In thousands)					
Service cost	$—	$—	$51	$—	$—	$—
Interest cost	8,103	7,954	8,272	81	78	96
Estimated return on plan assets	(6,373)	(5,393)	(5,867)	—	—	—
Settlement loss (gain)	93	—	—	(9)	(15)	(7)
Amortization of net loss (gain)	56	1,001	465	—	—	(2)
Net cost	$1,879	$3,562	$2,921	$72	$63	$87

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Economic Assumptions
The weighted average assumptions used in determining pension and other postretirement plan information were as follows:

	Pension Benefits			Other Benefits		
	2014	2013	2012	2014	2013	2012
Benefit obligation:						
Discount rate	4.22 %	4.95 %	4.22 %	4.22 %	4.95 %	4.22 %
Net pension and other postretirement cost:						
Discount rate	4.95 %	4.22 %	5.09 %	4.95 %	4.22 %	5.09 %
Rate of compensation increase	NA	NA	3.00 %	NA	NA	NA
Expected return on plan assets	6.00 %	6.00 %	7.50 %	NA	NA	NA

The expected rate of return on plan assets was determined based on the current interest rate environment and historical market premiums relative to the fixed income rates of equities and other asset classes. We also take into consideration anticipated asset allocations, investment strategies and the views of various investment professionals when developing this rate.
Plan Assets
The following table reflects the pension plans' actual asset allocations:

	2014	2013
Cash and cash equivalents	— %	— %
Pooled separate accounts[(a)]:		
Equity securities	6 %	8 %
Fixed income securities	6 %	3 %
Common collective trust funds[(a)]:		
Equity securities	60 %	60 %
Fixed income securities	28 %	29 %
Total assets	100 %	100 %

(a) Pooled separate accounts ("PSAs") and common collective trust funds ("CCTs") are two of the most common types of alternative vehicles in which benefit plans invest. These investments are pooled funds that look like mutual funds, but they are not registered with the Securities and Exchange Commission. Often times, they will be invested in mutual funds or other marketable securities, but the unit price generally will be different from the value of the underlying securities because the fund may also hold cash for liquidity purposes, and the fees imposed by the fund are deducted from the fund value rather than charged separately to investors. Some PSAs and CCTs have no restrictions as to their investment strategy and can invest in riskier investments, such as derivatives, hedge funds, private equity funds, or similar investments.

Absent regulatory or statutory limitations, the target asset allocation for the investment of pension assets in the pooled separate accounts is 50% in each of fixed income securities and equity securities and the target asset allocation for the investment of pension assets in the common collective trust funds is 30% in fixed income securities and 70% in equity securities. The plans only invest in fixed income and equity instruments for which there is a ready public market. We develop our expected long-term rate of return assumptions based on the historical rates of returns for equity and fixed income securities of the type in which our plans invest.
The fair value measurements of plan assets fell into the following levels of the fair value hierarchy as of December 28, 2014 and December 29, 2013:

	2014 Level 1[(a)]	Level 2[(b)]	Level 3[(c)]	Total	2013(a) Level 1[(a)]	Level 2[(b)]	Level 3[(c)]	Total
	(In thousands)							
Cash and cash equivalents	$33	$—	$—	$33	$275	$—	$—	$275
Pooled separate accounts:								
Large U.S. equity funds[(d)]	—	4,147	—	4,147	—	4,828	—	4,828
Small/Mid U.S. equity funds[(e)]	—	1,062	—	1,062	—	1,192	—	1,192
International equity funds[(f)]	—	1,719	—	1,719	—	2,019	—	2,019
Fixed income funds[(g)]	—	6,609	—	6,609	—	3,442	—	3,442
Common collective trusts funds:								
Large U.S. equity funds[(d)]	—	29,964	—	29,964	—	28,784	—	28,784
Small U.S. equity funds[(e)]	—	18,411	—	18,411	—	16,937	—	16,937
International equity funds[(f)]	—	19,730	—	19,730	—	19,420	—	19,420
Fixed income funds[(g)]	—	31,877	—	31,877	—	31,599	—	31,599
Total assets	$33	$113,519	$—	$113,552	$275	$108,221	$—	$108,496

(a) Unadjusted quoted prices in active markets for identical assets are used to determine fair value.

(b) Quoted prices in active markets for similar assets and inputs that are observable for the asset are used to determine fair value.

(c) Unobservable inputs, such as discounted cash flow models or valuations, are used to determine fair value.

(d) This category is comprised of investment options that invest in stocks, or shares of ownership, in large, well-established U.S. companies. These investment options typically carry more risk than fixed income options but have the potential for higher returns over longer time periods.

(e) This category is generally comprised of investment options that invest in stocks, or shares of ownership, in small to medium-sized U.S. companies. These investment options typically carry more risk than larger U.S. equity investment options but have the potential for higher returns.

(f) This category is comprised of investment options that invest in stocks, or shares of ownership, in companies with their principal place of business or office outside of the U.S.

(g) This category is comprised of investment options that invest in bonds, or debt of a company or government entity (including U.S. and non-U.S. entities). It may also include real estate investment options that directly own property. These investment options typically carry more risk than short-term fixed income investment options (including, for real estate investment options, liquidity risk), but less overall risk than equities.

The valuation of plan assets in Level 2 is determined using a market approach based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for substantially the full term of the financial instrument. Level 2 securities primarily include equity and fixed income securities funds.

Benefit Payments

The following table reflects the benefits as of December 28, 2014 expected to be paid in each of the next five years and in the aggregate for the five years thereafter from our pension and other postretirement plans. Because our pension plans are primarily funded plans, the anticipated benefits with respect to these plans will come primarily from the trusts established for these plans. Because our other postretirement plans are unfunded, the anticipated benefits with respect to these plans will come from our own assets.

	Pension Benefits	Other Benefits
	(In thousands)	
2015	$13,458	$129
2016	12,937	130
2017	12,502	130

2018	11,769	130
2019	11,278	130
2020-2024	52,157	627
Total	$114,101	$1,276

We anticipate contributing $9.4 million and $0.1 million, as required by funding regulations or laws, to our pension and other postretirement plans, respectively, during 2015.

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Unrecognized Benefit Amounts in Accumulated Other Comprehensive Loss (Income)
The amounts in accumulated other comprehensive income (loss) that were not recognized as components of net periodic benefits cost and the changes in those amounts are as follows:

	Pension Benefits			Other Benefits		
	2014	2013	2012	2014	2013	2012
	(In thousands)					
Net actuarial loss (gain), beginning of year	$16,957	$53,368	$31,108	$(126)	$(49)	$(217)
Amortization	(56)	(1,001)	(465)	—	—	2
Curtailment and settlement adjustments	(93)	—	—	9	15	7
Actuarial loss (gain)	24,670	(24,315)	24,872	(10)	(92)	159
Asset loss (gain)	2,429	(11,095)	(2,147)	—	—	—
Net actuarial loss (gain), end of year	$43,907	$16,957	$53,368	$(127)	$(126)	$(49)

The Company expects to recognize in net pension cost throughout 2015 an actuarial loss of $0.7 million that was recorded in accumulated other comprehensive income at December 28, 2014.
Defined Contribution Plans
The Company sponsors two defined contribution retirement savings plans named the Pilgrim’s Pride Retirement Savings Plan (the “RS Plan”) and the To-Ricos Employee Savings and Retirement Plan (the “To-Ricos Plan”). The RS Plan is an IRC Section 401(k) salary deferral plan maintained for certain eligible US employees. Under the RS Plan, eligible U.S. employees may voluntarily contribute a percentage of their compensation. The Company matches up to 30.0% of the first 2.14% to 6.00% of salary based on the salary deferral and compensation levels up to $245,000. The To-Ricos Plan is an IRC Section 1165(e) salary deferral plan maintained for certain eligible Puerto Rican employees. Under the To-Ricos Plan, eligible employees may voluntarily contribute a percentage of their compensation and there are various company matching provisions. The Company also maintains three postretirement plans for eligible Mexico employees as required by Mexico law that primarily cover termination benefits.
The Company’s expenses related to its defined contribution plans totaled $3.9 million, $3.9 million and $5.7 million in 2014, 2013 and 2012, respectively.
Certain retirement plans that the Company sponsors invest in a variety of financial instruments. Certain postretirement funds in which the Company participates hold significant amounts of mortgage-backed securities. However, none of the mortgages collateralizing these securities are considered subprime.
13. STOCKHOLDERS' EQUITY
Rights Offering
In January 2012, Pilgrim's commenced the Rights Offering for stockholders of record as of January 17, 2012 (the “Record Date”). The basic subscription privilege gave stockholders the option to purchase 0.2072 shares of Pilgrim's common stock, rounded up to the next largest whole number, at a subscription price of $4.50 per share for each share of Pilgrim's common stock they owned as of the Record Date. The multiplier was determined by dividing the 44,444,444 shares being offered in the Rights Offering by the total number of shares owned by all stockholders on the Record Date. Those stockholders that exercised their basic subscription privilege in full also received an over-subscription privilege that afforded them the opportunity to purchase additional shares at the subscription price of $4.50 per share from a pool of the shares left over had all stockholders not elected to exercise their basic subscription privileges in full. JBS USA committed to participate in the Rights Offering and exercise its basic and over-subscription privileges in full. The last day a stockholder could exercise either their basic subscription rights or their over-subscription rights was February 29, 2012. On March 7, 2012, the Company issued 44,444,444 shares of common stock to stockholders that exercised their basic subscription privileges and over-subscription privileges under the Rights Offering. Gross proceeds received under the Rights Offering totaled $200.0 million. The Company incurred costs directly attributable to the Rights Offering of $1.7 million that it deferred and charged against the proceeds of the Rights Offering in Additional Paid-in Capital on the Consolidated Balance Sheet. The Company used the net proceeds of $198.3 million for additional working capital to improve its capital position and for general corporate purposes. Pilgrim's also used a portion of the net proceeds to repay the outstanding principal amount of $50.0 million,

plus accrued interest, of its subordinated debt owed to JBS USA and to repay indebtedness under the U.S. Credit Facility.

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Accumulated Other Comprehensive Loss

The following tables provide information regarding the changes in accumulated other comprehensive loss during 2014 and 2013:

	2014 Losses Related to Pension and Other Postretirement Benefits	2014 Unrealized Holding Gains on Available-for-Sale Securities	2014 Total	2013 Losses Related to Pension and Other Postretirement Benefits	2013 Unrealized Holding Gains on Available-for-Sale Securities	2013 Total
	(In thousands)					
Balance, beginning of year	$(45,797)	$ 62	$(45,735)	$(68,511)	$ —	$(68,511)
Other comprehensive income (loss) before reclassifications	(16,810)	319	(16,491)	21,713	62	21,775
Amounts reclassified from accumulated other comprehensive loss to net income	35	(350)	(315)	1,001	—	1,001
Net current year other comprehensive income (loss)	(16,775)	(31)	(16,806)	22,714	62	22,776
Balance, end of year	$(62,572)	$ 31	$(62,541)	$(45,797)	$ 62	$(45,735)

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

Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss(a) 2014	2013	Affected Line Item in the Consolidated Statements of Operations
	(In thousands)		
Realized gain on sale of securities	$562	$—	Selling, general and administrative expense
Amortization of pension and other postretirement plan actuarial losses:			
Union employees pension plan(b)	—	(36) (d)	Cost of goods sold
Legacy Gold Kist plans(c)	(56)	(965) (d)	Selling, general and administrative expense
Total before tax	506	(1,001)	
Tax benefit (expense)	(191)	—	
Total reclassification for the period	$315	$(1,001)	

(a) Amounts in parentheses represent debits to results of operations.

(b) The Company sponsors the Union Plan, a qualified defined benefit pension plan covering certain locations or work groups with collective bargaining agreements.

(c) The Company sponsors the GK Pension Plan, a qualified defined benefit pension plan covering certain eligible U.S. employees who were employed at locations that the Company purchased through its acquisition of Gold Kist in 2007, the SERP Plan, a nonqualified defined benefit retirement plan covering certain former Gold Kist executives, the Directors’ Emeriti Plan, a nonqualified defined benefit retirement plan covering certain former Gold Kist directors and the Retiree Life Plan, a defined benefit postretirement life insurance plan covering certain retired Gold Kist employees (collectively, the “Legacy Gold Kist Plans”).

(d) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See “Note 12. Pension and Other Postretirement Benefits” to the Consolidated Financial Statements.

Special Cash Dividend

On January 15, 2015, the Company announced that its Board of Directors had approved the declaration of a special cash dividend of $5.77 per share. The total amount of the special cash dividend payment will be approximately $1.5 billion based on the current number of shares outstanding. The special cash dividend is payable on February 17, 2015, to stockholders of record on January 30, 2015. The Company intends to use proceeds from the 2015 U.S. Credit Facility to fund, along with cash on hand, the special cash dividend.

Set forth below is the Condensed Unaudited Pro Forma Consolidated Balance Sheet as of December 28, 2014, which gives effect to the special cash dividend and the borrowings necessary to fund the special cash dividend as if they occurred on December 28, 2014. The assumptions on which the pro forma financial information is based are further described in the Notes to

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Condensed Unaudited Pro Forma Consolidated Balance Sheet. Management of the Company believes that the assumptions used provide a reasonable basis on which to present the Condensed Unaudited Pro Forma Consolidated Balance Sheet. The pro forma financial information does not purport to be indicative of the financial position that would actually have resulted if the special cash dividend and the related borrowings necessary to fund the special cash dividend had been completed as of such date or that may result in the future. The pro forma financial information should be read in conjunction with the accompanying notes thereto, the Consolidated Financial Statements and the Notes to Consolidated Financial Statements.

PILGRIM'S PRIDE CORPORATION
CONDENSED UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

	December 28, 2014	Special Cash Dividend		December 28, 2014
	(In thousands)			
Cash and cash equivalents	$576,143	$1,196,000	[a]	$267,786
		(1,500,000	) [b]	
		(4,357	) [c]	
Trade accounts and other receivables, less allowance for doubtful accounts	378,890	—		378,890
Inventories	790,305	—		790,305
Other	139,741	—		139,741
Total current assets	1,885,079	(308,357	)	1,576,722
Property, plant and equipment, net	1,182,795	—		1,182,795
Other	51,189	4,357	[c]	55,546
Total assets	$3,119,063	$(304,000	)	$2,815,063
Total current liabilities	$744,858	$—		$744,858
Long-term debt, less current maturities	3,980	1,196,000	[a]	1,199,980
Deferred tax liabilities	76,216	—		76,216
Other long-term liabilities	97,208	—		97,208
Total stockholders' equity	2,196,801	(1,500,000	) [b]	696,801
Total liabilities and stockholders' equity	$3,119,063	$(304,000	)	$2,815,063

The accompanying notes are an integral part of this Condensed Unaudited Pro Forma Consolidated Balance Sheet.

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Notes to Condensed Unaudited Pro Forma Consolidated Balance Sheet

1. Basis of Presentation

The following summary of pro forma adjustments is based on available information and various estimates and assumptions. Management of the Company believes that these assumptions provide a reasonable basis for presenting all of the significant effects of the following transactions and events and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the Condensed Unaudited Pro Forma Consolidated Balance Sheet.

The Condensed Unaudited Pro Forma Consolidated Balance Sheet gives effect to the transactions described below:

- Payment of a special cash dividend to stockholders of approximately $1.5 billion, which will be funded by approximately $300.0 million of cash and cash equivalents on hand and proceeds of approximately $1.2 billion from additional long-term debt.
- Payment and capitalization of approximately $4.4 million in financing fees related thereto.

The Condensed Unaudited Pro Forma Balance Sheet as of December 28, 2014 gives effect to the transactions as if they occurred on December 28, 2014.

2. Condensed Unaudited Pro Forma Consolidated Balance Sheet

(a) To reflect cash from additional borrowings of long-term debt used to pay the special cash dividend to stockholders.

(b) To reflect the payment of the special cash dividend to stockholders.

(c) To reflect the payment and capitalization of financing fees.

14. INCENTIVE COMPENSATION

The Company sponsors a short-term incentive plan that provides the grant of either cash or share-based bonus awards payable upon achievement of specified performance goals (the “STIP”). Full-time, salaried exempt employees of the Company and its affiliates who are selected by the administering committee are eligible to participate in the STIP. The Company has accrued $35.0 million in costs related to the STIP at December 28, 2014 related to cash bonus awards that could potentially be awarded during 2016.

The Company also sponsors a performance-based, omnibus long-term incentive plan that provides for the grant of a broad range of long-term equity-based and cash-based awards to the Company’s officers and other employees, members of the Board and any consultants (the “LTIP”). The equity-based awards that may be granted under the LTIP include “incentive stock options,” within the meaning of the IRC, nonqualified stock options, stock appreciation rights, restricted stock awards (“RSAs”) and restricted stock units (“RSUs”). At December 28, 2014, we have reserved approximately 6.6 million shares of common stock for future issuance under the LTIP.

The following awards existed during 2014:

Award Type	Benefit Plan	Award Quantity	Grant Date	Vesting Condition	Vesting Date	Estimated Forfeiture Rate		Settlement Method
RSA	Employment Agreement	100,000	January 14, 2011	Service	January 3, 2014	—	%	Stock
RSA	LTIP	72,675	August 27, 2012	Service	April 27, 2014	—	%	Stock
RSU	LTIP	608,561	February 4, 2013	Service	December 31, 2014	9.66	%	Stock
RSA	LTIP	15,000	February 25, 2013	Service	February 24, 2015	—	%	Stock
RSA	LTIP	15,000	February 25, 2013	Service	February 24, 2016	—	%	Stock
RSU	LTIP	206,933	February 26, 2013	Service	December 31, 2014	—	%	Stock
RSU	LTIP	462,518	February 19, 2014	Service	December 31, 2016	13.49	%	Stock

The fair value of each RSA and RSU granted represents the closing price of the Company’s common stock on the respective grant date.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2014	2013	2012
	(In thousands)		
Share-based compensation cost:			
Cost of goods sold	$395	$361	$—
Selling, general and administrative expenses	4,533	2,984	684
Total	$4,928	$3,345	$684
Income tax benefit	$1,326	$471	$28

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

	2014		2013		2012	
	Number	Weighted Average Grant Date Fair Value	Number	Weighted Average Grant Date Fair Value	Number	Weighted Average Grant Date Fair Value
	(In thousands, except weighted average fair values)					
RSAs:						
Outstanding at beginning of year	203	$6.59	273	$6.54	200	$7.10
Granted	—	—	30	8.72	73	5.00
Vested	(173)	6.62	(100)	7.10	—	—
Outstanding at end of year	30	$8.72	203	$6.59	273	$6.54
RSUs:						
Outstanding at beginning of year	729	$8.81	—	$—	—	$—
Granted	463	16.70	815	8.82	—	—
Vested	—	—	—	—	—	—
Forfeited	(72)	10.34	(86)	8.89	—	—
Outstanding at end of year	1,120	$11.97	729	$8.81	—	$—

The total fair value of shares vested in 2014 and 2013 was $3.2 million and 0.7 million, respectively. No shares vested in 2012.

At December 28, 2014, the total unrecognized compensation cost related to all nonvested awards was $5.9 million. That cost is expected to be recognized over a weighted average period of 1.99 years.

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

15. RELATED PARTY TRANSACTIONS

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

On December 28, 2009, JBS USA became the holder of the majority of the common stock of the Company. As of December 28, 2014, JBS USA beneficially owned 75.5% of the total outstanding shares of our common stock.

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	2014	2013	2012
	(In thousands)		
JBS USA:			
Letter of credit fees[a]	$1,339	$2,156	$1,339
Equity contribution under tax sharing agreement[b]	3,849	—	—
JBS USA, LLC:			
Purchases from JBS USA, LLC	115,337	80,809	69,048
Expenditures paid by JBS USA, LLC on behalf of Pilgrim's[c]	31,149	55,730	61,353
Sales to JBS USA, LLC	39,682	61,942	206,720
Expenditures paid by Pilgrim's on behalf of JBS USA, LLC[c]	4,925	1,733	4,134
JBS Aves Ltda.:			
Purchases from JBS Aves Ltda.	4,072	—	—
Seara International Ltd.:			
Purchases from Seara International Ltd.	2,091	—	—
JBS Chile Ltda.:			
Sales to JBS Chile Ltda.	463	—	—
JBS Global (UK) Ltd.:			
Sales to JBS Global (UK) Ltd.	255	—	—

(a) Beginning on October 26, 2011, JBS USA arranged for letters of credit to be issued on its account in the amount of $56.5 million to an insurance company on our behalf in order to allow that insurance company to return cash it held as collateral against potential liability claims. We agreed to reimburse JBS USA up to $56.5 million for potential draws upon these letters of credit. We reimburse JBS USA for the letter of credit costs we would have otherwise incurred under our credit facilities. During 2014, we have paid JBS USA $1.3 million for letter of credit costs. As of December 28, 2014, the Company has accrued an obligation of $0.1 million to reimburse JBS USA for letter of credit costs incurred on its behalf.

(b) The Company entered into a tax sharing agreement during 2014 with JBS USA effective for tax years starting 2010. The net tax receivable for tax years 2010 through 2014 was accrued in 2014.

(c) On January 19, 2010, the Company entered into an agreement with JBS USA, LLC in order to allocate costs associated with JBS USA, LLC's procurement of SAP licenses and maintenance services for its combined companies. Under this agreement, the fees associated with procuring SAP licenses and maintenance services are allocated between the Company and JBS USA, LLC in proportion to the percentage of licenses used by each company. The agreement expires on the date of expiration, or earlier termination, of the underlying SAP license agreement. On May 5, 2010, the Company also entered into an agreement with JBS USA, LLC in order to allocate the costs of supporting the business operations by one consolidated corporate team, which have historically been supported by their respective corporate teams. Expenditures paid by JBS USA, LLC on behalf of the Company will be reimbursed by the Company and expenditures paid by the Company on behalf of JBS USA, LLC will be reimbursed by JBS USA, LLC. This agreement expires on May 5, 2015.

As of December 28, 2014 and December 29, 2013, the outstanding payable to JBS USA was $0.1 million and $0.1 million, respectively. As of December 28, 2014, the outstanding receivable from JBS USA was $3.8 million.

As of December 28, 2014 and December 29, 2013, the outstanding payable to JBS USA, LLC was $4.8 million and $3.9 million, respectively. As of December 28, 2014 and December 29, 2013, the outstanding receivable from JBS USA, LLC was $1.4 million and $2.4 million, respectively. As of December 28, 2014, approximately $4.2 million of goods from JBS USA, LLC were in transit and not reflected on our Consolidated Balance Sheet.

As of December 28, 2014, the outstanding receivable from JBS Global (UK) Ltd. was $0.1 million.

16. COMMITMENTS AND CONTINGENCIES

General

We are a party to many routine contracts in which we provide general indemnities in the normal course of business to third parties for various risks. Among other considerations, we have not recorded a liability for any of these

indemnities as based upon the likelihood of payment, the fair value of such indemnities would not have a material impact on our financial condition, results of operations and cash flows.

Purchase Obligations

The Company will sometimes enter into noncancelable contracts to purchase capital equipment and certain commodities such as corn, soybean meal, and electricity. At December 28, 2014, the Company was party to outstanding purchase contracts totaling $53.3 million, $4.6 million and $0.8 million payable in 2015, 2016, and 2017, respectively.

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Operating Leases

The Consolidated Statements of Operations include rental expense for operating leases of approximately $15.2 million, $9.6 million and $14.3 million in 2014, 2013 and 2012, respectively. The Company's future minimum lease commitments under noncancelable operating leases are as follows (in thousands):

2015	$16,893
2016	14,019
2017	11,213
2018	8,197
2019	5,875
Thereafter	3,114
Total	$59,311

Certain of the Company's operating leases include rent escalations. The Company includes the rent escalation in its minimum lease payments obligations and recognizes them as a component of rental expense on a straight-line basis over the minimum lease term.

The Company also maintains operating leases for various types of equipment, some of which contain residual value guarantees for the market value of assets at the end of the term of the lease. The terms of the lease maturities range from one to ten years. The maximum potential amount of the residual value guarantees is estimated to be approximately $29.7 million; however, the actual amount would be offset by any recoverable amount based on the fair market value of the underlying leased assets. No liability has been recorded related to this contingency as the likelihood of payments under these guarantees is not considered to be probable and the fair value of such guarantees is immaterial. The Company historically has not experienced significant payments under similar residual guarantees.

Financial Instruments

Pursuant to the terms of the Subordinated Loan Agreement, we have agreed to reimburse JBS USA up to $56.5 million for draws upon any letters of credit issued for JBS USA's account that support certain obligations of the Company and its subsidiaries.

The Company's loan agreements generally obligate the Company 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 the Company's loan agreements contain a withholding tax provision that requires the Company 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 the Company 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.

Litigation

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

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

On December 1, 2008, Pilgrim's and six of its subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court for the Northern District of Texas, Fort Worth Division ("Bankruptcy Court"). The cases were jointly administered under Case No. 08-45664. The Company emerged from Chapter 11 on December 28, 2009. The

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Company is the named defendant in several pre-petition lawsuits that, as of December 28, 2014, have not been resolved. Among the claims presently pending are claims brought against certain current and former directors, executive officers and employees of the Company, the Pilgrim's Pride Administrative Committee and the Pilgrim's Pride Pension Committee seeking unspecified damages under section 502 of the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C. § 1132. These claims were brought by individual participants in the Pilgrim's Pride Retirement Savings Plan, individually and on behalf of a putative class, alleging that the defendants breached fiduciary duties to plan participants and beneficiaries or otherwise violated ERISA. Although the Company is not a named defendant in these claims, our bylaws require us to indemnify our current and former directors and officers from any liabilities and expenses incurred by them in connection with actions they took in good faith while serving as an officer or director. In these actions the plaintiffs assert claims in excess of $35.0 million. The likelihood of an unfavorable outcome or the amount or range of any possible loss to the Company cannot be determined at this time.
Other claims presently pending against the Company are claims seeking unspecified damages brought by current or former contract chicken growers who allege, along with other assertions, that the Company breached grower contracts and made false representations to induce the plaintiffs into building chicken farms and entering into chicken growing agreements with the Company. In the case styled Shelia Adams, et al. v. Pilgrim's Pride Corporation, on September 30, 2011, the trial court issued its findings of fact and conclusions of law stating that the Company violated section 192(e) of the Packers and Stockyards Act of 1921 by purportedly attempting to manipulate the price of chicken by idling the El Dorado, Arkansas complex and rejecting the El Dorado growers' contracts. The trial court awarded damages in the amount of $25.8 million. Afterward, the Company filed post-judgment motions attacking the trial court's findings of fact and conclusions of law, which, on December 28, 2011, were granted in part and resulted in a reduction of the damages award from $25.8 million to $25.6 million. On January 19, 2012, the Company appealed the findings of fact and conclusions of law and decision concerning the post-judgment motions to the United States Fifth Circuit Court of Appeals ("Fifth Circuit"). Oral argument occurred December 3, 2012. On August 27, 2013, the Fifth Circuit reversed the judgment, and entered a judgment in favor of the Company. Plaintiffs thereafter filed a petition for rehearing en banc. Plaintiffs' petition for rehearing was denied on October 15, 2013. On January 13, 2014, Plaintiffs filed a Petition for a Writ of Certiorari requesting the Supreme Court of the United States to accept their case for review. Plaintiff's petition for a Writ of Certiorari was denied on February 24, 2014. The Fifth Circuit's decision and prior favorable trial court rulings regarding the El Dorado growers' claims suggest that the likelihood of any recovery by growers remaining in the case is too remote to maintain the previously-recorded loss accrual. Therefore, the Company reversed the accrual on September 1, 2013.
As for the remaining chicken grower claims, the bench trial relating to the allegations asserted by the plaintiffs from the Farmerville, Louisiana complex began on July 16, 2012. That bench trial concluded on August 2, 2012, but the Marshall Court postponed its ruling until the appeals process regarding the allegations asserted by the El Dorado growers was exhausted. The bench trial relating to the claims asserted by the plaintiffs from the Nacogdoches, Texas complex began on September 12, 2012, but was also postponed until the appeals process regarding the allegations asserted by the El Dorado growers was exhausted. The remaining bench trial for the plaintiffs from the De Queen and Batesville, Arkansas complexes was scheduled for October 29, 2012, but that trial date was canceled. Following the denial by the Supreme Court of the United States for a Writ of Certiorari related to the claims asserted by the plaintiffs from the El Dorado, Arkansas complex, the Marshall Court requested briefing on the allegations asserted by the plaintiffs from the Farmerville, Louisiana complex and scheduled trial proceedings for allegations asserted by the plaintiffs from the Nacogdoches complex on August 25, 2014 and allegations asserted by the plaintiffs from the De Queen and Batesville, Arkansas complexes on October 27, 2014. Prior to commencing the trial proceedings on the allegations asserted by the plaintiffs from the De Queen and Batesville, Arkansas complexes, the Marshall Court announced it would enter judgment in PPC's favor on all remaining federal causes of action, and plaintiffs from the De Queen and Batesville complexes were given additional time to brief Arkansas state law claims. The court-imposed deadline passed with no briefs filed by plaintiffs. At this time, the Marshall Court has not memorialized its decision in writing.

The IRS filed an amended proof of claim in the Bankruptcy Court pursuant to which the IRS asserted claims that total $74.7 million. We entered into two Stipulations with the IRS on December 12, 2012 that accounted for approximately $29.3 million of the amended proof of claim and should result in no additional tax due.

In connection with the remaining claim for approximately $45.4 million included in the amended proof of claim, we filed a petition in Tax Court on May 26, 2010 in response to a Notice of Deficiency that was issued to the Company as the successor in interest to Gold Kist. The Notice of Deficiency and the Tax Court proceeding relate to a loss that Gold Kist claimed for its tax year ended June 26, 2004. On December 11, 2013, the Tax Court issued its opinion in the Tax Court case holding the loss that Gold Kist claimed for its tax year ended June 26, 2004 is capital in nature. On January 10, 2014, PPC filed both a Motion for Reconsideration and a Motion for Full Tax Court review of both its Motion for Reconsideration and any order issued in response to such motion. On March 10, 2014, the Tax Court denied both the Motion for Reconsideration and the Motion for Full Tax Court review. On April 14, 2014, the Company appealed the findings of fact and conclusions of law and decision concerning the post-judgment motions to the Fifth Circuit. The Company filed an opening brief with the Fifth Circuit on June 30, 2014. The IRS filed

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

a response brief with the Fifth Circuit on August 15, 2014. The Company then filed their reply brief with the Fifth Circuit on September 2, 2014. Oral argument before the Fifth Circuit occurred during the week beginning January 5, 2015.

Upon the initial filing of the Gold Kist tax return for the year ended June 26, 2004, the Company assessed the likelihood that the position related to the proceeding would be sustained upon examination and determined that it met the recognition threshold and the full amount of benefit was recognized. We continue to believe the position is more likely than not of being sustained. If adversely determined, the outcome could have a material effect on the Company's operating results and financial position.

17. MARKET RISKS AND CONCENTRATIONS

The Company’s financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents, investment securities and trade accounts receivable. The Company’s cash equivalents and investment securities are high-quality debt and equity securities placed with major banks and financial institutions. The Company’s trade accounts receivable are generally unsecured. Credit evaluations are performed on all significant customers and updated as circumstances dictate. Concentrations of credit risk with respect to trade accounts receivable are limited due to the large number of customers and their dispersion across geographic areas. With the exception of one customer that accounts for approximately 10.8% of trade accounts and other receivables at December 28, 2014, and approximately 8.2% of net sales for 2014, the Company does not believe it has significant concentrations of credit risk in its trade accounts receivable.

At December 28, 2014, approximately 38.1% of the Company’s employees were covered under collective bargaining agreements. Substantially all employees covered under collective bargaining agreements are covered under agreements that expire in 2017 or 2018 with the exception of one live operations location where the collective bargaining agreement expired in 2014 and negotiations are ongoing. We have not experienced any labor-related work stoppage at any location in over nine years. We believe our relationship with our employees and union leadership is satisfactory. At any given time, we will likely be in some stage of contract negotiations with various collective bargaining units. The Company is currently in negotiations at one location, and there is no assurance that agreement will be reached. In the absence of an agreement, we may become subject to labor disruption at this location, which could have an adverse effect on our financial results.

The aggregate carrying amount of net assets belonging to our Mexico operations was $454.5 million and $359.0 million at December 28, 2014 and December 29, 2013, respectively.

18. BUSINESS SEGMENT AND GEOGRAPHIC REPORTING

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

Net sales to customers by customer location and long-lived assets are as follows:

	2014	2013	2012
	(In thousands)		
Net sales to customers by customer location:			
United States	$7,067,408	$6,816,246	$6,600,206
Mexico	1,075,764	1,108,308	988,712
Asia	246,141	301,545	262,455
North America	80,121	51,275	111,305
Africa	49,810	38,809	62,642
Europe	44,377	73,349	79,101
South America	18,102	19,224	13,775
Pacific	1,642	2,392	3,186
Total	$8,583,365	$8,411,148	$8,121,382

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	December 28, 2014	December 29, 2013
	(In thousands)	
Long-lived assets[(a)]:		
United States	$1,085,856	$1,066,963
Mexico	96,939	84,848
Total	$1,182,795	$1,151,811

(a) For this disclosure, we exclude financial instruments, deferred tax assets and intangible assets in accordance with ASC 280-10-50-41, Segment Reporting. Long-lived assets, as used in ASC 280-10-50-41, implies hard assets that cannot be readily removed.

The following table sets forth, for the periods beginning with 2012, net sales attributable to each of our primary product lines and markets served with those products. We based the table on our internal sales reports and their classification of product types.

	2014	2013	2012
	(In thousands)		
U.S. chicken:			
Prepared chicken	$1,787,389	$2,046,747	$2,239,289
Fresh chicken	4,703,993	4,123,087	3,583,854
Export and other chicken by-products	620,082	715,970	817,723
Total U.S. chicken	7,111,464	6,885,804	6,640,866
Mexico chicken	900,360	864,454	758,023
Total chicken	8,011,824	7,750,258	7,398,889
Other products:			
U.S.	535,572	614,409	608,619
Mexico	35,969	46,481	113,874
Total other products	571,541	660,890	722,493
Total net sales	$8,583,365	$8,411,148	$8,121,382

19. QUARTERLY RESULTS (UNAUDITED)

2014	First	Second	Third	Fourth	Year
	(In thousands, except per share data)				
Net sales	$2,018,065	$2,186,817	$2,268,048	$2,110,435	$8,583,365
Gross profit	215,106	349,476	450,265	379,148	1,393,995
Net income attributable to PPC common stockholders	98,117	190,360	255,983	167,188	711,648
Net income per share amounts - basic	0.38	0.74	0.99	0.65	2.75
Net income per share amounts - diluted	0.38	0.73	0.99	0.64	2.74
Number of days in quarter	91	91	91	91	364

2013	First	Second	Third	Fourth[(a)]	Year
	(In thousands, except per share data)				
Net sales	$2,036,929	$2,184,118	$2,142,816	$2,047,285	$8,411,148
Gross profit (loss)	118,434	282,507	236,573	207,925	845,439
Net loss attributable to PPC common stockholders	54,582	190,704	160,917	143,352	549,555
Net loss per share amounts - basic and diluted	0.21	0.74	0.62	0.55	2.12
Number of days in quarter	91	91	91	91	364

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(a) In the fourth quarter of 2013, the Company recognized expenses related to the shutdown of our Dallas plant of $0.5 million and asset impairment charges of $0.5 million.

2012	First	Second	Third	Fourth[(a)]	Year
	(In thousands, except per share data)				
Net sales	$1,888,773	$1,974,469	$2,068,478	$2,189,662	$8,121,382
Gross profit	110,065	144,089	106,135	75,543	435,832
Net income (loss) attributable to PPC common stockholders	39,173	69,357	42,931	22,773	174,234
Net income (loss) per share amounts - basic and diluted	0.18	0.27	0.17	0.09	0.70
Number of days in quarter	91	91	91	98	371

(a) In the fourth quarter of 2012, the Company recognized expenses related to the shutdown of our Dallas plant of $1.1 million and asset impairment charges of $1.4 million.

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SCHEDULE II
PILGRIM'S PRIDE CORPORATION
VALUATION AND QUALIFYING ACCOUNTS

	Beginning Balance	Additions Charged to Operating Results	Charged to Other Accounts	Deductions		Ending Balance
	(In thousands)					
Trade Accounts and Other Receivables—Allowance for Doubtful Accounts:						
2014	$4,056	$520	$ —	$2,051	(a)	$2,525
2013	3,757	1,668	—	1,369	(a)	4,056
2012	5,163	(1,629)	—	(223)	(a)	3,757
Trade Accounts and Other Receivables—Allowance for Sales Adjustments:						
2014	$7,089	$220,123	$ —	$219,787	(b)	$7,425
2013	10,152	159,417	—	162,480	(b)	7,089
2012	8,030	147,126	—	145,004	(b)	10,152
Deferred Tax Assets—Valuation Allowance:						
2014	$10,400	$(1,250)	$ —	$—	(c)	$9,150
2013	188,354	(164,180)	(13,774)	—	(c)	10,400
2012	230,336	(50,455)	8,473	—	(c)	188,354

(a) Uncollectible accounts written off, net of recoveries.
(b) Deductions either written off, rebilled or reclassified as liabilities for market development fund rebates.
(c) Reductions in the valuation allowance.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of December 28, 2014, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based on that evaluation, the Company's management, including the Chief Executive Officer and Principal Financial Officer, concluded the Company's disclosure controls and procedures were not effective because of the material weakness in our internal control over financial reporting that is described below in "Management's Report on Internal Control over Financial Reporting." However, giving full consideration to the material weakness described below, the Company's management has concluded that the Consolidated Financial Statements included in this annual report present fairly, in all material respects, the Company's financial position, results of operations and cash flows for the periods disclosed in conformity with U.S. GAAP. KPMG LLP has issued its report dated February 11, 2015, which expressed an unqualified opinion on those Consolidated Financial Statements.

Changes in Internal Control Over Financial Reporting

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Other than the identification of the material weakness described above, there was no change in the Company's internal control over financial reporting that occurred during the Company's quarter ended December 28, 2014, and that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.
On May 14, 2013, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) published Internal Control-Integrated Framework (2013) (the "2013 Framework") and related illustrative documents as an update to Internal Control-Integrated Framework (1992) (the "1992 Framework"). While the 2013 Framework's internal control components (i.e., control environment, risk assessment, control activities, information and communication, and monitoring activities) are the same as those in the 1992 Framework, the 2013 Framework, among other matters, requires companies to assess whether 17 principles are present and functioning in determining whether their system of internal control is effective. The Company expects to adopt the 2013 Framework during the fiscal year ending December 27, 2015.

Management's Report on Internal Control over Financial Reporting

Pilgrim's Pride Corporation's ("PPC") management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). PPC's internal control is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles.
Under the supervision and with the participation of management, including its principal executive officer and principal financial officer, PPC's management assessed the design and operating effectiveness of internal control over financial reporting as of December 28, 2014 based on the framework set forth in Internal Control-Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that PPC's internal control over financial reporting was not effective as of December 28, 2014 because of the material weakness described below. KPMG LLP, an independent registered public accounting firm, has issued an adverse report on the effectiveness of the Company's internal control over financial reporting as of December 28, 2014. That report is included in this Item 9A of this annual report.
A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement in our annual or interim financial statements will not be prevented or detected on a timely basis. Management has identified a material weakness in the design and operating effectiveness of general information technology controls. Specifically, the Company's process lacks sufficient internal controls intended to ensure (i) that access to applications and data, and the ability to make program changes, were adequately restricted to appropriate personnel and (ii) that the activities of individuals with access to modify data and make program changes were appropriately monitored.

Remediation Plan for Material Weakness in Internal Control over Financial Reporting

Management does not believe any unauthorized entries were made despite the potential access to those applications and data by certain of our IT personnel. In response to the material weakness described above, the Company has developed a remediation plan, with oversight from the Audit Committee of the Board of Directors. As part of the remediation process, the Company will enhance its processes for authorizing access to systems and monitoring activities of individuals who are granted access to ensure that all information technology controls designed to restrict access to applications and data, and the ability to make program changes, are operating in a manner that provides management with assurance that such access is properly restricted to the appropriate personnel.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
The Board of Directors and Stockholders
Pilgrim's Pride Corporation:
We have audited Pilgrim's Pride Corporation's internal control over financial reporting as of December 28, 2014, based on criteria established in Internal Control Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Pilgrim's Pride Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting, included in Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. A material weakness related to the design and operating effectiveness of general information technology controls over access to applications and data and the ability to make program changes has been identified and included in management's assessment. We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Pilgrim's Pride Corporation and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the fifty-two weeks ended December 28, 2014 and December 29, 2013 and the fifty-three weeks ended December 30, 2012. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2014 consolidated financial statements, and this report does not affect our report dated February 11, 2015, which expressed an unqualified opinion on those consolidated financial statements.

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In our opinion, because of the effect of the aforementioned material weakness on the achievement of the objectives of the control criteria, Pilgrim's Pride Corporation has not maintained effective internal control over financial reporting as of December 28, 2014, based on criteria established in Internal Control-Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ KPMG LLP

Denver, Colorado
February 11, 2015

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Item 9B. Other Information

As previously announced, the Company filed voluntary Chapter 11 petitions on December 1, 2008 and emerged from bankruptcy on December 28, 2009. The Chapter 11 cases were being jointly administered under case number 08-45664. The Company has and intends to continue to post important information about the restructuring, including quarterly operating reports and other financial information required by the Bankruptcy Court, on the Company's website www.pilgrims.com under the “Investors-Reorganization” caption. The quarterly operating reports are required to be filed with the Bankruptcy Court no later than the 20th day of the next calendar month immediately following the end of the fiscal quarter and will be posted on the Company's website concurrently with being filed with the Bankruptcy Court. The Company uses its website as a means of complying with its disclosure obligations under Securities and Exchange Commission Regulation FD. The information contained on or accessible through the Company's website shall not be deemed to be part of this annual report.

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PART III

Item 10. Directors and Executive Officers and Corporate Governance

Certain information regarding our executive officers has been presented under "Executive Officers" included in "Item 1. Business," above.

Reference is made to the sections entitled "Election of JBS Directors" and "Election of Equity Directors and the Founder Director" of the Company's Proxy Statement for its 2015 Annual Meeting of Stockholders, which section is incorporated herein by reference.

Reference is made to the section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" of the Company's Proxy Statement for its 2015 Annual Meeting of Stockholders, which section is incorporated herein by reference.

We have adopted a Code of Business Conduct and Ethics, which applies to all employees, including our Chief Executive Officer and our Chief Financial Officer and Principal Accounting Officer. The full text of our Code of Business Conduct and Ethics is published on our website, at www.pilgrims.com, under the "Investors-Corporate Governance" caption. We intend to disclose future amendments to, or waivers from, certain provisions of this Code on our website within four business days following the date of such amendment or waiver.

See "Item 13. Certain Relationships and Related Transactions, and Director Independence."

Item 11. Executive Compensation

See "Item 13. Certain Relationships and Related Transactions, and Director Independence."

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Equity Compensation Plan Information

The following table provides certain information about our common stock that may be issued under the Long Term Incentive Plan (the "LTIP"), as of December 28, 2014. For additional information concerning terms of the LTIP, see "Note 14. Incentive Compensation" of our Consolidated Financial Statements included in this annual report.

Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Option, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by securities holders	—	—	6,585,393
Equity compensation plans not approved by securities holders	—	—	—
Total	—	—	6,585,393

See "Item 13. Certain Relationships and Related Transactions, and Director Independence."

Item 13. Certain Relationships and Related Transactions, and Director Independence

Additional information responsive to Items 10, 11, 12 and 13 is incorporated by reference from the sections entitled "Security Ownership," "Board of Directors Independence," "Committees of the Board of Directors," "Election of JBS Directors," "Election of Equity Directors and the Founder Director," "Report of the Compensation Committee," "Compensation Discussion and Analysis," "Executive Compensation," "Compensation Committee Interlocks and Insider Participation" and "Certain Transactions" of the Company's Proxy Statement for its 2015 Annual Meeting of Stockholders.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated herein by reference from the section entitled "Independent Registered Public Accounting Firm Fee Information" of the Company's Proxy Statement for its 2015 Annual Meeting of Stockholders.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statements

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

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

(3) The financial statements schedule entitled "Valuation and Qualifying Accounts and Reserves" is filed as part of this annual report on page 84.

(b) Exhibits

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

4.4	Form of Common Stock Certificate (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 29, 2009).
4.5	Indenture dated as of December 14, 2010 among the Company, Pilgrim's Pride Corporation of West Virginia, Inc. and The Bank of New York Mellon, as Trustee (incorporated by reference from Exhibit 4.1 of the Company's Form 8-K filed on December 15, 2010).
4.6	Form of Senior 7.875% Note due 2018 (incorporated by reference from Exhibit 4.3 of the Company's Form 8-K filed on December 15, 2010).
4.7	Form of Guarantee (incorporated by reference from Exhibit 4.4 of the Company's Form 8-K filed on December 15, 2010).

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	Additional long-term debt instruments are not filed since the total amount of those securities authorized under any such instrument does not exceed 10 percent of the total assets of the Company and its subsidiaries on a consolidated basis. The Company agrees to furnish a copy of such instruments to the Securities and Exchange Commission upon request.
10.1	2005 Deferred Compensation Plan of the Company (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K dated December 27, 2004). †
10.2	Change to Company Contribution Amount Under the Amended and Restated 2005 Deferred Compensation Plan of the Company (incorporated by reference from Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed July 30, 2008). †
10.3	Pilgrim's Pride Corporation Short-Term Management Incentive Plan (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K filed on December 30, 2009). †
10.4	Pilgrim's Pride Corporation Long Term Incentive Plan (incorporated by reference from Exhibit 10.2 of the Company's Current Report on Form 8-K filed on December 30, 2009). †
10.5	Employment Agreement dated January 14, 2011 between the Company and William Lovette (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K filed on January 18, 2011). †
10.6	Restricted Share Agreement dated January 14, 2011 between the Company and William Lovette (incorporated by reference from Exhibit 10.2 of the Company's Current Report on Form 8-K filed on January 18, 2011). †
10.7	Subordinated Loan Agreement dated as of June 23, 2011, between the Company and JBS USA Holdings, Inc. (incorporated by reference from Exhibit 10.2 of the Company's Current Report on Form 8-K filed on June 24, 2011).
10.8	Amended and Restated MXN$557,415,000 Credit Agreement dated as of October 19, 2011, by and among Avícola Pilgrim's Pride de México, S.A. de C.V. ("Avicola"), Pilgrim's Pride, S. de R.L. de C.V. ("PPS", together with Avicola, the "Borrowers"), certain subsidiaries of the Borrowers (the "Subsidiary Guarantors"), ING Bank (México), S.A. Institución de Banca Múltiple, ING Grupo Financiero, as lender and ING Capital LLC, as administrative agent and lead arranger (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K filed on October 25, 2011).
10.9	Amendment No. 1 to the Subordinated Loan Agreement dated as of October 26, 2011, between the Company and JBS USA Holdings, Inc.(incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 10-Q filed on April 27, 2012).
10.10	Amendment No. 2 to the Subordinated Loan Agreement dated as of December 16, 2011, between the Company and JBS USA Holdings, Inc. (incorporated by reference from Exhibit 10.2 of the Company's Current Report on Form 8-K/A filed on December 20, 2011).
10.11	First Amendment to Amended and Restated MXN$557,415,000 Credit Agreement dated as of December 13, 2011, by and among the Borrowers, the Subsidiary Guarantors, the several banks and other financial institutions party thereto and ING Capital LLC, as administrative agent and lead

	arranger (incorporated by reference from Exhibit 10.3 of the Company's Current Report on Form 8-K/A filed on December 20, 2011).
10.12	Waiver and Second Amendment to Amended and Restated Credit Agreement, dated as of June 28, 2012, by and among Avicola Pilgrim's Pride de Mexico, S.A. de C.V., Pilgrim's Pride, S. de R.L. de C.V., their subsidiaries, as guarantors, ING Capital LLC, as administrative agent, and the lenders party thereto (incorporated by reference from Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on October 26, 2012).
10.13	Pilgrim's Pride Corporation 2012 Long Term Incentive Program (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on September 10, 2012). †
10.14	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on September 10, 2012). †
10.15	Third Amendment to Amended and Restated MXN$557,415,000 Credit Agreement dated as of June 25, 2013, by and among Avícola Pilgrim’s Pride de México, S.A. de C.V. and Pilgrim’s Pride, S. de R.L. de C.V., as borrowers, the subsidiaries of the borrowers party thereto, the banks and other financial institutions party thereto and ING Capital LLC, as administrative agent and lead arranger (incorporated by reference from Exhibit 10.1 of the Company’s Current Report on Form 8-K filed July 1, 2013).
10.16	Amendment and Restatement to Credit Agreement dated August 7, 2013 among Pilgrim’s Pride Corporation, To-Ricos Distribution, Ltd., CoBank, ABC, as administrative agent, and the lenders party thereto (incorporated by reference from Exhibit 10.1 of the Company’s Current Report on Form 8-K filed August 12, 2013).

10.17	Amendment No. 1 to Credit Agreement dated May 21, 2014 among Pilgrim's Pride Corporation, To-Ricos, Ltd., To-Ricos Distribution, Ltd., the various subsidiaries of Pilgrim’s Pride Corporation party thereto, CoBank, ACB, as administrative agent, and the lenders party thereto.*
10.18	Amendment No. 2 to Credit Agreement dated December 16, 2014 among Pilgrim's Pride Corporation, To-Ricos, Ltd., To-Ricos Distribution, Ltd., the various subsidiaries of Pilgrim’s Pride Corporation party thereto, CoBank, ACB, as administrative agent, and the lenders party thereto. (incorporated by reference from Exhibit 10.1 of the Company’s Current Report on Form 8-K filed on December 19, 2014).
10.19	Amendment No. 3 to Credit Agreement dated January 14, 2015 among Pilgrim's Pride Corporation, To-Ricos, Ltd., To-Ricos Distribution, Ltd., the various subsidiaries of Pilgrim’s Pride Corporation party thereto, CoBank, ACB, as administrative agent, and the lenders party thereto. (incorporated by reference from Exhibit 10.1 of the Company’s Current Report on Form 8-K filed on January 15, 2015).
10.20	Second Amended and Restated Credit Agreement dated February 11, 2015 among Pilgrim's Pride Corporation, To-Ricos, Ltd. and To-Ricos Distribution, Ltd., Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland, New York Branch, as administrative agent, and the lenders party thereto (incorporated by reference from Exhibit 10.1 of the Company’s Current Report on Form 8-K filed on February 11, 2015).
12	Computation of Ratio of Earnings to Fixed Charges for the years ended December 29, 2013, December 30, 2012, December 25, 2011, December 26, 2010, and September 26, 2009 and the transition period from September 27, 2009 to December 27, 2009.*
21	Subsidiaries of Registrant.*
23.1	Consent of KPMG LLP.*
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Principal Executive Officer of Pilgrim’s Pride Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of Principal Financial Officer of Pilgrim’s Pride Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition

101.LAB	XBRL Taxonomy Extension Label
101.PRE	XBRL Taxonomy Extension Presentation

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

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 11, 2015.

PILGRIM'S PRIDE CORPORATION

By: /s/ Fabio Sandri
Fabio Sandri
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Signature	Title	Date
Gilberto Tomazoni	Chairman of the Board	February 11, 2015
/s/ William W. Lovette William W. Lovette	President and Chief Executive Officer	February 11, 2015
/s/ Fabio Sandri Fabio Sandri	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 11, 2015
Joesley Mendonça Batista	Director	February 11, 2015
/s/ Wesley Mendonça Batista Wesley Mendonça Batista	Director	February 11, 2015
/s/ David E. Bell David E. Bell	Director	February 11, 2015
/s/ Michael L. Cooper Michael L. Cooper	Director	February 11, 2015
/s/ Wallim Cruz de Vasconcellos Junior Wallim Cruz de Vasconcellos Junior	Director	February 11, 2015
/s/ Charles Macaluso Charles Macaluso	Director	February 11, 2015
/s/ Andre Nogueira de Souza Andre Nogueira de Souza	Director	February 11, 2015

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Exhibit Index

2.1	Agreement and Plan of Reorganization dated September 15, 1986, by and among Pilgrim's Pride Corporation, a Texas corporation; Pilgrim's Pride Corporation, a Delaware corporation; and Doris Pilgrim Julian, Aubrey Hal Pilgrim, Paulette Pilgrim Rolston, Evanne Pilgrim, Lonnie "Bo" Pilgrim, Lonnie Ken Pilgrim, Greta Pilgrim Owens and Patrick Wayne Pilgrim (incorporated by reference from Exhibit 2.1 to the Company's Registration Statement on Form S-1 (No. 33-8805) effective November 14, 1986).
2.2	Agreement and Plan of Merger dated September 27, 2000 (incorporated by reference from Exhibit 2 of WLR Foods, Inc.'s Current Report on Form 8-K (No. 000-17060) dated September 28, 2000).
2.3	Agreement and Plan of Merger dated as of December 3, 2006, by and among the Company, Protein Acquisition Corporation, a wholly owned subsidiary of the Company, and Gold Kist Inc. (incorporated by reference from Exhibit 99.(D)(1) to Amendment No. 11 to the Company's Tender Offer Statement on Schedule TO filed on December 5, 2006).
2.4	Stock Purchase Agreement by and between the Company and JBS USA Holdings, Inc., dated September 16, 2009 (incorporated by reference from Exhibit 2.1 of the Company's Current Report on Form 8-K filed September 18, 2009).
2.5	Amendment No.1 to the Stock Purchase Agreement by and between the Company and JBS USA Holdings, Inc., dated December 28, 2009 (incorporated by reference from Exhibit 2.5 of the Company's Annual Report on Form 10-K/A filed January 22, 2010).
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated by reference from Exhibit 3.1 of the Company's Form 8-A filed on December 27, 2012).
3.2	Amended and Restated Corporate Bylaws of the Company (incorporated by reference from Exhibit 3.2 of the Company's Form 8-A filed on December 27, 2012).
4.1	Amended and Restated Certificate of Incorporation of the Company (included as Exhibit 3.1).
4.2	Amended and Restated Corporate Bylaws of the Company (included as Exhibit 3.2).
4.3	Stockholders Agreement dated December 28, 2009 between the Company and JBS USA Holdings, Inc., as amended (incorporated by reference from Exhibit 4.1 to the Company's Form 8-A filed on December 27, 2012).
4.4	Form of Common Stock Certificate (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 29, 2009).
4.5	Indenture dated as of December 14, 2010 among the Company, Pilgrim's Pride Corporation of West Virginia, Inc. and The Bank of New York Mellon, as Trustee (incorporated by reference from Exhibit 4.1 of the Company's Form 8-K filed on December 15, 2010).
4.6	Form of Senior 7.875% Note due 2018 (incorporated by reference from Exhibit 4.3 of the Company's Form 8-K filed on December 15, 2010).
4.7	

	Form of Guarantee (incorporated by reference from Exhibit 4.4 of the Company’s Form 8-K filed on December 15, 2010).
	Additional long-term debt instruments are not filed since the total amount of those securities authorized under any such instrument does not exceed 10 percent of the total assets of the Company and its subsidiaries on a consolidated basis. The Company agrees to furnish a copy of such instruments to the Securities and Exchange Commission upon request.
10.1	2005 Deferred Compensation Plan of the Company (incorporated by reference from Exhibit 10.1 of the Company’s Current Report on Form 8-K dated December 27, 2004). †
10.2	Change to Company Contribution Amount Under the Amended and Restated 2005 Deferred Compensation Plan of the Company (incorporated by reference from Exhibit 10.4 to the Company’s Quarterly Report on Form 10-Q filed July 30, 2008). †
10.3	Pilgrim’s Pride Corporation Short-Term Management Incentive Plan (incorporated by reference from Exhibit 10.1 of the Company’s Current Report on Form 8-K filed on December 30, 2009). †
10.4	Pilgrim’s Pride Corporation Long Term Incentive Plan (incorporated by reference from Exhibit 10.2 of the Company’s Current Report on Form 8-K filed on December 30, 2009). †
10.5	Employment Agreement dated January 14, 2011 between the Company and William Lovette (incorporated by reference from Exhibit 10.1 of the Company’s Current Report on Form 8-K filed on January 18, 2011). †

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10.6	Restricted Share Agreement dated January 14, 2011 between the Company and William Lovette (incorporated by reference from Exhibit 10.2 of the Company’s Current Report on Form 8-K filed on January 18, 2011). †
10.7	Subordinated Loan Agreement dated as of June 23, 2011, between the Company and JBS USA Holdings, Inc. (incorporated by reference from Exhibit 10.2 of the Company's Current Report on Form 8-K filed on June 24, 2011).
10.8	Amended and Restated MXN$557,415,000 Credit Agreement dated as of October 19, 2011, by and among Avícola Pilgrim's Pride de México, S.A. de C.V. (“Avicola”), Pilgrim's Pride, S. de R.L. de C.V. (“PPS”, together with Avicola, the “Borrowers”), certain subsidiaries of the Borrowers (the “Subsidiary Guarantors”), ING Bank (México), S.A. Institución de Banca Múltiple, ING Grupo Financiero, as lender and ING Capital LLC, as administrative agent and lead arranger (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K filed on October 25, 2011).
10.9	Amendment No. 1 to the Subordinated Loan Agreement dated as of October 26, 2011, between the Company and JBS USA Holdings, Inc.(incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 10-Q filed on April 27, 2012).
10.10	Amendment No. 2 to the Subordinated Loan Agreement dated as of December 16, 2011, between the Company and JBS USA Holdings, Inc. (incorporated by reference from Exhibit 10.2 of the Company's Current Report on Form 8-K/A filed on December 20, 2011).
10.11	First Amendment to Amended and Restated MXN$557,415,000 Credit Agreement dated as of December 13, 2011, by and among the Borrowers, the Subsidiary Guarantors, the several banks and other financial institutions party thereto and ING Capital LLC, as administrative agent and lead arranger (incorporated by reference from Exhibit 10.3 of the Company's Current Report on Form 8-K/A filed on December 20, 2011).
10.12	Waiver and Second Amendment to Amended and Restated Credit Agreement, dated as of June 28, 2012, by and among Avicola Pilgrim's Pride de Mexico, S.A. de C.V., Pilgrim's Pride, S. de R.L. de C.V., their subsidiaries, as guarantors, ING Capital LLC, as administrative agent, and the lenders party thereto (incorporated by reference from Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on October 26, 2012).
10.13	Pilgrim's Pride Corporation 2012 Long Term Incentive Program (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on September 10, 2012). †
10.14	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on September 10, 2012). †
10.15	Third Amendment to Amended and Restated MXN$557,415,000 Credit Agreement dated as of June 25, 2013, by and among Avícola Pilgrim’s Pride de México, S.A. de C.V. and Pilgrim’s Pride, S. de R.L. de C.V., as borrowers, the subsidiaries of the borrowers party thereto, the banks and other financial institutions party thereto and ING Capital LLC, as administrative agent and lead arranger (incorporated by reference from Exhibit 10.1 of the Company’s Current Report on Form 8-K filed July 1, 2013).
10.16	

	Amendment and Restatement to Credit Agreement dated August 7, 2013 among Pilgrim’s Pride Corporation, To-Ricos Distribution, Ltd., CoBank, ABC, as administrative agent, and the lenders party thereto (incorporated by reference from Exhibit 10.1 of the Company’s Current Report on Form 8-K filed August 12, 2013).
10.17	Amendment No. 1 to Credit Agreement dated December 16, 2014 among Pilgrim's Pride Corporation, To-Ricos, Ltd., To-Ricos Distribution, Ltd., the various subsidiaries of Pilgrim’s Pride Corporation party thereto, CoBank, ACB, as administrative agent, and the lenders party thereto.*
10.18	Amendment No. 2 to Credit Agreement dated December 16, 2014 among Pilgrim's Pride Corporation, To-Ricos, Ltd., To-Ricos Distribution, Ltd., the various subsidiaries of Pilgrim’s Pride Corporation party thereto, CoBank, ACB, as administrative agent, and the lenders party thereto. (incorporated by reference from Exhibit 10.1 of the Company’s Current Report on Form 8-K filed on December 19, 2014).
10.19	Amendment No. 3 to Credit Agreement dated January 14, 2015 among Pilgrim's Pride Corporation, To-Ricos, Ltd., To-Ricos Distribution, Ltd., the various subsidiaries of Pilgrim’s Pride Corporation party thereto, CoBank, ACB, as administrative agent, and the lenders party thereto. (incorporated by reference from Exhibit 10.1 of the Company’s Current Report on Form 8-K filed on January 15, 2015).
10.20	Second Amended and Restated Credit Agreement dated February 11, 2015 among Pilgrim's Pride Corporation, To-Ricos, Ltd. and To-Ricos Distribution, Ltd., Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland, New York Branch, as administrative agent, and the lenders party thereto (incorporated by reference from Exhibit 10.1 of the Company’s Current Report on Form 8-K filed on February 11, 2015).
12	Computation of Ratio of Earnings to Fixed Charges for the years ended December 28, 2014, December 29, 2013, December 30, 2012, December 25, 2011 and December 26, 2010 .*

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21	Subsidiaries of Registrant.*
23.1	Consent of KPMG LLP.*
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Principal Executive Officer of Pilgrim's Pride Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of Principal Financial Officer of Pilgrim's Pride Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition
101.LAB	XBRL Taxonomy Extension Label
101.PRE	XBRL Taxonomy Extension Presentation

* Filed herewith

** Furnished herewith

† Represents a management contract or compensation plan arrangement