Notice of Annual Meeting of Stockholders

Proxy Statement

and

2018 Annual Report

Pilgrim's®

Dear Fellow Pilgrim's Stockholders:

I am pleased to invite you to our Annual Meeting of Stockholders. The attached Notice of Annual Meeting of Stockholders and Proxy Statement contain details of the business to be conducted. In addition to the business to be transacted at the meeting, members of management will present information about our operations and will be available to respond to your questions

Your vote is very important to us and to our business. Prior to the meeting, I encourage you to sign and return your proxy card, or use telephone or Internet voting, so that your shares will be represented and voted at the meeting. You can find instructions on how to vote beginning on page one. You may also attend the meeting in person at Pilgrim's Pride corporate headquarters, at 1770 Promontory Circle, Greeley, Colorado. If you plan to attend in person, please bring proof of Pilgrim's Pride stock ownership and government-issued photo identification, as these will be required for admission.

I hope to see you at the meeting. Thank you in advance for voting and for your continued support of Pilgrim's Pride.

Chief Executive Officer and President
April 5, 2019

This page intentionally left blank.

Pilgrim's Pride Corporation

1770 Promontory Circle
Greeley, Colorado 80634

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 1, 2019

The annual meeting of stockholders of Pilgrim's Pride Corporation will be held at Pilgrim's Pride corporate headquarters, at 1770 Promontory Circle, Greeley, Colorado, on Wednesday, May 1, 2019, at 8:00 a.m., local time, to consider and vote on the following matters:

1. To elect Gilberto Tomazoni, Denilson Molina, Wallim Cruz De Vasconcellos Junior, Vincent Trius, Andre Nogueira de Souza, and Farha Aslam as the six JBS Directors for the ensuing year;
2. To elect Michael L. Cooper, Charles Macaluso, and Arquimedes A. Celis as the three Equity Directors for the ensuing year;
3. To conduct a stockholder advisory vote on executive compensation;
4. To vote on a proposal regarding the Pilgrim's Pride Corporation 2019 Long Term Incentive Plan;
5. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 29, 2019;
6. To vote on a stockholder proposal, if properly presented, to provide a report regarding the reduction of water of pollution;
7. To vote on a stockholder proposal, if properly presented, to provide a report on human rights due diligence; and
8. To transact such other business as may properly be brought before the meeting or any adjournment thereof.

No other matters are expected to be voted on at the annual meeting.

The Board of Directors has fixed the close of business on March 12, 2019, as the record date for determining stockholders entitled to notice of, and to vote at, the annual meeting. If you owned shares of our common stock at the close of business on that date, you are cordially invited to attend the annual meeting. Whether or not you plan to attend the annual meeting, please vote at your earliest convenience. Most stockholders have three options for submitting their votes prior to the meeting:

(1) via the internet;

(2) by telephone; or

(3) by mail.

Please refer to the specific instructions set forth on the enclosed proxy card.

Admission to the annual meeting will be limited to our stockholders, proxy holders and invited guests. If you are a stockholder of record, please bring photo identification to the annual meeting. If you hold shares through a bank, broker or other third party, please bring photo identification and a current brokerage statement.

JAYSON PENN
Chief Executive Officer and President

Greeley, Colorado
April 5, 2019

YOUR VOTE IS IMPORTANT!

PLEASE SIGN AND RETURN THE ACCOMPANYING PROXY OR VOTE YOUR SHARES ON THE INTERNET OR BY TELEPHONE BY FOLLOWING THE INSTRUCTIONS ON THE PROXY CARD.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 1, 2019: The Proxy Statement and the 2018 Annual Report on Form 10-K are available at www.envisionreports.com/PPC. Enter the 12-digit control number located on the proxy card and click "View Stockholder Material."

TABLE OF CONTENTS

This page intentionally left blank.

Pilgrim's Pride Corporation

1770 Promontory Circle
Greeley, Colorado 80634

PROXY STATEMENT

GENERAL INFORMATION

Why did I receive this proxy statement?

The Board of Directors (the "Board of Directors" or the "Board") of Pilgrim's Pride Corporation is soliciting stockholder proxies for use at our annual meeting of stockholders to be held at the Pilgrim's Pride corporate headquarters, at 1770 Promontory Circle, Greeley, Colorado, on Wednesday, May 1, 2019, at 8:00 a.m., local time, and any adjournments thereof (the "Annual Meeting" or the "meeting"). This proxy statement, the accompanying proxy card and the annual report to stockholders of Pilgrim's Pride Corporation are being mailed on or about April 5, 2019. Throughout this proxy statement, we will refer to Pilgrim's Pride Corporation as "Pilgrim's Pride," "Pilgrim's," "PPC," "we," "us" or the "Company."

What is the record date for the Annual Meeting and why is it important?

The Board of Directors has fixed March 12, 2019 as the record date for determining stockholders who are entitled to vote at the Annual Meeting (the "Record Date"). At the close of business on the Record Date, Pilgrim's Pride had 249,423,915 shares of common stock, par value $0.01 per share, outstanding.

What is the difference between holding shares as a stockholder of record and as a beneficial owner?

Most stockholders of Pilgrim's Pride hold their shares through a broker, bank or other nominee, rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

Stockholders of Record: If your shares are registered directly in your name with our transfer agent, you are considered a stockholder of record with respect to those shares. As a stockholder of record, you have the right to vote in person at the meeting.

Beneficial Owner: If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered a beneficial owner of shares held in "street name." As a beneficial owner, you have the right to direct your broker on how to vote your shares, and you are also invited to attend the meeting. Since you are not a stockholder of record, however, you may not vote your shares in person at the meeting unless you obtain a signed proxy from the holder of record giving you the right to vote the shares.

How do I attend and be admitted to the Annual Meeting?

You are entitled to attend the Annual Meeting only if you were a Pilgrim's Pride stockholder as of the close of business on March 12, 2019 or if you hold a valid proxy for the Annual Meeting. **If you plan to attend the physical meeting, please be aware of what you will need for admission as described below.** If you do not provide photo identification and comply with the other procedures described here for attending the Annual Meeting in person, you will not be admitted to the meeting location.

Stockholders of Record: If your shares are registered directly in your name with our transfer agent, your shares will be on a list maintained by the inspector of elections. You must present a government-issued photo identification, such as a driver's license, state-issued ID card, or passport.

Beneficial Owner: If your shares are held in a stock brokerage account or by a bank or other nominee, you must provide proof of beneficial ownership as of the record date, such as an account statement or similar evidence of ownership, along with a government-issued photo identification, such as a driver's license, state-issued ID card, or passport.

What is a proxy?

A proxy is your legal designation of another person (the "proxy") to vote on your behalf. By completing and returning the enclosed proxy card, you are giving the proxies appointed by the Board and identified on the proxy card the authority to vote your shares in the manner you indicate on your proxy card.

What if I receive more than one proxy card?

You will receive multiple proxy cards if you hold shares of our common stock in different ways (e.g., joint tenancy, trusts, custodial accounts) or in multiple accounts. If your shares are held in "street name" (i.e., by a broker, bank or other nominee), you will receive your proxy card or voting information from your nominee, and you must return your voting instructions to that nominee. You should complete, sign and return each proxy card you receive or submit your voting instructions for each proxy card.

What are the voting rights of the common stock?

Each holder of record of our common stock on the Record Date is entitled to cast one vote per share on each matter presented at the meeting.

What are the two categories of Directors?

The Company's Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") provides for six JBS S.A. ("JBS") Directors and three Equity Directors.

JBS Directors are the six Directors designated as JBS Directors pursuant to the terms of the Company's Certificate of Incorporation or their successors nominated or appointed by the JBS Nominating Committee. The current JBS Directors are Gilberto Tomazoni, Denilson Molina, Andre Nogueira de Souza and Wallim Cruz De Vasconcellos Junior. As of the date this proxy statement is mailed to our stockholders, two vacancies exist with respect to the JBS Directors.

Equity Directors are the three Directors designated as Equity Directors pursuant to the terms of the Company's Certificate of Incorporation or their successors nominated or appointed by the Equity Nominating Committee or any stockholders other than JBS and its affiliates ("Minority Investors"). The current Equity Directors are David E. Bell, Michael L. Cooper, and Charles Macaluso. Dr. Bell will cease to be a Director effective as of the Annual Meeting.

What are the differences between the categories of Directors?

All of our Directors serve equal one-year terms. However, only JBS Directors can serve as members of the JBS Nominating Committee, and only Equity Directors can serve as members of the Equity Nominating Committee.

The stockholders agreement between us and an affiliate of JBS dated December 28, 2009 (as amended, the "JBS Stockholders Agreement") requires JBS and its affiliates to vote all of Pilgrim's Pride common stock that they hold in the same manner as the shares held by all Minority Investors with respect to the election or removal of Equity Directors. Consequently, the vote of the Minority Investors will determine the outcome of the election of Equity Directors.

With respect to all other matters submitted to a vote of holders of common stock, including the election or removal of any JBS Directors, JBS and its affiliates may vote shares of common stock held by them at their sole and absolute discretion.

What is the "Say-on-Pay" Vote?

With Proposal 3, the Board is providing stockholders with the opportunity to cast an advisory vote on the compensation of our Named Executive Officers. This proposal, commonly known as a "Say-on-Pay" proposal, gives you, as a stockholder, the opportunity to endorse or not endorse our executive compensation programs and policies and the compensation paid to our Named Executive Officers.

How do I vote my shares?

If you are a "stockholder of record," you have several choices. You can vote your proxy:

- via the internet;
- over the telephone; or
- by completing, dating, signing and mailing the enclosed proxy card;

Please refer to the specific instructions set forth on the enclosed proxy card.

If you are a stockholder of record, you have the right to vote in person at the meeting. If you are a beneficial owner, your broker, bank or nominee will provide you with materials and instructions for voting your shares. As a beneficial owner, you have the right to direct your broker on how to vote your shares. However, you may not vote your shares in person at the meeting unless you obtain a signed proxy from the holder of record giving you the right to vote the shares.

If you are a current or former employee of Pilgrim's Pride who holds shares in either the Pilgrim's Pride Corporation Retirement Savings Plan or the To-Ricos Employee Savings and Retirement Plan, your vote serves as a voting instruction to the trustee for this plan. To be timely, if you vote your shares in the Pilgrim's Pride Corporation Retirement Savings Plan or the To-Ricos Employee Savings and Retirement Plan by telephone or internet, your vote must be received by 1:00 a.m., Eastern Time, on April 29, 2019. If you do not vote by telephone or internet, please return your proxy card as soon as possible. If you vote in a timely manner, the trustee will vote the shares as you have directed. If you do not vote, or if you do not vote in a timely manner, the trustee will vote your shares in the same proportion as the shares voted by participants who timely return their cards to the trustee.

What are the Board's recommendations on how I should vote my shares?

The Board recommends that you vote your shares as follows:

Proposal 1: **FOR** the election of all six nominees for JBS Director.

Proposal 2: **FOR** the election of all three nominees for Equity Director.

Proposal 3: **FOR** the approval of the advisory vote on executive compensation.

Proposal 4: **FOR** the approval of the Pilgrim's Pride Corporation 2019 Long Term Incentive Plan.

Proposal 5: **FOR** ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 29, 2019.

Proposal 6: **AGAINST** the stockholder proposal to provide a report regarding the reduction of water pollution.

Proposal 7: **AGAINST** the stockholder proposal to provide a report on human rights due diligence.

What are my choices when voting?

With respect to:

Proposal 1: You may either (1) vote "FOR" the election of all JBS Director nominees as a group; (2) withhold your vote on all JBS Director nominees as a group; or (3) vote "FOR" the election of all JBS Director nominees as a group except for certain nominees identified by you in the appropriate area on the proxy card or voting instructions.

Proposal 2: You may either (1) vote "FOR" the election of all Equity Director nominees as a group; (2) withhold your vote on all Equity Director nominees as a group; or (3) vote "FOR" the election of all Equity Director nominees as a group except for certain nominees identified by you in the appropriate area on the proxy card or voting instructions.

Proposal 3:	You may vote "FOR" or "AGAINST" the proposal, or you may elect to abstain from voting your shares. Abstaining will have the same effect as a vote against the proposal, as discussed below.
Proposal 4:	You may vote "FOR" or "AGAINST" the proposal, or you may elect to abstain from voting your shares. Abstaining will have the same effect as a vote against the proposal, as discussed below.
Proposal 5:	You may vote "FOR" or "AGAINST" the proposal, or you may elect to abstain from voting your shares. Abstaining will have the same effect as a vote against the proposal, as discussed below.
Proposal 6:	You may vote "FOR" or "AGAINST" the proposal, or you may elect to abstain from voting your shares. Abstaining will have the same effect as a vote against the proposal, as discussed below.
Proposal 7:	You may vote "FOR" or "AGAINST" the proposal, or you may elect to abstain from voting your shares. Abstaining will have the same effect as a vote against the proposal, as discussed below.

How will my shares be voted if I do not specify my voting instructions?

If you sign and return your proxy card without indicating how you want your shares to be voted, the proxies appointed by the Board will vote your shares as follows:

Proposal 1:	**FOR** the election of all six nominees for JBS Director.
Proposal 2:	**FOR** the election of all three nominees for Equity Director.
Proposal 3:	**FOR** the approval of the advisory vote on executive compensation.
Proposal 4:	**FOR** the approval of the Pilgrim's Pride Corporation 2019 Long Term Incentive Plan.
Proposal 5:	**FOR** ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 29, 2019.
Proposal 6:	**AGAINST** the stockholder proposal to provide a report regarding the reduction of water pollution.
Proposal 7:	**AGAINST** the stockholder proposal to provide a report on human rights due diligence.

If you are a current or former employee of Pilgrim's Pride who holds shares through the Pilgrim's Pride Corporation Retirement Savings Plan or the To-Ricos Employee Savings and Retirement Plan you will be given the opportunity to provide instruction to the trustee with respect to how to vote your shares. Any shares for which instructions are not received (1) will be voted by the trustee in accordance with instructions provided by Pilgrim's Pride with respect to shares held under the Pilgrim's Pride Corporation Retirement Savings Plan and (2) will not be voted with respect to shares held under the To-Ricos Employee Savings and Retirement Plan.

What is a quorum?

A "quorum" is necessary to hold the meeting. A quorum consists of a majority of the voting power of our common stock issued and outstanding and entitled to vote at the meeting, including the voting power that is present in person or by proxy. The shares of a stockholder whose ballot on any or all proposals is marked as "abstain" will be included in the number of shares present at the Annual Meeting to determine whether a quorum is present. If a quorum is not represented in person or by proxy at the meeting or any adjourned meeting, the chairman of the meeting may postpone the meeting from time to time until a quorum will be represented. At any adjourned meeting at which a quorum is represented, any business may be transacted that might have been transacted at the meeting as originally called. JBS owned or controlled over 50% of the voting power of our outstanding common stock on the Record Date. Therefore, JBS will be able to assure a quorum is present.

What vote is required to approve the proposals for the election of the JBS Directors and the Equity Directors?

Directors will be elected by a plurality of the voting power of our common stock present in person or represented by proxy and entitled to vote at the meeting. This means that the director who receives the most votes will be elected.

Because JBS owned or controlled over 50% of the voting power of our outstanding common stock on the Record Date, it will be able to elect all of the nominees for JBS Directors and, with certain exceptions, determine the outcome of all other matters presented to a vote of the stockholders. The JBS Stockholders Agreement, however, requires JBS and its affiliates to vote all of Pilgrim's Pride common stock owned by them in the same manner as the shares held by the Minority Investors with respect to the election or removal of Equity Directors. Consequently, the vote of the Minority Investors will determine the outcome of Proposal 2.

What vote is required for advisory approval of executive compensation?

With regard to Proposal 3, the stockholder advisory vote on executive compensation, the results of this vote are not binding on the Board, meaning that our Board will not be obligated to take any compensation actions or to adjust our executive compensation programs or policies, as a result of the vote. Notwithstanding the advisory nature of the vote, the resolution will be considered passed with the affirmative vote of a majority of the votes present in person or represented by proxy and eligible to vote at the Annual Meeting.

What vote is required for the approval of the Pilgrim's Pride Corporation 2019 Long Term Incentive Plan, the appointment of KPMG LLP, the stockholder proposals and to approve any other item of business to be voted upon at the meeting?

The affirmative vote of a majority of the voting power of our outstanding common stock present in person or represented by proxy at the Annual Meeting is required to ratify the appointment of our independent registered public accounting firm, to approve the stockholder proposals and to approve any other item of business to be voted upon at the meeting.

With respect to approval of any other item of business to be voted upon at the meeting, including the election or removal of any JBS Directors, JBS and its affiliates may vote shares of Pilgrim's Pride common stock held by them at their sole and absolute discretion.

How are abstentions and broker non-votes treated?

Abstentions from voting on any matter will be counted in the tally of votes. Abstentions will have no effect on the election of Directors. However, an abstention will have the same effect as a vote against any other proposals.

A broker "non-vote" occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner. A broker non-vote will be deemed "present" at the Annual Meeting and will be counted for purposes of determining whether a quorum exists. Under the rules that govern brokers who are voting with respect to shares held by them in street name, if the broker has not been furnished with voting instructions by its client at least ten days before the meeting, those brokers have the discretion to vote such shares on routine matters, but not on non-routine matters. Routine matters include the appointment of an independent registered public accounting firm, submitted to the stockholders in Proposal 5. Non-routine matters include the election of Directors in Proposal 1 and Proposal 2, the advisory vote on executive compensation in Proposal 3, the approval of the Pilgrim's Pride Corporation 2019 Long Term Incentive Plan in Proposal 4, and the stockholder proposals submitted to stockholders in Proposal 6 and Proposal 7. With regard to Proposal 1, Proposal 2, Proposal 3, Proposal 4, Proposal 6 and Proposal 7, brokers have no discretion to vote shares where no voting instructions are received, and no vote will be cast if you do not vote on those proposals. Consequently, broker non-votes will have no effect on the elections of Directors and will have the same effect as a vote against any other proposals.

We urge you to vote on ALL voting items.

Can I change my vote after I have mailed in my proxy card?

Yes. You may revoke your proxy by doing one of the following:

- by sending to the Secretary of the Company a written notice of revocation that is received prior to the meeting;
- by submitting a new proxy card bearing a later date to the Secretary of the Company so that it is received prior to the meeting; or
- by attending the meeting and voting your shares in person.

Who will pay the cost of this proxy solicitation?

We will pay the cost of preparing, printing and mailing this proxy statement and of soliciting proxies. We will request brokers, custodians, nominees and other like parties to forward copies of proxy materials to beneficial owners of our common stock and will reimburse these parties for their reasonable and customary charges or expenses.

Is this proxy statement the only way that proxies are being solicited?

No. In addition to mailing these proxy materials, certain of our Directors, officers or employees may solicit proxies by telephone, facsimile, e-mail or personal contact. They will not be specifically compensated for doing so.

Stockholder Proposals for 2020 Annual Meeting of Stockholders

We currently expect that our 2020 annual meeting of stockholders will be held on Wednesday, April 29, 2020. Our bylaws state that a stockholder must have given our Secretary written notice, at our principal executive offices, of the stockholder's intent to present a proposal (including nominations of Directors) at the 2020 annual meeting of stockholders by December 31, 2019, but not before August 3, 2019. Additionally, in order for stockholder proposals submitted pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to be considered for inclusion in the proxy materials for the 2020 annual meeting of stockholders, they must be received by our Secretary at our principal executive offices no later than the close of business on December 7, 2019.

PROPOSAL 1. ELECTION OF JBS DIRECTORS

Subject to limited exceptions, our Certificate of Incorporation specifies that the Board of Directors will consist of nine members. Our Board currently has seven members. Proxies cannot be voted for a greater number of persons than the nine nominees named.

Pursuant to our Certificate of Incorporation and our bylaws, our Board of Directors includes six JBS Directors, including the Chairman of the Board, who are designated by the JBS Nominating Committee. As of the date this proxy statement is mailed to our stockholders, two vacancies exist with respect to the JBS Directors.

At the Annual Meeting, nine Directors, including six JBS Directors, are to be elected, each to hold office for one year or until his or her successor is duly elected and qualified. Unless otherwise specified on the proxy card or voting instructions, the shares represented by the proxy will be voted for the election of the six nominees named below. If any JBS Director nominee becomes unavailable for election, it is intended that such shares will be voted for the election of a substitute nominee selected by the JBS Nominating Committee. Our Board of Directors has no reason to believe that any substitute nominee or nominees will be required.

Nominees for JBS Directors

Gilberto Tomazoni, 60, has served as Chairman of the Board of Pilgrim's Pride Corporation, since July 2013. Beginning in 2013, Mr. Tomazoni also served as president of the Global Poultry Division of JBS. Before joining JBS, Mr. Tomazoni spent four years with Bunge Alimentos S.A. as Vice President of Foods and Ingredients. Prior to that, Mr. Tomazoni served 27 years with Sadia S.A., a leading provider of both frozen and refrigerated food products in Brazil, in various roles, including Chief Executive Officer from 2004 to 2009. He earned an M.A. degree in management development in 1991 from Fundação de Ensino do Desenvolvimento and a B.Sc. degree in mechanical engineering in 1982 from the Universidade Federal de Santa Catarina. Mr. Tomazoni has served as a board member of Brazil Fast Food Corporation since 2009, a member of the International Advisory Council for Fundação Dom Cabral since 2009 and a member of the Chamber of Commerce, Industry and Tourism-Brazil/Russia since 2008.

Mr. Tomazoni brings over 30 years of diverse poultry, protein, and food industry experience to the Company. Mr. Tomazoni's extensive experience and education in the global poultry industry provides invaluable direction to the Company's strategies domestically and in international markets. As Chairman of the Board, Mr. Tomazoni has direct oversight of Pilgrim's strategy and operations.

Denilson Molina, 51, has served as a Director since June 2017. He has served as the Chief Financial Officer of JBS USA Food Company since 2011. Previously, he worked at Banco de Brasil for nearly 20 years. At Banco de Brasil, he held several executive positions leading projects and transactions in the corporate, commercial wholesale, and retail sectors. Mr. Molina holds an M.B.A. education level. In addition, he is a graduate of the Advanced Management Program at the Chicago Booth School of Business.

We believe Mr. Molina's extensive financial, management and operations experience qualifies him to serve on our Board. In addition, his extensive knowledge and experience in the protein industry brings great value to our Board of Directors and our company.

Wallim Cruz De Vasconcellos Junior, 61, has served as a Director since December 2009. He has served as a Partner of Iposeira Partners Ltd, a provider of advisory services for mergers and acquisitions and restructuring transactions, since 2003. Mr. Vasconcellos served as a Consultant to IFC/World Bank from 2003 to 2008. He was a former board member of Santos Brasil S.A. and served as a board member of Cremer S.A. from 2006 to 2008.

Regarded as one of Brazil's preeminent business strategists, Mr. Vasconcellos brings to the Board real-time experience in the areas of mergers and acquisitions, capital markets, finance, and restructurings, and offers unique insights into global market strategies. In addition, Mr. Vasconcellos' experience working on behalf of public financial institutions enables him to provide perspective and oversight with regard to the Company's financial strategies.

Vincent Trius, 61, served prior to his retirement in 2014 as the President and director of Loblaw Company Limited, Canada's leader in food retail and pharmacy, from 2011 to 2014. Before joining Loblaw, he held various executive and directorship positions at Carrefour SA from 2010 to 2011, Wal-Mart Stores, Inc. from 1996 to 2009, Dairy Farm International from 1992 to 1996, REVCO Drugstores Inc. from 1985 to 1992, and EJKorvetes Forest City Enterprises from 1978 to 1985. During his employment with Wal-Mart Stores Inc., Mr. Trius was awarded the "Top Executive of the Year - Brazilian Retail Sector" for years 2007 and 2006 and "Sam M. Walton Entrepreneur" in 2005, the highest honor award to a Wal-Mart associate worldwide. He completed Executive General Manager Courses from Harvard Business School in 2001 and Darden School of Business in 1995. He also completed International Retail Management Course from Ashridge College, U.K. in 1993. He obtained his degree in Economics from University of Economics, Barcelona, Spain in 1978.

Mr. Trius brings excellent leadership and expertise in areas of retail to the Board. His extensive experience managing business operations located internationally are valuable to the Board with regard to both the Company's domestic and international operations.

Andre Nogueira de Souza, 50, has served as a Director since October 2014. Since January 1, 2013, Mr. Nogueira served as President and Chief Executive Officer of JBS USA Holdings, which holds the U.S., Canadian and Australian operations of JBS, the largest animal protein company in the world. Mr. Nogueira began his career with JBS USA Holdings in 2007, serving as Chief Financial Officer through 2011. He then served as Chief Executive Officer of JBS Australia, a subsidiary of JBS, in 2012. Prior to working for JBS USA Holdings, Mr. Nogueira worked for Banco do Brasil in corporate banking positions in the U.S. and Brazil. Mr. Nogueira currently serves on the Executive Committee and as a board member of American Meat Institute, the Deans' Leadership Council of the College of Agricultural Sciences — Colorado State University and Rabobank's North American Agribusiness Advisory Board. Mr. Nogueira has an M.B.A. from Fundação Dom Cabral, a Master's in Economics from Brasilia University, a B.A. in Economics from Federal Fluminese University, and completed the Advanced Management Program at the University of Chicago Booth School of Business.

Mr. Nogueira brings outstanding leadership to our Board through his experience gained as a Chief Executive Officer of JBS USA Holdings and JBS Australia and Chief Financial Officer of JBS USA Holdings. In addition, Mr. Nogueira brings an extensive understanding of the protein industry and financial matters to the Board.

Farha Aslam, 50, served prior to her retirement in 2018 as the Managing Director and Senior Analyst of Food and Agribusiness Research from 2004 to 2018 at Stephens Inc., an independent financial services firm that provides deep research and independent thinking to its clients. She is recognized by Wall Street Journal Best on the Street and Financial Times-StarMine in providing accurate earnings estimates and investment performance ratings. She also successfully positioned and co-managed numerous equity offerings involving leading companies in the poultry and food industries. Ms. Aslam was formerly Vice President of Food and Agribusiness Research at Merrill Lynch from 1999 to 2004. Ms. Aslam was also a Risk Management Associate at UBS from 1996 to 1998 where she marketed fixed income products to hedge fund and mutual fund clients, and Financial Services Representative at SunAmerica Financial from 1992 to 1994. Ms. Aslam completed her M.B.A. with a focus on Finance from Columbia Business School in 1996 and obtained her B.A. in Economics from University of California, Irvine, California in 1991.

Ms. Aslam's expertise in food and agribusiness research brings great value to our Board. In addition, her multi-faceted financial analysis skills provides a different insight to the Company's financial and business operations.

The Board of Directors recommends that you vote "FOR" the election of all of the individuals who have been nominated to serve as JBS Directors. Proxies will be so voted unless stockholders specify otherwise or withhold authority to vote.

PROPOSAL 2. ELECTION OF EQUITY DIRECTORS

Pursuant to our Certificate of Incorporation and our bylaws, our Board of Directors includes three members designated by the Equity Nominating Committee, which we refer to as our Equity Directors.

The JBS Stockholders Agreement requires JBS and its affiliates to vote all of the Pilgrim's Pride common stock that they hold in the same manner as the shares held by the Minority Investors with respect to the election or removal of Equity Directors. Consequently, the vote of the Minority Investors will determine the outcome of this Proposal 2.

At the Annual Meeting, nine Directors, including three Equity Directors, are to be elected, each to hold office for one year or until his or her successor is duly elected and qualified. Unless otherwise specified on the proxy card or voting instructions, the shares represented by the proxy will be voted for the election of the three nominees named below. If any of the nominees for Equity Director becomes unavailable for election, it is intended that such shares will be voted for the election of a substitute nominee selected by the Equity Nominating Committee.

Nominees for Equity Director

Michael L. Cooper, 69, has served as a Director since December 2009. Mr. Cooper is currently a Managing Director and Vice Chairman Emeritus of Kincannon & Reed, an executive search firm for the food and agribusiness sectors, where he has been employed since July 2004. Mr. Cooper was a Managing Partner of Kincannon & Reed and served as the Executive Vice President & CFO and a member of the board from July 2004 to December 2014. From September 2002 to July 2004, Mr. Cooper served as the Chief Executive Officer of Meyer Natural Angus. From January 1996 to July 2002, Mr. Cooper was employed by Perdue Farms, Inc., where he served in various roles, including as President, Retail Products, from February 2000 to July 2002, and as Senior Vice President and Chief Financial Officer from January 1996 through February 2000. From August 1992 to January 1996, he served as Vice President, Chief Financial Officer, Secretary and Treasurer of Rocco Enterprises. Mr. Cooper also served in various senior financial roles with Dial Corporation over a 14 year career with that company.

Mr. Cooper brings to the Board significant senior leadership, management, operational, financial, and brand management experience. His extensive poultry industry experience enables him to offer a valuable insight on the business, financial and regulatory issues currently being faced by the poultry industry.

Charles Macaluso, 75, has served as a Director since December 2009. He has been a principal of Dorchester Capital, LLC, a management consulting and corporate advisory service firm focusing on operational assessment, strategic planning and workouts since 1998. From 1996 to 1998, he was a partner at Miller Associates, Inc., a workout, turnaround partnership, focusing on operational assessment, strategic planning and crisis management. Mr. Macaluso currently serves as a director of the following public companies: Global Power Equipment Group Inc., where he is also Chairman of the Board and a member of the nominating governance committee; and Darling International, where he is also Lead Director. He also serves as a Chairman of the Board of one private company. Mr. Macaluso previously served as a director of Global Crossing Ltd., where he was also a member of the audit committee.

Mr. Macaluso brings fundamental expertise to our Board in the areas of operational assessment, strategic planning, crisis management, and turnaround advisory services, which expertise supports the Board's efforts in overseeing and advising on strategy and financial matters. In addition, Mr. Macaluso brings to the Board substantial cross-board expertise due to his tenure on a number of public and private company boards and committees.

Arquimedes A. Celis, 65, currently serves as a board member of Grupo Lala and Borden Dairy. He also served as a board member of Aeromexico from 2014 to 2016. Mr. Celis worked at Grupo Lala as Chief Executive Officer from 2001 to 2015. He previously spent 5 years as Chief Executive Officer of Industrias Bachoco, from 1996 to 2001. Prior to that, he worked for 21 years at Grupo Bimbo, where he held various executive positions, including Chief Executive Officer of Barcel. Mr. Celis earned a bachelor's degree in Industrial Engineering from Veracruz Tech. He is a graduate of the Advanced Management program at IPADE, Universidad Panamericana, School of Business.

Mr. Celis brings to the Board valuable and extensive experience in the consumer packaged goods industry, with a focus on food branded products. Furthermore, his extensive experience and industry knowledge enable him to provide important contributions to the company's strategy and operations.

The Board of Directors recommends that you vote "FOR" the election of all of the individuals who have been nominated to serve as Equity Directors. Proxies will be so voted unless stockholders specify otherwise or withhold authority vote.

EXECUTIVE OFFICERS

On March 22, 2019, the Company announced that Jayson Penn succeeded William W. Lovette as Chief Executive Officer ("CEO") and President, effective as of March 22, 2019. Mr. Penn, 50, brings more than 30 years of experience in the poultry industry. He joined the Company in March 2011 as Senior Vice President of the Commercial Business Group, and was later promoted to Executive Vice President of Sales & Operations, and then promoted to President of Pilgrim's USA. Mr. Penn began his career in his family's poultry operations and has held management positions at several leading poultry companies. He has also served on the board of directors and the executive committee of the National Chicken Council and the board of directors of The World Poultry Foundation.

Fabio Sandri, 47, has served as the Chief Financial Officer ("CFO") for Pilgrim's since June 2011. From April 2010 to June 2011, Mr. Sandri served as the CFO of Estacio Participações, the private post-secondary educational institution in Brazil. From November 2008 until April 2010, he was the CFO 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, then from 2007 until his departure as its corporate controller.

CORPORATE GOVERNANCE

Board of Directors

Our Board of Directors has the responsibility for establishing broad corporate policies and for monitoring our overall performance, but it is not involved in our day-to-day operating decisions. Members of the Board are informed of our business through discussions with the CEO and other officers, and through their review of analyses and reports sent to them each month, as well as through participation in Board and committee meetings.

Board Leadership Structure and Risk Oversight

The position of our Chairman of the Board and the office of the President and CEO are held by different persons.

We separate the roles of CEO and Chairman of the Board in recognition of the differences between the two roles. The CEO is responsible for setting the strategic direction for the Company and the day-to-day leadership and performance of the Company, while the Chairman of the Board provides guidance to the CEO and sets the agenda for Board meetings and presides over meetings of the full Board. We believe the division of duties is especially appropriate as legal and regulatory requirements applicable to the Board and its committees continue to expand, and it facilitates the appropriate level of communication between the Board of Directors and executive management for Board oversight of the Company and its management. The members of the Board periodically determine which member should serve as our Chairman of the Board because they are in the best position to make this decision based on their knowledge of the Company and our executive management team. Accordingly, the Board believes it is important to have the flexibility to select a Chairman who is the best person for the job, regardless of that person's independence.

When the Chairman is not an independent Director, the Board will either designate an independent Director to preside at the meetings of the non-management and independent Directors or they will prescribe a procedure by which a presiding Director is selected for these meetings. In the absence of another procedure being adopted by the Board, the person appointed will be the independent Director with the longest tenure on the Board in attendance at the meeting. The Board generally holds meetings of non-management Directors four times per year and meetings of independent Directors four times per year.

The Company's management is responsible for the ongoing assessment and management of the risks the Company faces, including risks relating to capital structure, strategy, liquidity and credit, financial reporting and public disclosure, information technology, cybersecurity, operations and governance. We focus not only on operational risk, but financial and strategic risk as well. These areas of focus include input costs (commodity pricing, live and processed product cost and spoilage), revenue risk (sales price and mix), financial risk (adequate controls, timely and effective reporting systems and other management and governance systems) as well as competitive risks and market trends. We aim to identify, categorize and respond to these risks to manage as much of their impact on our business as possible.

The Board oversees management's policies and procedures in addressing these and other risks. Additionally, each of the Board's four committees (the Audit Committee, the Compensation Committee and the two Special Nominating Committees) monitor and report to the Board those risks that fall within the scope of such committees' respective areas of oversight responsibility. For example, the full Board directly oversees strategic risks. The Special Nominating Committees directly oversee risk management relating to Director nominations and independence. The Compensation Committee directly oversees risk management relating to employee compensation, including any risks of compensation programs encouraging excessive risk-taking. Finally, the Audit Committee directly oversees risk management relating to financial reporting, public disclosure and legal and regulatory compliance. The Audit Committee is also responsible for assessing the steps management has taken to monitor and control these risks and exposures and discussing guidelines and policies with respect to the Company's risk assessment and risk management.

Board of Directors Independence

Our Board of Directors has affirmatively determined that each of David E. Bell, Michael L. Cooper, Charles Macaluso, Wallim Cruz De Vasconcellos Junior, and Arquimedes A. Celis has no material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with us) and is independent within the meaning of our Corporate Governance Policy's categorical independence standards and the rules for companies traded on The NASDAQ Global Select Market ("NASDAQ").

Board of Directors and Committee Meetings

During 2018, the Board of Directors held four regular meetings, three special meetings, and one executive session including only non-management Directors. During 2018, each member of the Board of Directors, with the exception of Mr. Lovette, attended at least 75% of the aggregate number of meetings of the Board and of the Board committee or committees on which the Director served during their time on the Board of Directors. Mr. Lovette did not attend two special Board of Directors meetings which were held to discuss his compensation.

The Board of Directors has established the following Board committees: Audit, Compensation and Special Nominating Committees.

		Committee and Assignments			
				Special Nominating	
Name	**Board**	**Audit**	**Compensation**	**JBS**	**Equity**
Gilberto Tomazoni	Chairman		X *	X	
Denilson Molina	Member			X	
Wallim Cruz De Vasconcellos Junior	Member	X		X	
William W. Lovette[(a)]	Member			X	
Andre Nogueira de Souza	Member		X	X	
David E. Bell[(b)]	Member				X
Michael L. Cooper	Member	X *	X		X
Charles Macaluso	Member	X			X
Total meetings	7	4	3	None	None

* Committee Chair

(a) Mr. Lovette retired from his positions of CEO, President and member of the Board of Directors effective as of March 22, 2019.

(b) Dr. Bell will cease to be a Director effective as of the Annual Meeting.

During fiscal year 2018, the Compensation Committee took action once through unanimous written consent.

The Company has no formal policy regarding Director's attendance at annual meetings of stockholders but encourages each Director to attend the annual meeting of stockholders. Five of our Directors were in attendance at our 2018 annual meeting of stockholders in person.

Committees of the Board of Directors

To assist in carrying out its duties, the Board of Directors has delegated certain authority to the Audit, Compensation, JBS Nominating and Equity Nominating Committees. Each committee of the Board meets to examine various facets of our operations and take appropriate action or make recommendations to the Board of Directors.

Audit Committee. Our Audit Committee's responsibilities include selecting our independent registered public accounting firm, reviewing the plan and results of the audit performed by our independent registered public accounting firm and the adequacy of our systems of internal accounting controls, and monitoring compliance with our conflicts of interest and business ethics policies. The Audit Committee is composed entirely of Directors who the Board of Directors has determined to be independent within the meaning of the NASDAQ standards and applicable rules and regulations of the Securities and Exchange Commission ("SEC"). The Board has determined that each of the members of the Audit Committee is financially literate for purposes of the applicable standards of NASDAQ ("financially literate") and Michael L. Cooper is an "audit committee financial expert" within the meaning of the regulations of the SEC. The Audit Committee has an Audit Committee Charter, which is available on the Investor Relations section on our website at www.pilgrims.com, under the "Governance" caption.

Compensation Committee. Our Compensation Committee reviews our remuneration policies and practices and establishes the salaries of our officers. The Compensation Committee does not have a Charter.

Special Nominating Committees. Under our Certificate of Incorporation, the Board has two Special Nominating Committees, which include the JBS Nominating Committee and the Equity Nominating Committee.

The JBS Nominating Committee has the exclusive authority to nominate the JBS Directors, fill JBS Director vacancies and select the members of the JBS Nominating Committee. The Equity Nominating Committee has the exclusive authority to nominate the Equity Directors, fill Equity Director vacancies, select the members of the Equity Nominating Committee, and to call a special meeting of stockholders under certain circumstances. The Equity Nominating Committee, acting by majority vote, also has the exclusive right to control the exercise of our rights and remedies under the JBS Stockholders Agreement. Any member or alternate member of the Equity Nominating Committee may be removed only by the approval of a majority of the members of the Equity Nominating Committee.

For so long as JBS and its affiliates beneficially own 35% or more of our outstanding common stock, no person may be nominated as an Equity Director by the Equity Nominating Committee if JBS reasonably determines that such person (1) is unethical or lacks integrity or (2) is a competitor or is affiliated with a competitor of the Company. The Equity Directors must satisfy the independence requirements of Rule 10A-3 under the Exchange Act, and be financially literate, and, for so long as there are two or more Equity Directors on the Board, at least one Equity Director must qualify as an "audit committee financial expert" as that term is used in Item 407 of Regulation S-K under the Exchange Act (or any successor rule).

If JBS and its affiliates own at least 50% of our outstanding common stock, at least one JBS Director is required:

- to be an independent director under the NASDAQ listing standards,
- to satisfy the independence requirements of Rule 10A-3 under the Exchange Act, and
- to be financially literate.

Each of the Board's Special Nominating Committees has a Charter, current copies of which are available on our website at www.pilgrims.com, under the "Investor Relations - Governance" caption.

Our Special Nominating Committees do not have a policy with regard to identifying Director nominees or the consideration of any Director candidates recommended by our stockholders or otherwise. The Board of Directors does not view the establishment of a formal policy in this regard as necessary, given the extent of the ownership of the Company's common stock by JBS and its affiliates and the existing JBS Stockholders Agreement. However, the Board and the Special Nominating Committees acknowledge the benefits of broad diversity throughout the Company, including at the level of the Board. Accordingly, the Special Nominating Committees strive to achieve a balance of knowledge, experience and perspective on the Board, selecting Directors based upon, among other things, their integrity, diversity of experience, business or other relevant experience or expertise, proven leadership skills, their ability to exercise sound judgment, understanding of the Company's business environment, and willingness to devote adequate time and effort to Board responsibilities. In addition, the Special Nominating Committees will consider stockholder recommendations for candidates for the Board, which should be sent to Pilgrim's Pride Corporation, Corporate Secretary, 1770 Promontory Circle, Greeley, Colorado 80634.

Communications with the Board of Directors

Stockholders and other interested parties may communicate directly with our Board of Directors, any of its committees, all independent Directors, all non-management Directors, or any one Director serving on the Board by sending written correspondence to the desired person or entity addressed to the attention of our Corporate Counsel at Pilgrim's Pride Corporation, 1770 Promontory Circle, Greeley, Colorado 80634. Communications are distributed to the Board, or to any individual Director, as appropriate, depending on the facts and circumstances outlined in the communication.

Code of Business Conduct and Ethics and Corporate Governance Policies

Our Board of Directors has adopted a Code of Business Conduct and Ethics and Corporate Governance Policies of the Board of Directors. The full texts of the Code of Business Conduct and Ethics and Corporate Governance Policies are posted on our website at www.pilgrims.com, under the "Investor Relations - Governance" caption. We intend to disclose future amendments to, or waivers from, certain provisions of the Code of Business Conduct and Ethics on our website within four business days following the date of such amendment or waiver.

Controlled Company Exemption

We are a "controlled company" under the NASDAQ listing standards because JBS owns or controls over 50% of the voting power for the election of directors of the outstanding common stock as of the Record Date. Accordingly, we take advantage of the exemptions discussed in Rule 5615 of the NASDAQ listing standards.

PROPOSAL 3. APPROVAL OF THE ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Board is providing stockholders with the opportunity to cast an advisory vote on the compensation of our Named Executive Officers as required by Section 14A of the Exchange Act. This proposal, commonly known as a "Say-on-Pay" proposal, gives you, as a stockholder, the opportunity to endorse or not endorse our executive compensation programs and policies and the compensation paid to our Named Executive Officers.

The "Say-on-Pay" vote is advisory and thus not binding on the Compensation Committee or the Board. The advisory vote will not affect any compensation already paid or awarded to any Named Executive Officer and will not overrule any decisions by the Compensation Committee or the Board. The Board values the opinions of the Company's stockholders as expressed through their votes and other communications. Although the vote is non-binding, the Compensation Committee and the Board will review and carefully consider the outcome of the advisory vote on executive compensation and those opinions when making future decisions regarding executive compensation programs.

At the 2018 annual meeting, approximately 99.5% of votes present (excluding abstentions and broker non-votes) voted for the "Say-on-Pay" proposal related to Named Executive Officers. In consideration of the results, the Compensation Committee acknowledged the support received from our stockholders and viewed the results as a confirmation of the Company's existing executive compensation policies and decisions. Accordingly, we did not significantly change our compensation principles and objectives in 2018 in response to the advisory vote of our stockholders.

We design our executive compensation programs to implement our core objectives of attracting key leaders, motivating our executives to remain with the Company for long and productive careers, rewarding sustained financial and operating performance and leadership excellence and aligning the long-term interests of our executives with those of our stockholders. Stockholders are encouraged to read the Compensation Discussion and Analysis ("CD&A") section of this proxy statement. In the CD&A, we have provided stockholders with a description of our compensation programs, including the principles and policies underpinning the programs, the individual elements of the compensation programs and how our compensation plans are administered. The Board believes that the policies and practices described in the CD&A are effective in achieving the Company's goals. In furtherance of these goals, among other things, our compensation programs have been designed so that a significant portion of each executive's total compensation is tied not only to how well he performs individually, but also, where applicable, is "at risk" based on how well the Company performs relative to applicable financial objectives. We also believe that equity incentives are aligned with our core objectives of aligning the long-term interests of our executives with those of our stockholders, attracting and retaining key leaders, and rewarding sustained performance and leadership excellence. Accordingly, the Board recommends that you vote in favor of the following resolution:

"RESOLVED, that the compensation of the Company's Named Executive Officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the CD&A, the compensation tables and any related material disclosed in this proxy statement, is hereby APPROVED in a non-binding vote."

The advisory vote on executive compensation is non-binding, meaning that our Board will not be obligated to take any compensation actions, or to adjust our executive compensation programs or policies, as a result of the vote. Notwithstanding the advisory nature of the vote, the resolution will be considered passed with the affirmative vote of a majority of the votes present in person or represented by proxy and eligible to vote at the Annual Meeting.

The Company's current policy is to provide stockholders with an opportunity to approve the compensation of the Named Executive Officers each year at the annual meeting of stockholders. It is expected that the next such vote will occur at the 2020 annual meeting of stockholders.

The Board of Directors recommends that you vote "FOR" the approval of the advisory vote on executive compensation. Proxies will be so voted unless stockholders specify otherwise.

PROPOSAL 4: APPROVAL OF THE PILGRIM'S PRIDE CORPORATION 2019 LONG TERM INCENTIVE PLAN

In March 2019, the Company's Board of Directors adopted, subject to approval by the Company's stockholders, the Pilgrim's Pride Corporation 2019 Long Term Incentive Plan (the "2019 LTIP") and reserved 2,000,000 shares of common stock for awards under the plan. The text of the 2019 LTIP is attached hereto as Annex A. The material features of the 2019 LTIP are discussed below, but the description is subject to, and is qualified in its entirety by, the full text of the 2019 LTIP.

The Board and the Compensation Committee believes that long-term incentive compensation is essential to attracting, retaining and motivating executives. The Board and the Compensation Committee further believe that providing our executives with long-term incentives will align their interests with our stockholders and encourage them to grow and operate the Company's business with a view towards building long-term stockholder value and improving profitability. The Board and the Compensation Committee also believe that equity awards make the performance of the Company's common stock a targeted incentive.

In furtherance of these objectives, we currently maintain the Pilgrim's Pride Corporation Long Term Incentive Plan ("2009 LTIP"), which provides for the grant of a broad range of long-term equity-based and cash-based awards, including performance-based awards, to the Company's officers and other employees, members of the Board and any consultants. The 2009 LTIP will expire pursuant to its terms on December 28, 2019 and no awards will be granted under the 2009 LTIP after that date. Because the 2009 LTIP will expire, the Board of Directors and the Company will lose access to an important compensation tool that is key to our ability to attract, motivate, reward and retain our key employees, directors and officers if the 2019 LTIP is not approved by our stockholders. The 2019 LTIP is intended to replace the expiring plan. If the 2019 LTIP is approved by our stockholders, the 2019 LTIP will be the Company's sole equity compensation plan for future awards. For additional information concerning the outstanding awards and number of shares available under the 2009 LTIP, see "Equity Compensation Plan Information" below.

Key Features of the 2019 LTIP

Below is a summary of some of the key features of the 2019 LTIP which are designed to protect the rights of the Company's stockholders:

- *No "Reload" Stock Options.* The 2019 LTIP does not permit grants of stock options with a "reload" feature that would provide for additional stock options to be granted automatically to a participant upon the participant's exercise of previously-granted stock options.
- *No Repricing or Replacement of Options or Stock Appreciation Rights ("SARs").* Options and SARs granted under the 2019 LTIP may not be repriced, replaced or re-granted through cancellation or modification without stockholder approval if the effect would be to reduce the exercise price for the shares under the award. Cash buyouts of underwater awards are not permitted.
- *No In-the-Money Option or SAR Grants.* The 2019 LTIP prohibits the grant of options or SARs with an exercise or base price less than 100% of the fair market value of our common stock on the date of grant.
- *Ten-Year Expiration.* No option or SAR would be permitted to be exercisable after the ten-year anniversary of the date of grant.
- *No "Evergreen" Provision.* The total number of shares that may be issued under the 2019 LTIP is limited to the share reserve that is subject to stockholder approval. That is, the 2019 LTIP does not include an automatic share replenishment provision (also known as an "evergreen" provision).
- *No Liberal Change in Control Definition.* The definition of change in control in the 2019 LTIP would require consummation, not only stockholder approval, of a merger or similar corporate transaction.
- *No Increase to Shares Available for Issuance without Stockholder Approval.* The 2019 LTIP prohibits any increase in the total number of shares of common stock that may be issued under the 2019 LTIP without

stockholder approval, other than adjustments in connection with certain corporate reorganizations, changes in capitalization and other events, as described below.

Historical Burn Rate; Potential Economic Dilution Analysis

We are committed to managing the use of our equity incentives prudently to balance the benefits equity compensation brings to our compensation programs against the dilution it causes our stockholders. As part of our analysis when considering the number of shares to be reserved under the 2019 LTIP, we considered the 2009 LTIP's average annual equity grant rate, or "burn rate," calculated as the number of shares subject to equity awards granted under the 2009 LTIP for each fiscal year, divided by the weighted average number of shares issued and outstanding for that period. Our average burn rate for the three fiscal years ending December 30, 2018 was 0.25%. The total potential dilution resulting solely from issuing the total number of shares authorized under the 2019 LTIP (assuming the approval of the 2019 LTIP by the Company's stockholders) as of March 12, 2019 would have been approximately 0.8% The potential dilution, calculated as the total number of shares authorized under the 2019 LTIP (assuming the approval of the 2019 LTIP by the Company's stockholders) divided by the total number of basic shares outstanding as of March 12, 2019. We believe that our burn rate and potential dilution amounts are reasonable for our industry and market conditions. Although the use of equity awards is an important part of our compensation program, we are mindful of our responsibility to our stockholders in granting equity awards.

General Plan Information

The purpose of the 2019 LTIP is to (1) aid the Company in attracting, securing and retaining directors of outstanding ability, (2) aid the Company and its subsidiaries and affiliates in attracting, securing and retaining employees of outstanding ability, (3) attract consultants to provide services to the Company and its subsidiaries and affiliates, as needed, and (4) motivate such persons to exert their best efforts on behalf of the Company and its subsidiaries and its affiliates by providing incentives through the granting of awards under the plan. The 2019 LTIP permits the granting of any or all of the following types of awards:

- stock options, including incentive stock options ("ISOs") and non-qualified stock options ("NSOs");
- SARs;
- dividend equivalent rights;
- restricted stock awards;
- restricted stock units ("RSUs");
- performance bonus awards; and
- other stock-based awards.

The 2019 LTIP provides that the maximum number of shares of common stock with respect to which awards may be granted is 2,000,000 shares (subject to adjustment in accordance with the provisions under the caption "Adjustments Upon Certain Events" below), whether pursuant to ISOs or otherwise. To the extent permitted by applicable law or rules, shares of common stock issued in assumption of, or in substitution for, any outstanding awards of any entity acquired by (or combined with) the Company or any subsidiary will not be counted against shares of common stock available for grant pursuant to the 2019 LTIP.

The 2019 LTIP also provides that the total number of shares of common stock that will be available for grants of ISOs is 2,000,000 shares. The 2019 LTIP also sets the maximum number of shares of common stock that will be available for grants in a calendar year to any participant (other than non-employee directors) shall be limited, in the aggregate, to 1,000,000 shares of common stock (subject to adjustment in accordance with the provisions under the caption "Adjustments Upon Certain Events" below). The fair value of awards, when aggregated with cash compensation, granted to a non-employee director in any fiscal year may not exceed $10,000,000. Shares which are subject to awards that expire, terminate, lapse for any reason or are settled for cash, or which are tendered or withheld to satisfy the grant or exercise price or tax withholding obligation pursuant to any award may be utilized again with respect to awards granted under the 2019 LTIP. The payment of any dividend equivalent rights in cash in conjunction with any outstanding awards shall not be counted against the shares available for issuance under the 2019 LTIP. As of March 12, 2019, the closing price of the Company's common stock was $20.44 per share.

Grants and Future Benefits

Under the Company's current compensation program for Directors, directors who are employed by the Company or any of its subsidiaries do not receive any additional compensation for their services as directors. Under our current compensation program for non-employee Directors, each non-employee Director will receive a RSU award with a value of $60,000 annually, calculated using a stock price to be determined as of the date of the Company's annual meeting of stockholders, which will vest upon termination of service with the Board of Directors.

Eligibility

Currently, employees, directors and consultants (including agents, independent contractors, leased employees and advisors) of the Company, its subsidiaries and affiliates are eligible to participate in the 2019 LTIP. Only employees of the Company or its subsidiaries may be granted incentive stock options. Because the participants under the 2019 LTIP are to be determined from time to time by the Compensation Committee, in its discretion, it is impossible at this time to indicate the precise number, name or positions of the employees and officers who will receive bonus awards or the amounts of such bonus awards. As of December 30, 2018, the Company, its subsidiaries and affiliates had approximately 52,100 employees and seven non-employee directors. The Compensation Committee is empowered, in its sole discretion, to select the employees and directors who will participate in the 2019 LTIP. As of March 12, 2019, we expect approximately 70 employees and directors would be eligible to receive awards under the 2019 LTIP. The number of consultants, if any, that are eligible to receive awards under the 2019 LTIP as of March 12, 2019 is not determinable.

Administration

The 2019 LTIP is administered by the Board or a committee appointed by the Board, which will initially be the Compensation Committee. The Compensation Committee has the authority to, among other things, select employees, directors or consultants to whom awards are to be granted, to determine the number of options or other types of awards to be granted to such employees, directors or consultants and to establish the terms and conditions of such awards. The Compensation Committee has the authority to interpret the 2019 LTIP, to establish, amend and revise any rules and regulations relating to the 2019 LTIP, and to otherwise make any determination that it deems necessary or advisable for the administration of the 2019 LTIP. In order to satisfy the requirements of Rule 16b-3 of the Exchange Act, members of the Compensation Committee are required to be "non-employee directors" within the meaning of Rule 16b-3 of the Exchange Act. The 2019 LTIP provides that the Board may authorize one or more officers to grant awards to participants who are not subject to the rules promulgated under Section 16 of the Exchange Act or officers or Directors of the Company to whom the authority to grant or amend awards has been given, provided that any such grants will be subject to the terms and conditions of the Compensation Committee authorization.

Notwithstanding the foregoing, a Repricing (as defined below) is prohibited without prior stockholder approval, provided, however, that the Compensation Committee may: (1) authorize the Company, with the consent of the respective participant, to issue new awards in exchange for the surrender and cancellation of any or all outstanding awards or (2) buy from a participant an award previously granted with payment in cash, shares of common stock (including restricted stock) or other consideration, based on such terms and conditions as the Compensation Committee and the participant may agree. For purposes of the 2019 LTIP, "Repricing" means any of the following or any other action that has the same purpose and effect: (1) lowering the exercise price of an outstanding option or SAR granted under the 2019 LTIP after it is granted or (2) canceling an outstanding award granted under the 2019 LTIP at a time when its exercise or purchase price exceeds the then fair market value (as defined in the 2019 LTIP) of the shares underlying such outstanding award, in exchange for another award or a cash payment, unless the cancellation and exchange occurs in connection with a merger, amalgamation, consolidation, sale of substantially all the Company's assets, acquisition, spin-off, or other similar corporate transaction.

Adjustments Upon Certain Events

Subject to any required action by the stockholders of the Company, the aggregate number and kind of shares that may be issued under the 2019 LTIP, the terms and conditions of any outstanding awards, as well as the grant or exercise price per share for any outstanding awards under the 2019 LTIP, will be adjusted as the Committee in its discretion may deem appropriate to reflect any stock dividend, stock split, spin-off, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to stockholders, or any other change affecting the shares of common stock or the price of the shares (other than any Equity Restructuring (as defined in the 2019 LTIP)). Except as expressly provided in the 2019 LTIP or pursuant to action of the Compensation Committee under the 2019 LTIP, no issuance by the Company of shares of stock of any class or securities convertible into shares of stock of any class, will affect, and no adjustment by reason thereof will be made with respect to, the number of shares subject to an award or the grant or exercise price of any award.

In the event of any event described in the preceding paragraph or any unusual or nonrecurring transactions or events affecting the Company, any affiliate of the Company, or the financial statements of the Company or any affiliate, or of changes in applicable laws, regulations or accounting principles, the Compensation Committee may, in its sole discretion whenever the Compensation Committee determines that such action is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the 2019 LTIP or with respect to any award under the 2019 LTIP, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles, provide for adjustments to the settlement and vesting of existing awards, including termination of such awards or modification of performance targets or performance periods for performance-based awards. The Compensation Committee's determination need not be uniform and may be different for different participants.

In the event of any Equity Restructuring, which generally means a stock dividend, stock split or other event that causes a change in the per share value of shares underlying outstanding awards and that is effected without receipt of consideration by the Company, the number and type of shares covered by each outstanding award and the exercise or grant price thereof, if applicable, shall be equitably adjusted, and the Compensation Committee may, in its sole discretion, provide for equitable adjustments with respect to the aggregate number and kind of shares that may be issued under the 2019 LTIP to reflect such Equity Restructuring.

Change in Control

Except as may otherwise be provided in any applicable award agreement or other written agreement entered into between the Company and a participant in the 2019 LTIP, if a "change in control" occurs and the participant's awards are not converted, assumed, or replaced by a successor entity, then immediately prior to the change in control the awards will become fully exercisable and all forfeiture restrictions on the awards will lapse. Upon or in anticipation of the occurrence of a change in control, the Compensation Committee may cause any and all of a participant's awards to terminate at a specific time in the future and shall give each participant the right to exercise or accelerate such awards during a period of time as the Compensation Committee shall determine in its sole discretion.

Under the 2019 LTIP, a "change in control" generally includes (1) a direct or indirect sale or other disposition of the Company and its subsidiaries taken as a whole as an entirety or substantially as an entirety in one transaction or series of transactions, (2) the consummation of any transaction (including a merger) to which the Company is a party the result of which is that immediately after such transaction the stockholders of the Company immediately prior to such transaction hold less than 50.1% of the total voting power generally entitled to vote in the election of directors of the person surviving such transaction, (3) any "person" or "group" becomes the ultimate "beneficial owner" (each as defined in Rule 13d-3 of the Exchange Act) of more than 50% of the total voting power generally entitled to vote in the election of directors of the Company on a fully diluted basis, (4) subject to specified exceptions and qualifications, during any two consecutive years, individuals who at the beginning of such period constituted the members of the Board cease for any reason to constitute a majority of the members of the Board then in office, or (5) the adoption of a plan for the liquidation or dissolution of the Company.

Regardless of whether a change in control has occurred, the Compensation Committee may in its sole discretion at any time determine that, upon the termination of employment or service of a participant for any reason, or the occurrence of a change in control, all or a portion of such participant's options or SARs shall become fully or partially exercisable, that all or a part of the restrictions on all or a portion of a participant's outstanding awards shall lapse, and/or that any performance criteria with respect to any awards held by a participant shall be deemed to be wholly or partially satisfied as of such date as the Compensation Committee may declare in its sole discretion. In the event that the terms of any agreement between the Company or any affiliate of the Company and the participant contains provisions that conflict with and are more restrictive than the provisions of the 2019 LTIP described above, the provisions of the 2019 LTIP shall prevail and control and the more restrictive provisions of such agreement (and only such terms) shall be of no force and effect.

Stock Options

The 2019 LTIP provides that the option price pursuant to which common stock may be purchased will be determined by the Compensation Committee, but will not be less than the fair market value of the common stock on the date the option is granted. The Compensation Committee will determine the term of each option, but no option will be exercisable more than 10 years after the date of grant. Payment of the purchase price will be (1) in cash, (2) in shares of common stock, (3) by a promissory note bearing interest at no less than such rate as shall then preclude the imputation of interest under the Code, (4) other property acceptable to the Compensation Committee (including through the delivery of irrevocable instructions to a broker to deliver promptly to the Company an amount equal to the aggregate option price for the shares being purchased), or (5) any combination of the foregoing methods of payment. If a participant's service terminates by reason of death or Disability (as defined in the 2019 LTIP), to the extent the participant was entitled to exercise the option on the date of death or Disability, the option may be exercised within one year after the date of death or Disability (or such other period specified in the applicable award agreement). If a participant's service with the Company terminates for any reason (other than death or Disability), each option then held by the participant may be exercised within three months (or such other period specified in the applicable award agreement) after the date of such termination, but only to the extent such option was exercisable at the time of termination of service.

Restricted Stock Awards

The 2019 LTIP provides for certain terms and conditions pursuant to which restricted stock and RSUs may be granted under the 2019 LTIP. Each grant of restricted stock and RSUs must be evidenced by an award agreement in a form approved by the Compensation Committee. The vesting of a restricted stock award or restricted stock unit granted under the 2019 LTIP may, but shall not be required to, be conditioned upon the completion of a specified period of service, upon attainment of specified performance goals, and/or upon such other criteria as the Compensation Committee may determine in its sole discretion. If a participant's service is terminated for any reason, the participant will only be entitled to the restricted stock or RSUs vested at the time of such termination of service unless the participant is party to an employment agreement that provides otherwise. The participant's unvested restricted stock and RSUs will be repurchased or forfeited at the time of the participant's termination. Except as provided in the applicable award agreement, no shares of restricted stock may be assigned, transferred or otherwise encumbered or disposed of by the participant until such shares have vested in accordance with the terms of such award agreement. The restricted stock shall be subject to such restrictions on transferability and other restrictions as the Compensation Committee may impose (including, without limitation, limitations on the right to vote restricted stock or the right to receive dividends on the restricted stock).

Stock Appreciation Rights

The Compensation Committee has the authority under the 2019 LTIP to grant SARs. Each SAR granted entitles a participant to exercise the SAR in whole or in part and, upon such exercise, to receive from the Company an amount equal to the product of (1) the excess of (a) the fair market value on the exercise date of one share of common stock over (b) the fair market value on the date of grant of one share of common stock and (2) the number of shares covered by the portion of the SAR so exercised, subject to any limitations the Compensation Committee may impose.

Other Types of Awards

The Compensation Committee also has the authority under the 2019 LTIP to grant awards of unrestricted shares of common stock, restricted stock, RSUs, and other awards that are valued in whole or in part by reference to, or are otherwise based upon, the fair market value of the common stock. The terms and conditions of these other stock-based awards will be determined by the Compensation Committee. Other cash-based and stock-based awards may also be granted to participants from time to time as the Compensation Committee sees fit, including performance-based awards.

Such performance-based awards are rights to receive amounts denominated in cash or shares of common stock, based on the Company's or a participant's performance during a designated period in which attainment of the performance goals is measured.

Performance goals, the length of the performance period and time of payment of the performance-based awards are established by the Compensation Committee. The performance criteria will be based on one or more (or any combination) criteria as the Compensation Committee shall determine from time to time, including, but not limited to the following:

- revenue;
- earnings or net earnings (including earnings before or after any one or more of the following: interest, taxes, depreciation, or amortization);
- sales;
- economic value-added;
- cash flow (including, but not limited to, operating cash flow and free cash flow);
- cash flow return on capital;
- earnings per share of common stock (including earnings before any one or more of the following: interest, taxes, depreciation, amortization, restructuring costs or rental expenses);
- return on equity; return on capital; total stockholder return;
- return on invested capital; return on assets or net assets;
- return on sales; income or net income (either before or after taxes);
- operating earnings; operating income or net operating income;
- operating profit or net operating profit;
- operating or net profit margin;
- cost reductions or savings or expense management;
- funds from operations;
- appreciation in the fair market value of shares of common stock;
- working capital;
- market share;
- productivity;
- expense;
- operating efficiency;
- customer satisfaction; and
- safety record.

The foregoing criteria may relate to the Company, one or more of its affiliates, subsidiaries or one or more of its divisions, geography, business units, segments, products, product lines, partnerships, joint ventures, minority investments, or any combination thereof, of the Company or its affiliates, or the performance of an individual, and may be determined or applied on an absolute or relative basis, a consolidated basis, an adjusted basis, or as compared to the performance of a published or special index, including, but not limited to, the Standard & Poor's 500 Stock Index, the NASDAQ Market Index, the Russell 2000 Index or a group of comparable companies, or any combination thereof. As of March 12, 2019, the closing price of the Company's common stock was $20.44 per share.

The Compensation Committee shall determine whether, with respect to a performance period, the applicable performance goals have been met with respect to a given participant and, if they have, to so ascertain the amount payable under the applicable performance-based award. In determining the amount earned by a participant under a performance-based award, the Compensation Committee shall have the right to modify the amount payable at a given level of performance, if in its sole and absolute discretion, such modification is appropriate, or to take into account additional factors that the Compensation Committee may deem relevant to the assessment of individual or corporate performance for the performance period. In addition, the performance goals may be calculated without regard to extraordinary items or accounting changes. The Compensation Committee, in its discretion, may adjust or modify the calculation of performance goals for such performance period in order to prevent the dilution or enlargement of the rights of participants (1) in the event of, or in anticipation of, any unusual or extraordinary corporate item, transaction, event, or development, or (2) in recognition of, or in anticipation of, any other unusual or nonrecurring events affecting the Company, or the financial statements of the Company, or in response to, or in anticipation of, changes in applicable laws, regulations, accounting principles, or business conditions.

Amendments to the 2019 LTIP

The 2019 LTIP may be amended by the Board of Directors or the Compensation Committee, except that no amendment may be made which, (1) without the approval of the stockholders of the Company, would (except as in accordance with the provisions under the caption "Adjustments Upon Certain Events" above) increase the total number of shares reserved or extend the exercise period for an option beyond ten years from the date of grant, or that otherwise would require stockholder approval under rules of any stock exchange or market or quotation system on which the shares are traded, or other applicable law or (2) without the consent of a participant, would adversely affect in any material way any award previously granted; provided, however, that an amendment or modification that may cause an ISO to become a non-qualified stock option shall not be treated as adversely affecting the rights of a participant. Subject to the foregoing, with respect to participants who reside or work outside of the United States, the Compensation Committee, in its sole discretion, shall have the power and authority to adopt rules, procedures and subplans with provisions that limit or modify the terms and conditions of any award granted to such participants in order to conform such terms with the requirements of local law.

Transferability

Awards under the 2019 LTIP are not assignable or transferable (including, without limitation, to a third party financial institution or for consideration) otherwise than by will or by the laws of descent or distribution, except that the Compensation Committee may authorize awards (other than ISOs) to be granted on terms which permit an award to be transferred to, exercised by and paid to certain persons or entities related to the participant, including, but not limited to members of the participant's family, charitable institutions, or trusts or other entities whose beneficiaries or beneficial owners are members of the participant's family and/or charitable institutions, or to such other persons or entities as may be expressly approved by the Compensation Committee, pursuant to such conditions and procedures as the Compensation Committee may establish. Any permitted transfer shall be subject to the condition that the Compensation Committee receive evidence satisfactory to it that the transfer is being made for estate and/or tax planning purposes (or to a "blind trust" in connection with the participant's termination of employment or service with the Company or an affiliate of the Company to assume a position with a governmental, charitable, educational or similar non-profit institution) and on a basis consistent with the Company's lawful issue of securities.

Federal Income Tax Consequences

The following is a discussion of certain U.S. corporate and personal federal income tax consequences relevant to the Company and its participants in the 2019 LTIP. It is not intended to be a complete description of all possible tax consequences with respect to awards granted under the 2019 LTIP and does not address state, local or foreign tax consequences.

A participant who is granted a NSO will not recognize income at the time the option is granted. Upon the exercise of the option, however, the excess, if any, of the fair market value of the shares on the date of exercise over the option exercise price will be treated as ordinary income to the participant, and the Company will generally be entitled to an income tax deduction in the same year in an amount measured by the amount of ordinary income taxable to the participant, subject to the limitations described below. The participant will be entitled to a cost basis for the shares for income tax purposes equal to the amount paid for the shares plus the amount of ordinary income taxable at the time of exercise. Upon a subsequent sale of such shares, the participant will recognize short-term or long-term capital gain or loss, depending upon his or her holding period for such shares.

A participant who is granted an ISO satisfying the requirements of the Code will not recognize income at the time the option is granted or exercised. The excess of the fair market value of the shares on the date of exercise over the option exercise price is, however, included as an adjustment in determining the participant's alternative minimum tax for the year in which the exercise occurs. If the participant does not dispose of shares received upon exercise of the option for more than one year after exercise and two years after grant of the option (the “Holding Period”), upon the disposition of such shares the participant will recognize long-term capital gain or loss based on the difference between the option exercise price and the amount realized upon the disposition of such shares. In such event, the Company is not entitled to a deduction for income tax purposes in connection with the exercise of the option. If the participant disposes of the shares received upon exercise of the ISO without satisfying the Holding Period requirement, the participant must generally recognize ordinary income equal to the lesser of (1) the fair market value of the shares at the date of exercise of the option over the exercise price or (2) the amount realized upon the disposition of such shares over the exercise price. Any further appreciation is taxed as short-term or long-term capital gain, depending on the participant's holding period. In such event, the Company would be entitled to an income tax deduction in the same year in an amount measured by the amount of ordinary income taxable to the participant, subject to the limitations described below.

Upon exercise of a SAR, a participant will recognize taxable income in the amount of the aggregate cash or shares received. A participant who is granted unrestricted shares will recognize ordinary income in the year of grant equal to the fair market value of the shares received. In either such case, the Company will be entitled to an income tax deduction in the amount of such ordinary income taxable to the participant, subject to the limitations described below.

Generally, a participant will not recognize any income at the time an award of restricted stock or RSUs is granted, nor will the Company be entitled to a deduction at that time. In the year in which restrictions on shares of restricted stock lapse, the participant will recognize ordinary income in an amount equal to the excess of the fair market value of the shares on the date of vesting over the amount, if any, the participant paid for the shares. A participant may, however, elect within thirty days after receiving an award of restricted stock to recognize ordinary income in the year of receipt, instead of the year of vesting, equal to the excess of the fair market value of the shares on the date of receipt over the amount, if any, the participant paid for the shares. Similarly, upon the vesting of RSUs, the participant will recognize ordinary income in an amount equal to the fair market value of the shares upon vesting, provided the shares are issued on that date. With respect to grants of awards of both restricted stock and RSUs, the Company will be entitled to a tax deduction at the same time and in the same amount that the ordinary income is taxable to the participant, subject to the limitations described below.

In order for the amounts described above to be tax deductible, such amounts must constitute reasonable compensation for services rendered or to be rendered and must be ordinary and necessary business expenses. And the Company's ability (or the ability of one of the Company's subsidiaries, as applicable) to obtain a deduction for amounts paid under the 2019 LTIP could be limited by Section 162(m), which limits the deductibility, for federal income tax purposes, of compensation paid to certain executive officers of a publicly traded corporation to $1,000,000 with respect to any such officer during any taxable year of the corporation.

Under current Company policies or agreements, certain executives may be required to hold a certain number of shares for a certain period of time (e.g. six months past termination of employment) including, but not limited to, shares the executive receives under the 2019 LTIP. Although such policies may restrict the executive's ability to sell his or her shares, it will not change the income inclusion event with respect to any shares issued under the 2019 LTIP.

The Compensation Committee will require payment of any amount it may determine to be necessary to withhold for federal, state, local, or other taxes as a result of the grant, vesting or the exercise of an award.

Section 280G of the Code

Under certain circumstances, the accelerated vesting or exercise of awards in connection with a change in control of the Company might be deemed an "excess parachute payment" for purposes of the golden parachute tax provisions of Section 280G of the Code. To the extent it is so considered, the grantee may be subject to a 20 percent excise tax, and the Company may be denied a tax deduction.

Section 409A of the Code

The Company generally intends that, to the extent applicable, awards granted under the 2019 LTIP will comply with, or be exempt from, the provisions of Section 409A of the Code. Incentive stock options and restricted stock generally are not subject to Section 409A of the Code. NSOs and SARs are granted so as to be exempt from Section 409A of the Code. Other awards have been designed to be exempt from Section 409A because the awards are settled immediately following the vesting date, or to automatically comply with Section 409A of the Code. However, grantees of performance-based awards may be permitted to elect to defer the payment of certain performance-based awards. This deferral election and the subsequent payment of the awards are also intended to comply with Section 409A of the Code.

Tax Summary

The foregoing discussion is intended only as a summary of certain federal income tax consequences and does not purport to be a complete discussion of all the tax consequences of participation in the 2019 LTIP. Accordingly, holders of awards granted under the 2019 LTIP should consult their own tax advisers for specific advice with respect to all federal, state or local tax effects before exercising any options or SARs, and before disposing of any shares acquired pursuant to an award. Moreover, the Company does not represent that the foregoing tax consequences apply to any particular award holder's specific circumstances or will continue to apply in the future and makes no undertaking to maintain the tax status (e.g. as an ISO) of any award.

The 2019 LTIP is not subject to any provision of ERISA, nor is it a qualified employee benefit plan under Section 401(a) of the Code.

Clawback and Insider Trading Policies

Any participant receiving any Award granted pursuant to the 2019 LTIP shall be subject to (1) Section 304 of the Sarbanes Oxley Act of 2002, (2) any rules and/or regulations issued pursuant to the Dodd-Frank Act of 2010, (3) the Company's clawback policy and (4) the Insider Trading Policy of the Company.

Vote Required for Approval and Recommendation

The affirmative vote of the majority of the total outstanding voting power of capital stock, present in person or represented by proxy at the Annual Meeting, is required to approve the Pilgrim's Pride Corporation 2019 Long Term Incentive Plan.

The Board of Directors recommends that you vote "FOR" the approval of the Pilgrim's Pride Corporation 2019 Long Term Incentive Plan. Proxies will be so voted unless stockholders specify otherwise.

REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee of the Board of Directors of Pilgrim's Pride Corporation (the "Company") has reviewed and discussed with management the following Compensation Discussion and Analysis section of the Company's Proxy Statement for the fiscal year ended December 30, 2018 (the "Proxy Statement"). Based on our review and discussions, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Proxy Statement to be filed with the Securities and Exchange Commission.

Compensation Committee

Gilberto Tomazoni, Chairman
Michael L. Cooper
Andre Nogueira de Souza

The information contained in this report shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings with the Securities and Exchange Commission, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference into a document filed under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

The Compensation Committee and the Board had the overall responsibility for approving executive compensation and overseeing the administration of our incentive and employee benefit plans. The following discusses the material elements of the compensation for our CEO and our CFO (together, the "Named Executive Officers" or "NEOs") during our fiscal year ended December 30, 2018. For purposes of this Compensation Discussion and Analysis, the term "CEO" refers to Mr. William W. Lovette and the term "CFO" refers to Mr. Fabio Sandri. Mr. Lovette retired from his positions of CEO and President effective as of March 22, 2019.

The Company's compensation principles are intended to implement our core objectives of aligning the long-term interests of our executives with those of our stockholders, attracting and retaining key leaders, and rewarding sustained performance and leadership excellence. In pursuing these objectives, the Compensation Committee uses certain guiding principles in designing the specific elements of the executive compensation program. These guiding principles and policies are that:

- incentive compensation should represent a significant portion of total compensation;
- compensation should be performance-based;
- incentive compensation should balance short-term and long-term performance;
- compensation levels should be market competitive; and
- superior performance should be rewarded.

In order to further these guiding principles, the key components of our compensation in 2018 included (1) cash compensation, in the form of base salaries, cash incentive compensation and bonuses; (2) long-term equity compensation, in the form of RSUs that are earned and granted, if at all, based on the achievement of financial performance metrics designed to reinforce our business objectives and restricted stock and RSUs that vest over time; and (3) other non-cash compensation, such as retirement, health and welfare benefits, and certain other limited perquisites and benefits.

The Compensation Committee believes a significant portion of the compensation to our NEOs should be performance-based. The Compensation Committee also believes that each NEO's compensation should be balanced with longer term incentives. Accordingly, a significant portion of the compensation to our NEOs was awarded in the form of RSUs, which vest over time and in performance RSUs, which were earned and granted when specific 2018 performance targets were met and vest ratably over a three-year period. The Compensation Committee believes these equity awards more closely align our NEOs' incentives with the long-term interests of our stockholders, including growing our business and improving the Company's profitability relative to its peers.

Additionally, the Company maintains the following policies that support the Company's "pay-for-performance" principles:

- the restriction of our Directors, NEOs, and other key executive officers from hedging the economic interest in the Company securities that they hold;
- the prohibition of Company personnel, including the NEOs, from engaging in any short-term, speculative securities transactions, engaging in short sales, buying or selling put or call options, and trading in options (other than those granted by the Company);
- the restriction of our Directors, NEOs and other key executive officers from pledging the Company securities that they hold; and
- our policy of not having any change-in-control or retirement arrangements with our NEOs.

Following the end of each fiscal year, the Compensation Committee conducts a review of all components of the Company's compensation program. In conducting its review, the Compensation Committee reviews information related to each NEO's individual performance, total compensation, each of the components of compensation, and the Company's performance. Our compensation principals and objectives did not significantly change in 2018.

Company Performance and Pay

The Compensation Committee has designed key elements of our executive compensation program to align pay with our performance. The Compensation Committee has structured the terms of our NEOs' compensation so that a significant amount of each NEO's annual compensation would be tied to both the performance of the Company and his individual performance, and therefore, would be "at risk". The Compensation Committee's compensation decisions for 2018 reflect the Company's strong performance in multiple financial areas.

The Company's specific 2018 achievements included the following, among others:

- The Company achieved strong results relating to operating revenues ($10.9 billion), net income ($247.9 million, or $1.00 per diluted share) and net cash provided by operations ($491.7 million).
- The Company generated a cumulative total return on its common stock over the five years ended 2018 of 26.8% as compared to a cumulative total return generated over the same period by the Russell 2000 Composite Index and by the Company's peer group index of 24.1% and 84.6%, respectively. Companies in the peer group index, as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 30, 2018 filed with the SEC on February 13, 2019, include Sanderson Farms Inc., Hormel Foods Corp. and Tyson Foods Inc.
- As of our fiscal year ending December 30, 2018, the Company had $361.6 million of cash and cash equivalents.
- The Company continued its efforts on cost reductions, more effective processes, training and its total quality management program.

For more information regarding our financial performance during fiscal year 2018, see our Annual Report on Form 10-K for the fiscal year ended December 30, 2018 filed with the SEC on February 13, 2019.

Executive Compensation Principles, Policies and Objectives

The Compensation Committee is responsible for establishing the principles that underlie our executive compensation program and guide the design and administration of specific plans, agreements and arrangements for our executives. Our compensation principles are intended to implement our core objectives of attracting key leaders, motivating our executives to remain with the Company for long and productive careers, rewarding sustained financial and operating performance and leadership excellence and aligning the long-term interests of our executives with those of our stockholders. Our executive compensation principles and policies, which are established and refined from time to time by the Compensation Committee, are described below:

Incentive compensation should represent a significant portion of total compensation. A significant portion of our executives' total compensation should be tied not only to how well they perform individually, but also, where applicable, should be "at risk" based on how well the Company performs relative to applicable financial objectives.

Compensation should be performance-based. Compensation should be subject to performance-based awards as an executive officer's range of responsibility and ability to influence the Company's results increase.

Incentive compensation should balance short-term and long-term performance. Executive compensation should be linked to building long-term stockholder value while remaining consistent with our business objectives and values. Our executive compensation program addresses this objective by including long-term incentives in the form of equity-based awards, such as restricted common stock and RSUs, which makes the performance of the Company's common stock a targeted incentive.

Compensation levels should be market competitive. Compensation should be competitive in relation to the marketplace. Prior to setting performance goals and target opportunities for our incentive compensation, the Compensation Committee considers market compensation data compiled and prepared by management.

Superior performance should be rewarded. Outstanding achievement should be recognized. The Board and the Compensation Committee consider the Company's strategies when identifying the appropriate incentive measures and when assigning individual goals and objectives to the NEO and evaluate the individual's performance against those strategies in setting compensation.

In addition, we believe that our compensation programs for executive officers should be appropriately tailored to encourage employees to grow our business, but not encourage them to do so in a way that poses unnecessary or excessive material risk to us. For 2018, the Compensation Committee believes that our NEOs' compensation is consistent with our performance and economic and competitive industry conditions, and equity incentives are aligned with our actions to grow our business and improve the Company's profitability relative to similarly-situated companies.

Currently, the Company does not have any agreements relating to the employment of our NEOs. The Company generally does not enter into employment agreements with its executives, who are considered to serve at the will of the Board. However, in certain circumstances, the Compensation Committee and the Board believe it is prudent to use employment agreements as a means to attract and/or retain executives and to foster an environment of relative security within which we believe our executives will be able to focus on achieving Company goals.

Role of the Compensation Committee and Executive Officer in Compensation Decisions

The Compensation Committee is responsible for establishing and overseeing the overall compensation structure, policies and programs of the Company and assessing whether our compensation structure resulted in appropriate compensation levels and incentives for executive management of the Company. The Compensation Committee's objective is to ensure that the total compensation paid to each executive officer was fair, reasonable, competitive and motivational. The Compensation Committee conducts a review of all compensation for our executive officers, including our NEOs, and works with our CEO to evaluate and approve compensation of our executive officers other than the CEO. Our CFO reports directly to our CEO who supervises the day to day performance of the CFO. Accordingly, the CEO evaluates the CFO's individual performance against the Company-based performance factors, and makes recommendations to the Compensation Committee regarding his compensation. The Compensation Committee strongly considers the compensation recommendations and the performance evaluations by our CEO and any recommendations of the Board of Directors with respect to non-CEO compensation. Neither the Compensation Committee nor Company management engaged a compensation consultant in 2018 for the purpose of determining or recommending the amount or form of executive compensation.

In determining the components of compensation, the Compensation Committee discusses strategic goals for our compensation program and considers the role of each of the elements of compensation in relationship to the overall pay mix. The Compensation Committee considers the total compensation targeted for each of the NEOs, individual and Company performance, and the relationship between pay and performance. The Compensation Committee works with the CEO and the Company's human resources representative who make recommendations consistent with the guidelines established by the Compensation Committee to each element of compensation of our executive officers. The Compensation Committee evaluates the total compensation package for each of our NEOs after considering the recommendations of the CEO and the Company's human resources representative and evaluating the competitive market for executive talent, the Company's performance relative to its competitors, and the past compensation paid to each of our NEOs.

In 2018, the Compensation Committee used a competitive market study prepared by Arthur J. Gallagher & Co. ("Gallagher") that compared the compensation of the NEOs against two data sources:

- a group of similarly-situated public companies; and
- a survey of Russell 3000 index companies, sorted by size and industry.

The Compensation Committee used the Gallagher study in considering the market competitiveness of our executive compensation program, but did not use the Gallagher study for benchmarking or in setting executive compensation targets or levels. Further, Gallagher did not provide any advice to the Compensation Committee or management of the Company with respect to executive compensation decisions. Gallagher was engaged by the Company and the Gallagher study was prepared in 2017 at the direction of the Company. For 2018, the Compensation Committee reviewed the Gallagher study in considering the market competitiveness of our executive compensation program. The CEO does not make recommendations or participate in the Compensation Committee's process for establishing the compensation of the CEO.

If the Compensation Committee determines that there is a misalignment in pay for performance or if the compensation of the NEOs is not appropriately aligned with the competitive market, the Committee may determine, in its discretion, to provide additional compensation to our NEOs in the form of cash or equity or combination thereof. The Compensation Committee believes that discretionary awards, where warranted, can be effective in motivating, rewarding and retaining our NEOs. For additional information, see "Discretionary Awards" below.

Say-on-Pay

At the annual meeting of our stockholders held on April 28, 2017, our stockholders recommended in an advisory vote and the Compensation Committee subsequently approved that the Company holds an advisory vote on the compensation of the Company's NEOs annually. At the annual meeting of our stockholders held on May 10, 2018, approximately 99.5% of votes present (excluding abstentions and broker non-votes) voted for the "Say-on-Pay" proposal related to our NEOs. In consideration of the results, the Compensation Committee acknowledged the support received from our stockholders and viewed the results as a confirmation of the Company's existing executive compensation policies and decisions. Accordingly, we did not significantly change our compensation principles and objectives in 2018 in response to the advisory vote of our stockholders.

Components of Compensation

The principal components of compensation for our NEOs were as follows:

- base salary;
- bonuses, including annual cash incentive compensation and discretionary bonuses;
- long-term incentive compensation, including awards of RSUs earned and granted based on the achievement of performance goals, time-vested restricted stock and RSUs;
- discretionary award of time based RSUs;
- retirement, health and welfare benefit plans; and
- certain limited perquisites and other personal benefits.

Base Salary

We provide our NEOs and other employees with a base salary to provide a fixed amount of compensation for services during the fiscal year. Base salaries and any increases thereto are subjectively determined by the Compensation Committee for each of the executive officers on an individual basis, taking into consideration an assessment of individual contributions to Company performance, length of tenure, compensation levels for comparable positions, internal equities among positions and, with respect to executives other than the CEO, the recommendations of the CEO. In December 2018, the Compensation Committee approved an increase to the base salary of our CFO from $475,000 to $492,000. In approving the increase, the Compensation Committee considered Mr. Sandri's overall performance and strong leadership as well as the potential risk of Mr. Sandri's departure.

Annual Cash Incentive Compensation

Short-Term Management Incentive Plan. The Compensation Committee currently administers the Short-Term Management Incentive Plan (the "STIP") and establishes performance periods under the STIP, which may be of varying and overlapping durations. The STIP provides for the grant of bonus awards payable upon achievement of specified performance goals. The awards under the STIP may be paid, at the option of the Compensation Committee, in cash, or in the Company's common stock, or in any combination of cash and common stock. 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. For each performance period, the Compensation Committee may establish one or more objectively determinable performance goals, based upon one or more of a variety of performance criteria specified in the STIP. In addition, for bonus awards not intended to qualify as qualified performance-based compensation, the Compensation Committee may establish performance goals based on other performance criteria as it deems appropriate in its sole discretion.

For each award under the STIP, the Compensation Committee, in its discretion, may make objectively determinable adjustments to one or more of the performance goals. Such adjustments may include or exclude one or more of the following: items that are extraordinary or unusual in nature or infrequent in occurrence, including one-time or non-recurring items; items related to a change in GAAP; items related to financing activities; expenses for restructuring or productivity initiatives; other nonoperating items; items related to acquisitions, including transaction-related charges and amortization; items attributable to the business operations of any entity acquired by the Company during the performance period; items related to the disposal of a business or segment of a business; items related to discontinued operations that do not qualify as a segment of a business under GAAP; taxes; stock-based compensation; noncash items; and any other items of significant income or expense which are determined to be appropriate adjustments.

Under the terms of the STIP, the maximum aggregate amount of all awards intended to constitute qualified performance-based compensation granted to a participant with regard to any fiscal year will not exceed $10,000,000.

As part of developing the Company's compensation strategy for the fiscal year ended December 30, 2018, the Compensation Committee established annual performance goals and target payout amounts for our NEOs under the STIP based on income (loss) before income taxes as a percentage of the Company's net revenues ("PBT Margin"). The Compensation Committee chose to utilize PBT Margin, as determined based on the Company's audited financial statements and GAAP as applied on a consistent basis by the Company, in setting performance goals and target payout amounts because PBT Margin has a higher correlation to cash flow and liquidity than EBITDA and because it aligns with the Company's goals of driving overall operational results.

For fiscal year 2018, the Compensation Committee established the following PBT Margins for our NEOs:

PBT Margin	**CEO Bonus as a % of Base Salary**	**CFO Bonus as a % of Base Salary**
3% (Threshold)	25%	25%
4%	50%	50%
5%	75%	75%
6% (Target)	100%	100%
7%	125%	125%
8%	150%	150%
9%	175%	175%
10%	200%	200%
Greater than 10%	200% plus 1.0% of the excess PBT above 10%	200% plus 0.2% of the excess of PBT above 10%

For purposes of the NEOs' bonuses pursuant to the STIP, the PBT Margin for 2018 was determined by the Compensation Committee in accordance with the Company's audited financial statements and U.S. generally accepted accounting principles as applied on a consistent basis by the Company. Following the end of 2018, the Compensation Committee reviewed the Company's PBT Margin for 2018, which totaled 3%. The Compensation Committee included Moy Park's results in the STIP calculation for fiscal year 2018.

Consequently, the Compensation Committee awarded Mr. Lovette a cash bonus of $250,000 for 2018 under the STIP. In determining Mr. Sandri's bonus pursuant to the STIP, the Compensation Committee considered the PBT

Margin performance goal target described above, as well as certain individual performance goals. Mr. Sandri's individual performance goals are based on the following key performance indicators: (1) Reduction of capital employed; (2) Integration synergies; (3) Finance budget; (4) Key employee retention; (5) Audit compliance; (6) Reduction of cost of capital; and (7) Relative position against industry. The Compensation Committee awarded Mr. Sandri a bonus of $113,424 under the STIP for 2018, equivalent to 25% of his base salary, which was partially based on Mr. Sandri's achievement of 95% of his individual performance goals.

Discretionary Bonus. The Company may also provide short-term incentives to executives by awarding annual cash bonuses determined by the Compensation Committee on a discretionary basis. The bonuses reward achievement of short-term goals and allow us to recognize individual and team achievements. No discretionary cash bonuses were awarded to our NEOs in fiscal year 2018.

Long-Term Incentive Compensation

The Company maintains the 2009 LTIP, which is administered by the Compensation Committee. The 2009 LTIP 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 consultants, if any. The Board and the Compensation Committee believes that providing the 2009 LTIP will attract, retain and motivate executives; align their interests with our stockholders and encourage them to grow and operate the Company's business with a view towards building long-term stockholder value and improving profitability; and make the performance of the Company's common stock a targeted incentive. The 2009 LTIP will expire pursuant to its terms on December 28, 2019 and no awards will be granted under the 2009 LTIP after that date. Because the 2009 LTIP will expire, the Board of Directors and the Company will lose access to an important compensation tool that is key to our ability to attract, motivate, reward and retain our key employees, Directors and officers if the 2019 LTIP is not approved by our stockholders. The 2019 LTIP is intended to replace the expiring plan and more information can be found in "Proposal 4. Approval of the Pilgrim's Pride Corporation 2019 Long Term Incentive Plan." If the 2019 LTIP is approved by our stockholders, the 2019 LTIP will be the Company's sole equity compensation plan for future awards. For additional information concerning the outstanding awards and number of shares available under the 2009 LTIP, see "Equity Compensation Plan Information" below.

The Compensation Committee determined that an equity award combination consisting of restricted stock and RSUs would best serve the Compensation Committee's goals. The Company has never granted stock options.

In the fourth quarter of 2017, the Compensation Committee proposed the 2018 Long Term Incentive Program (the "2018 Program"), which is a component of the 2009 LTIP. The purpose of the 2018 Program is to provide additional incentives to participants to grow the Company's business and improve the Company's profitability relative to its peers. Under the 2018 Program, participants received target awards equal to a specified percentage of their base salary, with such awards being converted to RSUs upon the Company's achievement of the performance goals under the 2018 Program. When each RSU vests it converts to one share of the Company's common stock. Both NEOs participated in the 2018 Program, and received the opportunity for grants of RSU awards based on the achievement of the above performance conditions.

The Compensation Committee selected performance goals for the 2018 Program to measure the Company's profitability as compared to the profitability of specified competitors in the Company's three geographic business segments — the U.S., Mexico and the U.K. and Europe. The profitability metric selected by the Compensation Committee for the U.S. business segment is earnings before interest and taxes ("EBIT") per processed pound, which is calculated as EBIT divided by the pounds of chicken products produced over the same period. The profitability metric selected by the Compensation Committee for both the Mexico and the U.K. and Europe geographic business segments is EBIT margin, which is calculated as EBIT divided by net sales. The Compensation Committee selected performance goals that (1) compared EBIT per processed pound generated by our U.S. geographic business segment in 2018 to the average EBIT per processed pound generated in 2018 by the 21 U.S. poultry companies reported by Agri Stats, Inc, (the "Agri Stats Survey"), (2) compared EBIT margin generated by our Mexico geographic business segment in 2018 to the EBIT margin generated by Industrias Bachoco S.A.B. de C.V. in 2018, and (3) compared EBIT margin generated by our U.K. and Europe geographic business segment to the average EBIT margin generated by three regional competitors in 2018: 2 Sisters Food Group Limited, Cranswick plc, and Scandi Standard AB. These comparisons replace a similar comparison of the Company's EBIT delta to the companies included in Bank of America's

Monthly Profitability Survey used as a source of industry data in prior years. The Compensation Committee made this replacement because Bank of America's Monthly Profitability Survey is no longer available.

In evaluating the selection of specified key competitors, the Compensation Committee considered the financial comparative appropriateness of the Company's competitors in Mexico and the U.K. and Europe. In February 2018, Mr. Lovette and Mr. Sandri received performance-based awards under the 2018 Program that would be settled for RSUs if the awards were earned. The target award for Mr. Lovette was 45,704 RSUs and for Mr. Sandri was 14,473 RSUs. Each of the NEOs is entitled to receive a weighted percentage of his target award based on the Company's achievement in each geographic business segment of the Company, as follows:

Geographic Segment	Geographic Segment Weighted %	Performance Measure
U.S.	70%	EBIT per processed pound (in cents) as reported in the Agri Stats Survey
Mexico	15%	Percent performance of the Company's EBIT margin relative to selected competitor's reported results for fiscal year 2018
U.K. and Europe	15%	Percent performance of the Company's EBIT margin relative to selected competitors' reported results for fiscal year 2018

The Compensation Committee chose the EBIT metric under the Agri Stats Survey and the EBIT metric for Mexico and the U.K. and Europe because they provide a direct link between NEO compensation and stockholder results allowing his performance to be judged in comparison to competitor group performance, while also allowing positive and negative adjustments for unexpected market conditions. For the 2018 Program, the Compensation Committee set the target level of performance of the Company's U.S. operations at the average set forth in the Agri Stats Survey, one cent per processed pound based on historical performance and expectations for fiscal year 2018 performance. For the determination of percent performance of the Company relative to its competitor in Mexico, the Compensation Committee set the target level of performance at 3.50% higher than the reported EBIT margin of the Company's competitor based on historical performance and expectations for fiscal year 2018 performance. For the determination of percent performance of the Company relative to its competitors in the U.K. and Europe, the Compensation Committee set the target level of performance at 0.50% higher than the reported average EBIT margin of the Company's competitors based on historical performance and expectations for fiscal year 2018 performance. The Compensation Committee believes that the selection of EBIT per processed pound under the Agri Stats Survey and percent performance of the Company on EBIT margin as compared to the EBIT margin reported by selected key competitors establish rigorous performance goals in each geographic business segment that are aligned with the Company's short- and long-term operating and financial objectives.

The Compensation Committee further determined that the Company's achievement of each geographic business segment's profitability metric would be measured against the following targets:

Geographic Segment	Payout Amount (c)				
	50%	75%	100%	125%	150%
U.S. (a)	0.75	0.85	1.00	1.50	2.00
Mexico (b)	2.50%	3.00%	3.50%	4.00%	4.50%
U.K. and Europe (b)	0.25%	0.35%	0.50%	0.75%	1.00%

(a) EBIT per processed pound performance target (in cents). The payout amount is determined by comparing the EBIT per processed pound achieved by the Company's U.S. operations in fiscal year 2018 to the EBIT per processed pound performance targets set forth in the table above.

(b) Target positive percentage point differential in EBIT margin performance relative to competitors. The percentage point differential is determined by comparing the EBIT margin in fiscal year 2018 of the Company's operations in Mexico or the U.K. and Europe, respectively, to the selected competitor or competitors' EBIT margin or average EBIT margin, respectively, and calculating the percentage point differential between the two EBIT margins. If a positive percentage point differential is achieved by the Company's Mexico operations or the U.K. and Europe operations, then the payout amount with respect to such achievement is determined by comparing such percentage point differential achieved for fiscal year 2018 to the percentage point differential targets set forth with respect to each geographic segment in the table above.

(c) Payout amount is a percentage of the target award corresponding to the achieved target set forth in the table weighted for each geographic segment, as described above.

Accordingly, each NEO is entitled to receive a number of RSUs under the 2018 Program calculated as the approved target award for each NEO multiplied by the weighted average payout amount determined by the level of payout achievement for each geographic segment.

The payout achievement for the 2018 Program is calculated as follows:

Geographic Segment	Geographic Segment Weighted %	Payout Achievement [a]	Weighted Average Payout [b]
U.S.	70%	50%	35.00%
Mexico	15%	50%	7.50%
U.K. and Europe	15%	150%	22.50%
Total Payout Achievement			65.00%

(a) Payout achievement is the payout amount percentage of the achieved target set forth in the table weighted for each geographic segment, as described above.
(b) The weighted average payout is determined by the payout achievement multiplied by the geographic segment weighted percentage.

The performance conditions pertaining to the 2018 Program awards were partially achieved and a grant will be awarded to Mr. Sandri at 65% of the approved 2018 Program targets, which would result in a grant of 9,408 RSUs. Because Mr. Lovette retired from his positions as CEO and President as of March 22, 2019, Mr. Lovette did not receive any RSUs in connection with his 2018 Program award.

Discretionary Awards

The Compensation Committee believes that a significant portion of our executives' total compensation should be tied not only to how well they perform individually but also on how well the Company performs relative to applicable financial objectives. Accordingly, the Compensation Committee sets challenging performance targets under our annual and long-term incentives programs. However, in some circumstances the Compensation Committee may provide additional discretionary awards where (1) there is misalignment in pay for performance, such as when the Company and/or the individual achieved superior performance, but where the performance targets under our annual or long-term incentives were not met, or (2) if the Compensation Committee determines that the compensation of the NEOs is not appropriately aligned with the competitive market. In considering whether to make a discretionary award, the Compensation Committee will also consider the Company's historical performance, the past compensation paid to the NEOs and the market competitiveness of our NEOs' compensation. The Compensation Committee believes that discretionary awards, where warranted, can be effective in motivating, rewarding and retaining our NEOs.

In 2018, the Compensation Committee recommended, and the Board approved, three separate grants of discretionary awards, listed in the table below.

Discretionary Awards (Number of RSUs)

Grant Date	William W. Lovette	Fabio Sandri
2/13/2018[a]	38,236	10,194
2/14/2018[b]	200,000	80,000
12/10/2018[c]	—	100,000

(a) The RSUs granted on February 13, 2018 vest ratably over three years in equal installments on the first, second and third anniversaries of the date of grant.
(b) The RSUs granted on February 14, 2018 vested on January 1, 2019.
(c) The RSUs granted on December 10, 2018 will vest on July 1, 2019.

On February 13, 2018, the Compensation Committee recommended, and the Board approved, a discretionary award at 50% of the approved 2017 Program targets for each of the NEOs.

The Compensation Committee considered the following factors in recommending these discretionary awards:

- the Company's strong performance relative to its competitors in 2017;
- that the NEOs had not received equity awards under our long-term incentive program over the past three years, despite strong Company performance; and
- that the principle of rewarding and incentivizing superior performance is undermined by not delivering equity awards under our long-term incentive programs in years where the Company outperformed its competitors.

In addition to the above, on February 14, 2018, the Board approved a second grant of RSUs to the NEOs. The Board approved the awards because it believes that the total compensation of the NEOs is not appropriately aligned with the competitive market. On December 10, 2018, the Compensation Committee approved a grant of RSUs for Mr. Sandri. The Board approved the award because it believes that the total compensation of Mr. Sandri is not appropriately aligned with the competitive market based on public information from competitors. Mr. Lovette retired from his positions as CEO and President on March 22, 2019 and forfeited his right to all equity awards that were not vested as of that date.

Retirement, Health and Welfare Benefit Plans

401(k) Salary Deferral Plan. Our NEOs receive no special employee benefits. During 2018, our NEOs were eligible to participate on the same basis as other employees in the Company's 401(k) salary deferral plan (the "401(k) Plan"). Contributions to the 401(k) Plan are made up of a 30% matching contribution on the first 6% of pay to the extent such contributions are not in excess of the Code limits on contributions to 401(k) plans. Under the 401(k) Plan, the Company may make additional matching contributions or other profit sharing contributions at its discretion. There were no discretionary contributions in 2018. We do not have any other pension plan for our NEOs. In 2018, Mr. Sandri was the only NEO who participated in the 401(k) Plan.

Nonqualified Deferred Compensation. The Company sponsors the Pilgrim's Pride Corporation 2015 Deferred Compensation Plan (the "Deferred Compensation Plan") to help provide for the long-term financial security of our US employees who meet the Internal Revenue Service definition of a "highly compensated employee," which includes our NEOs and certain other key personnel. Under the Deferred Compensation Plan, participants may elect to defer up to 80% of their base salary and/or up to 80% of their annual cash bonus payment as part of their personal retirement or financial planning. Highly compensated employees who elect to defer compensation in the Deferred Compensation Plan must do so annually prior to the beginning of each calendar year and may direct the investment of the amount deferred and retained by us. The Deferred Compensation Plan is administered by the administrative committee appointed by our Board, and deferred compensation may be invested in authorized funds which are similar to the investment options available under our 401(k) Plan. Under the Deferred Compensation Plan, the Company may make additional matching contributions at its discretion and currently makes a matching contribution of up to 40% on the first 3% of pay. In 2018, Mr. Sandri was the only NEO who participated in the Deferred Compensation Plan.

Health and Welfare Benefit Plans. The Company also provides a variety of health and welfare benefit plans to all eligible employees to offer employees and their families protection against catastrophic loss and to encourage healthy lifestyles. The health and welfare programs include medical, wellness, pharmacy, dental, vision, life insurance and accidental death and disability. Our NEOs generally are eligible for the same benefit programs on the same basis as our other domestic employees.

Perquisites and Other Personal Benefits

The Company provides certain limited perquisites and other personal benefits that we believe to be reasonable and consistent with our overall compensation program to better enable us to attract and retain competent executives for key positions. The Compensation Committee considers all and periodically reviews the levels of perquisites and other personal benefits in establishing the total compensation of our executive officers. During 2018, our NEOs were eligible to receive company-paid or company-subsidized life insurance and disability coverage on the same basis as our other U.S. employees. The Compensation Committee considered these perquisites and other personal benefits as essential and consistent with market practice in order to induce each of Mr. Lovette and Mr. Sandri to remain with the Company.

Severance Plan

The Company maintains the Pilgrim's Pride Corporation Severance Plan (the "Severance Plan") which provides severance payments to eligible employees, including Mr. Sandri, if his employment was terminated "without cause". The Severance Plan does not cover termination due to death, disability or retirement, termination for cause or termination at the end of the leave of absence that exceeded the maximum permitted by the Company. Under the Severance Plan, in exchange for signing an enforceable waiver and release agreement, upon termination without cause, a NEO is entitled to receive as severance pay an amount equal to: one week per year of service with the Company, plus a minimum of 16 supplemental weeks (in addition to years of service amount), with a total maximum of 52 weeks of pay. In addition, if the Company provided less than two weeks notice of termination without cause, an executive officer would have been entitled to up to two additional weeks of severance in lieu of notice. Additional benefits available to eligible employees under the Severance Plan included career transition services as determined by the Company, including without limitation, written materials, company-sponsored training and job fairs.

Consistent with the Company's compensation policy, the terms of each NEO's compensation do not provide for any change-in-control or retirement arrangements other than the vesting of RSUs granted to them under the 2009 LTIP under certain circumstances in the case of a "change in control." For fiscal year 2018, our NEO who is eligible under the Severance Plan is Mr. Sandri. See the "2018 Potential Payments Upon Termination or Change-in-Control" table for additional information regarding the severance payable to Mr. Sandri.

Compensation to our Chief Executive Officer

Mr. Lovette's 2018 compensation was structured as follows:

- *2018 Employment Agreement:* On April 3, 2018, the Company entered into an Employment Agreement with Mr. Lovette (the "Employment Agreement") setting forth the principal terms of Mr. Lovette's employment as the Company's Chief Executive Officer and President. For more information, see below section "Compensation Discussion and Analysis - Compensation to our Chief Executive Officer - William W. Lovette Employment Agreement."

- *Base Salary and Annual Incentive Compensation:* Mr. Lovette is provided an annual base salary of $1,000,000 in a 52-week fiscal year and $1,038,462 in a 53-week fiscal year. The Board did not elect to increase Mr. Lovette's annual base salary in 2018. The Compensation Committee awarded Mr. Lovette a cash bonus of $250,000 for 2018 under the STIP.

- *Long-Term Incentive Compensation:* Mr. Lovette also participated in the 2018 Program, and received the opportunity for grants of RSU awards based on the achievement of the above performance conditions. Because Mr. Lovette retired from his positions as CEO and President as of March 22, 2019, Mr. Lovette did not receive any RSUs in connection with his 2018 Program award.

- *Perquisites and Other Personal Benefits:* Mr. Lovette is eligible to participate in all group benefits plans and programs the Company has established or may establish for its executive employees. For more information regarding perquisites, see "Compensation Discussion and Analysis - Components of Compensation - Perquisites and Other Personal Benefits."

- *Severance Payments:* For 2018, Mr. Lovette was eligible for severance under the terms of the Employment Agreement, as described below, and Mr. Lovette was not eligible to participate in the Severance Plan. Mr. Lovette retired from his positions of CEO and President on March 22, 2019. Consequently, the Employment Agreement has terminated. In connection with his retirement, the Company and Mr. Lovette entered into a Transition and Separation Agreement, as described below.

William W. Lovette Employment Agreement

On March 22, 2019, Mr. Lovette retired from his positions as CEO and President. Mr. Lovette will remain employed with the Company as a senior advisor to the Board of Directors and will no longer serve as an executive officer. During fiscal year 2018, Mr. Lovette's Employment Agreement set forth Mr. Lovette's principal terms of employment, but the Employment Agreement has since been terminated in connection with Mr. Lovette's retirement. The Employment Agreement set Mr. Lovette's base salary at $1,000,000 per year. Under the Employment Agreement, Mr. Lovette was entitled to receive a retention bonus of $15,000,000, payable in cash, common stock of the Company or a combination thereof, in the discretion of the Board, in two equal installments on each of July 31, 2019 and July 31, 2020, subject to Mr. Lovette's continued employment with the Company and compliance with certain covenants. In addition, for each full year during the term of employment, Mr. Lovette was eligible to earn an annual cash bonus under the STIP based on achievement of performance goals specified by the Compensation Committee. Mr. Lovette was also eligible to participate in the 2009 LTIP and was eligible for future awards of stock options, restricted shares and stock units as determined by the Compensation Committee. Additionally, Mr. Lovette was eligible to participate in the Company's other benefit plans that are generally available to the Company's senior officers.

The Employment Agreement further provided that Mr. Lovette was an employee-at-will, meaning that his employment would have continued unless terminated in accordance with the terms of the Employment Agreement. The Employment Agreement provided that if Mr. Lovette's employment ended for any reason, he (or, in the event of his death, his estate) would have been entitled to receive, to the extent not previously paid, his base salary through the date of termination and any accrued and unpaid vested benefits, among other items described in the Employment Agreement. The Employment Agreement also provided that if Mr. Lovette's employment was terminated by the Company other than for "Cause," he would have been entitled to receive his base salary for a period of two years following such termination, commencing 60 days following the date of such termination and in regular payroll installments thereafter. The Employment Agreement also included a noncompetition agreement under which Mr. Lovette was prohibited from seeking or obtaining employment with a competitor of the Company engaged in poultry production within a two-year period following termination of his employment. See the "2018 Potential Payments Upon Termination or Change-in-Control" table for additional information regarding the severance payable to Mr. Lovette.

The Compensation Committee believes the severance provisions that were set forth in the Employment Agreement were a competitive compensation element in the current executive labor market and were necessary because the Employment Agreement did not provide for any retirement benefits for Mr. Lovette following his termination with the Company. As noted above, the Employment Agreement limited the potential severance payable to our Chief Executive Officer over the term of the Employment Agreement for the termination events described in the preceding paragraph.

William W. Lovette Transition and Separation Agreement

In connection with Mr. Lovette's new role as senior advisor, the Company and Mr. Lovette entered into a Transition Employment and Separation Agreement (the "Transition and Separation Agreement") setting forth principal terms for Mr. Lovette to resign his role as CEO and President effective March 22, 2019 (the "Transition Date") and transition to a senior advisor. Mr. Lovette's advisory role will include general support as is reasonably requested by the Board of Directors. Mr. Lovette will have no ability or authority to bind the Company in any capacity.

Under the Transition and Separation Agreement, Mr. Lovette is an "employee-at-will" of the Company and may resign or be terminated at any time for any reason or for no stated reason. Mr. Lovette's employment with the company will terminate on July 31, 2020 (the "Separation Date") unless it is otherwise earlier terminated by death, disability, resignation or notice of termination by the Company. Mr. Lovette is entitled to receive cash compensation in the amount of $15,000,000 (the "Compensation Bonus"), payable as follows (1) $25,000 on the first payroll date of each full month during the term of the Transition and Separation Agreement and (2) in two equal installments of $7,300,000 on each of July 31, 2019 and July 31, 2020. The payments are subject to Mr. Lovette's continued employment through the Separation Date with the Company and compliance with certain restrictive covenants. Mr. Lovette has forfeited his right to all cash and equity awards from the Company that were not vested as of the Transition Date. Mr. Lovette is also subject to confidentiality, non-disparagement, non-competition, non-solicitation and non-recruitment covenants under the Transition and Separation Agreement.

If Mr. Lovette's employment ends without cause, he will be entitled to receive severance payments including (1) a lump sum payment in the amount of any unpaid Compensation Bonus and (2) payments totaling $1,000,000 annually in regular payroll installments for a two year period following the Separation Date with payment commencing 60 days following the date of termination.

Compensation to our new Chief Executive Officer

On March 22, 2019, Jayson Penn was appointed as the Chief Executive Officer and President of the Company. The terms of Mr. Penn's employment relating to his compensation in his new roles with the Company have not yet been determined. Prior to his appointment, Mr. Penn was previously employed with the Company in the role of President of Pilgrim's USA. Mr. Penn is currently provided an annual base salary of $700,000 in a 52-week fiscal year and $713,462 in a 53-week fiscal year and was eligible to earn an annual cash bonus pursuant to the STIP and a long term equity incentive award pursuant to the 2009 LTIP. Additionally, Mr. Penn is eligible to participate in the Company's other benefit plans that are generally available to the Company's senior officers.

Tax Considerations

Section 162(m) of the Code imposes limitations on the deductibility for federal income tax purposes of compensation over $1,000,000 paid in a taxable year to our executive officers who are covered by Section 162(m), including each of our NEOs. For taxable years of the Company beginning prior to December 30, 2018, compensation above $1,000,000 payable to covered executive officers may only be deducted if it met the requirements of "performance-based compensation" within the meaning of the Code. However, the exemption from Section 162(m)'s deduction limit for qualified performance-based compensation has been repealed, effective for taxable years beginning after December 31, 2017. The repeal means that compensation paid to our covered executive officers in excess of $1 million will not be deductible even if it was intended to constitute qualified performance-based compensation unless it qualifies for transition relief applicable to certain arrangements in place as of November 2, 2017. Historically, amounts payable under the STIP and 2009 LTIP could be structured to meet the requirements of performance-based compensation under Section 162(m). However, the Company has not adopted a policy requiring all compensation to be deductible. In addition, we cannot guarantee that any of our outstanding compensation arrangements that were intended to constitute qualified performance-based compensation under Section 162(m) would qualify for the transition relief, and therefore, be deductible. For 2018, certain compensation to Mr. Lovette (including his bonus) did not qualify as performance-based compensation and was not deductible. The Compensation Committee retains the ability to evaluate the performance of our executive officers and to pay appropriate compensation, even if some or all of it may be non-deductible.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2018, the members of the Compensation Committee were Michael L. Cooper, Gilberto Tomazoni, and Andre Nogueira de Souza. No member of the Committee was, during 2018, an officer, former officer or employee of the Company or any of our subsidiaries. We did not have any compensation committee interlocks in 2018. See "Related Party Transactions - Certain Transactions" for additional information on the Company's transactions with JBS.

EXECUTIVE COMPENSATION

Summary Compensation Table

The table below summarizes compensation paid to or earned by our NEOs for 2018, 2017, and 2016, who were serving at December 30, 2018.

Name and Principal Position	Year	Salary [(b)] ($)	Bonus ($)	Stock Awards [(c)] ($)	Non-Equity Incentive Plan Compensation [(d)] ($)	All Other Compensation [(e)] ($)	Total ($)
William W. Lovette[(a)]	2018	1,000,000	—	6,079,253	250,000	75,843	7,405,096
Chief Executive Officer and President	2017	1,000,000	—	—	2,897,000	4,065	3,901,065
	2016	1,000,000	—	—	1,500,000	475,725	2,975,725
Fabio Sandri	2018	475,654	—	3,978,477	113,424	20,901	4,588,456
Chief Financial Officer	2017	421,923	—	—	983,946	15,712	1,421,581
	2016	407,500	—	—	590,212	205,534	1,203,246

(a) Mr. Lovette retired from his positions of CEO and President effective March 22, 2019.

(b) Mr. Lovette is provided an annual base salary of $1,000,000 in a 52-week fiscal year and $1,038,462 in a 53-week fiscal year. Mr. Sandri is provided an annual base salary of $475,000 in a 52-week fiscal year and $484,135 in a 53-week fiscal year. For fiscal year 2018, the Board did not elect to increase Mr. Lovette's annual base salary, but did approve an increase to Mr. Sandri's annual base salary from $415,000 to $475,000. On December 10, 2018, the Compensation Committee approved an increase to Mr. Sandri's base salary to $492,000, effective immediately.

(c) This amount represents the fiscal year 2018 discretionary awards of 238,236 RSUs and 190,194 RSUs for Mr. Lovette and Mr. Sandri, respectively. In February 2018, the Compensation Committee recommended, and the Board approved, a discretionary award resulting in the grant of 38,236 RSUs and 10,194 RSUs to Mr. Lovette and Mr. Sandri, respectively. The fair value of the Company's stock at the grant date was $25.14 per share. In February 2018, the Compensation Committee recommended, and the Board approved, an additional discretionary award for each NEO resulting in the grant of 200,000 RSUs and 80,000 RSUs to Mr. Lovette and Mr. Sandri, respectively. The fair value of the Company's stock at the grant date was $25.59 per share. In December 2018, the Compensation Committee recommended and the Board approved a grant of 100,000 RSUs to Mr. Sandri to align his compensation with the competitive market. The fair value of the Company's stock at the grant date was $16.75 per share. In February 2018, Mr. Lovette and Mr. Sandri were granted performance-based awards under the 2018 Program that would be settled for RSUs if the awards were earned. At the date of receipt of the grants, the outcome of achieving the performance conditions was deemed improbable. Had the awards been earned at the maximum level, they would have been valued at $1,754,348 and $555,559 for Mr. Lovette and Mr. Sandri, respectively, based on the closing price of the Company's common stock at $25.59 per share. The performance conditions pertaining to the 2018 Program awards were partially achieved and a grant will be awarded at 65% of the approved 2018 Program targets which would result in a grant of 9,408 RSUs to Mr. Sandri. Because Mr. Lovette retired from his positions as CEO and President on March 22, 2019, he forfeited his right to all equity awards that were not vested as of that date, including his award under the 2018 Program. For more information regarding the 2018 Program awards, see "Compensation Discussion and Analysis - Components of Compensation - Long-Term Incentive Compensation."

(d) The amounts received by Mr. Lovette and Mr. Sandri for 2018 reflect cash bonuses received pursuant to the STIP. See "Compensation Discussion and Analysis - Components of Compensation - Annual Cash Incentive Compensation" for a discussion of the performance metrics related to these STIP awards.

(e) The "All Other Compensation" column includes the following items of compensation:

Name	Year	Group-term life insurance ($)	Long-term disability premium ($)	Company 401 (k) Match (2) ($)	Deferred Compensation Plan Contributions (2) ($)	Allowances (3) ($)	Use of Aircraft (4) ($)	Special Cash Dividend ($)	Total ($)
William W. Lovette[(1)]	2018	2,322	543	—	—	1,200	71,778	—	75,843
	2017	2,322	543	—	—	1,200	—	—	4,065
	2016	2,322	543	—	—	1,200	—	471,660	475,725
Fabio Sandri	2018	765	371	1,650	17,515	600	—	—	20,901
	2017	669	—	2,297	12,146	600	—	—	15,712
	2016	644	—	1,908	19,518	600	—	182,864	205,534

(1) Mr. Lovette retired from his positions of CEO and President effective as of March 22, 2019.

(2) Mr. Lovette did not contribute to these plans in 2018, 2017, and 2016.

(3) The Company provides a cell phone stipend to employees to cover business use on personal cell phones.

(4) The Company provided Mr. Lovette personal use of Company-owned aircraft.

2018 Grants of Plan-Based Awards Table

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards[b] Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards[c] Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units[d] (#)	Grant Date Fair Value of Stock and Option Awards ($)
William W. Lovette[a]	12/11/2017	250,000	1,000,000	10,000,000	—	—	—	—	—
	02/13/2018	—	—	—	—	—	—	38,236	961,253
	02/14/2018	—	—	—	—	—	—	200,000	5,118,000
	02/14/2018	—	—	—	22,852	45,704	68,556	—	—
Fabio Sandri	12/11/2017	118,750	475,000	950,000	—	—	—	—	—
	02/13/2018	—	—	—	—	—	—	10,194	256,277
	02/14/2018	—	—	—	—	—	—	80,000	2,047,200
	02/14/2018	—	—	—	7,237	14,473	21,710	—	—
	12/10/2018	—	—	—	—	—	—	100,000	1,675,000

(a) Mr. Lovette retired from his positions of CEO and President effective as of March 22, 2019.

(b) The amounts reported in these columns reflect the threshold, target and maximum amounts available under the STIP. For each of Mr. Lovette and Mr. Sandri, threshold, target and maximum amounts under the STIP were determined by the Compensation Committee in December 2017.

(c) In February 2018, Mr. Lovette and Mr. Sandri were granted performance-based awards under the 2018 Program that would be settled for RSUs if the awards were earned. At the date of receipt of the grants, the outcome of achieving the performance conditions was deemed improbable. Had the awards been earned at the maximum level, they would have been valued at $1,754,348 and $555,559 for Mr. Lovette and Mr. Sandri, respectively, based on the closing price of the Company's common stock at $25.59. The performance conditions pertaining to the 2018 Program awards were partially achieved and a grant will be awarded at 65% of the approved 2018 Program targets which would result in a grant of 9,408 RSUs to Mr. Sandri. Mr. Lovette retired from his positions as CEO and President on March 22, 2019 and forfeited his right to all equity awards that were not vested as of that date. For more information regarding the 2018 Program awards, see "Compensation Discussion and Analysis - Components of Compensation - Long-Term Incentive Compensation."

(d) The amounts reported in these columns reflect certain discretionary grants awarded to Mr. Lovette and Mr. Sandri. For more information, see "Compensation Discussion and Analysis - Components of Compensation - Annual Cash Incentive Compensation."

2018 Outstanding Equity Awards at Fiscal Year-End

Name	Stock Awards: Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
William W. Lovette	—	—	238,236[a]	3,714,099
Fabio Sandri	—	—	190,194[b]	2,965,124

(a) Mr. Lovette retired from his positions of CEO and President effective as of March 22, 2019. The amounts presented in the table represent Mr. Lovette's outstanding equity awards as of December 30, 2018. However, Mr. Lovette has forfeited his right to all equity awards that were not vested as of the date of his retirement, including the unvested RSUs described below. Mr. Lovette received a discretionary grant of 38,236 RSUs on February 13, 2018. One-third of the RSUs vested on February 13, 2019 and the remaining RSUs were scheduled to vest ratably in two equal installments on February 13, 2020 and February 13, 2021. Mr. Lovette also received a discretionary grant of 200,000 RSUs on February 14, 2018, which vested on January 1, 2019.

(b) Mr. Sandri received a discretionary grant of 10,194 RSUs on February 13, 2018. One-third of the RSUs vested on February 13, 2019 and the remaining RSUs are scheduled to vest ratably in two equal installments on February 13, 2020 and February 13, 2021. Mr. Sandri also received a discretionary grant of 80,000 RSUs on February 14, 2018, which vested on January 1, 2019. Mr. Sandri also received a discretionary grant of 100,000 RSUs on December 10, 2018, which are scheduled to vest on July 1, 2019.

Lovette Employment Terms

In 2018, Mr. Lovette, our Company's former Chief Executive Officer and President, received an annual base salary of $1,000,000 and was eligible for severance under the terms of his Employment Agreement. Mr. Lovette was eligible to earn an annual cash bonus under the STIP with a bonus target of 100% of his annual base salary and was also eligible to receive a long term equity incentive award under the 2018 Program. During 2018, the Board approved discretionary awards to Mr. Lovette totaling 238,236 RSUs. Additionally, Mr. Lovette was eligible to participate in the Company's other benefit plans (other than the Severance Plan) that are generally available to the Company's senior officers. On March 22, 2019, Mr. Lovette retired from his positions of CEO and President. Consequently, the Employment Agreement has terminated. In connection with his retirement, the Company and Mr. Lovette entered into a Transition and Separation Agreement. For more information regarding the terms of the Transition and Separation Agreement, see "Compensation Discussion and Analysis - Compensation to our Chief Executive Officer - William W. Lovette Transition and Separation Agreement."

Sandri Employment Terms

In 2018, Mr. Sandri, our Company's Chief Financial Officer, was provided an annual base salary of $475,000, and he was eligible to earn an annual cash bonus under the STIP with a bonus target equal to 100% of his annual base salary. Mr. Sandri does not have a written employment agreement with the Company. Mr. Sandri was also eligible to receive a long term equity incentive award under the 2018 Program. During 2018, the Board approved discretionary awards to Mr. Sandri totaling 190,194 RSUs. Additionally, Mr. Sandri is eligible to participate in the Company's other benefit plans that are generally available to the Company's senior officers. For more information regarding compensation to Mr. Sandri during fiscal year 2018, see "Compensation Discussion and Analysis - Components of Compensation."

2018 Nonqualified Deferred Compensation

The following table sets forth information regarding the deferral of components of our NEOs' compensation on a basis that is not tax-qualified for the fiscal year ended December 30, 2018:

Name	Executive Contributions in Last Fiscal Year[b] ($)	Registrant Contributions in Last Fiscal Year[c] ($)	Aggregate Earnings (Loss) in Last Fiscal Year[d] ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last Fiscal Year End[e] ($)
William W. Lovette[a]	—	—	—	—	—
Fabio Sandri	43,788	17,515	(15,412)	(92,616)	114,591

(a) Mr. Lovette retired from his positions of CEO and President effective as of March 22, 2019.
(b) Amounts in this column for the Deferred Compensation Plan represent salary deferrals pursuant to the Deferred Compensation Plan and are included in the "Salary" amounts in the Summary Compensation Table above.
(c) Amounts in this column for the Deferred Compensation Plan represent company-matching awards pursuant to the Deferred Compensation Plan and are included in the "All Other Compensation" amounts in the Summary Compensation Table above.
(d) There were no above-market or preferential earnings with respect to any deferred compensation balances.
(e) The Company provides matching Deferred Compensation Plan contributions. Mr. Sandri received $17,515, $12,146 and $19,518 in matching contributions in 2018, 2017, and 2016, respectively, and as a result, these sums were included as compensation in the Summary Compensation Table in previous years for the year earned, as applicable.

2018 Potential Payments Upon Termination or Change-in-Control

The information below describes certain compensation that would be paid to William W. Lovette and Fabio Sandri, in the event of a termination of their respective employment with the Company or under certain circumstances in the event of a change in control of the Company. Neither NEO would receive any payments or benefits upon termination for cause. The Company also has no arrangements under which the NEOs would receive any payments or benefits upon a change in control of the Company other than immediate vesting under certain circumstances of RSUs granted to Mr. Lovette and Mr. Sandri under the 2009 LTIP. Mr. Lovette retired from his positions as CEO and President effective March 22, 2019 and he is entitled to receive a compensation bonus of $15,000,000, payable as follows (1) $25,000 on the first payroll date of each full month during the term of the Transition and Separation Agreement and (2) in two equal installments of $7,300,000 on each of July 31, 2019 and July 31, 2020, subject to Mr. Lovette's continued employment with the Company and compliance with certain covenants. If Mr. Lovette's employment ends without cause, he will be entitled to receive severance payments including (1) a lump sum payment in the amount of any unpaid Compensation Bonus and (2) payments totaling $1,000,000 annually in regular payroll installments for a two year period following the Separation Date with payment commencing 60 days following the date of termination. For additional terms of Mr. Lovette's Transition and Separation Agreement see "Compensation

Discussion and Analysis - William W. Lovette Transition and Separation Agreement". The amounts shown in the table below assume that such a termination of employment occurred on December 30, 2018.

Named Executive Officer / Element of Compensation	Termination due to Death or Disability ($)	Termination Other than for Cause, Death or Disability ($)	Change-in-Control ($)
William W. Lovette[(a)]			
Severance payment[(b)]	—	2,000,000	—
Self-insured payments[(c)(d)]	346,154	—	—
Immediate vesting of RSUs[(e)]	—	—	3,714,099
Total for Mr. Lovette	346,154	2,000,000	3,714,099
Fabio Sandri			
Severance payment [(f)]	—	210,096	—
Self-insured payments[(c)(d)]	170,313	—	—
Immediate vesting of RSUs[(e)]	—	—	2,965,124
Total for Mr. Sandri	170,313	210,096	2,965,124

(a) Mr. Lovette retired from his positions as CEO and President effective as of March 22, 2019.

(b) Calculated pursuant to the specific severance payments under our Employment Agreement with Mr. Lovette. However, Mr. Lovette retired on March 22, 2019, and consequently the Employment Agreement was terminated. The only payments Mr. Lovette will receive are the amounts described above under the Transition and Separation Agreement.

(c) Amounts in the table reflect lump-sum payments to be made by the Company. For termination due to death, Mr. Lovette's and Mr. Sandri's estates would also receive $500,000 and $492,000, respectively, from third-party insurers.

(d) Mr. Lovette and Mr. Sandri would also receive approximately $15,000 per month in long-term disability payments from third-party insurers.

(e) At December 30, 2018 Mr. Lovette and Mr. Sandri held 238,236 and 190,194 unvested RSUs, which were granted under the 2009 LTIP. The shares subject to the RSUs will vest immediately if a "change-in-control" occurs and the restricted stock is note converted, assumed or on the date of the event was equal to the closing price of the Company's common stock on the last trading day of the fiscal year ended December 30, 2018 ($15.59). Mr. Lovette retired from his positions as CEO and President on March 22, 2019 and forfeited his right to all equity awards that were not vested as of that date.

(f) Calculated pursuant to the Severance Plan, as described in the Compensation and Discussion Analysis.

CEO Pay Ratio for Fiscal Year 2018

Pay Ratio

Our CEO to median employee pay ratio has been calculated in accordance with the recently adopted rules under the Dodd-Frank Wall Street Reform and Consumer Protection Act and is calculated in a manner consistent with Item 402(u) of Regulation S-K. For purposes of this CEO Pay Ratio Disclosure, we calculated Mr. Lovette's annual total compensation for 2018, as shown in the Summary Compensation Table above, was $7,405,096. The median Pilgrim's Pride employee's annual total compensation in 2018 (excluding Mr. Lovette's compensation) was $36,150, calculated using the same methodology as used in the calculation of the Summary Compensation Table, consisting of base salary, bonus, stock awards, non-equity incentive plan compensation and nonqualified deferred compensation earnings, and all other compensation. As a result, the ratio of Mr. Lovette's annual total compensation in 2018 to the median annual total compensation of all Pilgrim's Pride employees (excluding Mr. Lovette) in 2018 was 204.8:1, when calculated in a manner consistent with Item 402(u) of Regulation S-K.

Identification of Median Employee

For purposes of determining the median Pilgrim's Pride employee, we evaluated all employees, other than Mr. Lovette, employed by Pilgrim's Pride as of December 31, 2017 and calculated each such employee's total compensation as of December 31, 2017. Total cash compensation consists of annual base pay, annual wages (not including overtime), and target incentive compensation and bonuses at 100% of bonus opportunity. We did not make any material assumptions, adjustments, or estimates with respect to total cash compensation. The total compensation of each employee other than Mr. Lovette was then ranked lowest to highest to determine the median employee in 2017. We believe there has been no change in our employee population or employee compensation arrangements that would significantly impact the pay ratio disclosure and have not recalculated the median employee in 2018. We have used a median employee with compensation substantially similar to that of the median employee as calculated in 2017.

Annual Total Compensation

After identifying the median employee based on total cash compensation, as described above, we calculated annual total compensation for such employee using the same methodology we use for our NEOs as set forth in the Summary Compensation Table above.

2018 DIRECTOR COMPENSATION TABLE

Under the Company's current compensation program for Directors (the "Program"), Directors who are employed by the Company or any of its subsidiaries will not receive any additional compensation for their services as Directors. The Program provides that each non-employee Director will receive an annual cash retainer of $140,000, paid quarterly in arrears. Each non-employee Director will receive an RSU award with a value of $60,000 annually, calculated using a stock price to be determined as of the date of the Company's annual meeting of stockholders which will vest upon termination of service with the Board of Directors. The Chairmen of the Audit Committee and Compensation Committee will also receive a $15,000 annual cash retainer, and other members of those committees will also receive a $10,000 annual cash retainer per year.

The following table sets forth certain information with respect to our Director compensation for the fiscal year ended December 30, 2018. Compensation information for Mr. Lovette is set forth above under "Executive Compensation - Summary Compensation Table." Gilberto Tomazoni, Andre Nogueira de Souza, Denilson Molina and William W. Lovette did not receive any compensation solely for service as Directors.

Director	Fees Earned or Paid in Cash	Stock Awards[b] ($)	All Other Compensation	Total
David E. Bell[a]	$ 140,000	$ 60,000	$ —	$ 200,000
Michael L. Cooper	165,000	60,000	—	225,000
Charles Macaluso	150,000	60,000	—	210,000
Wallim Cruz De Vasconcellos Junior	150,000	60,000	—	210,000

(a) Dr. Bell will cease to be a Director effective as of the Annual Meeting.

(b) In May 2018 non-employee Directors were each granted 2,786 RSUs based on a share price of $21.54 on the grant date.

COMPENSATION RISKS

The Company has reviewed and assessed our compensation policies and practices to determine whether they are reasonably likely to have a material adverse effect on the Company. The Company's management reviews compensation policies for the presence of certain elements that could encourage employees to take unnecessary or excessive risks; the ratios and level of incentive to fixed compensation, annual to long-term compensation and cash to equity compensation; and the comparison of compensation expense to earnings of the Company. Management's assessment of the Company's compensation policies is reviewed by the Compensation Committee as part of its risk oversight function.

The Company believes that its compensation programs for employees and executive officers are appropriately tailored to encourage employees to grow our business, but not to encourage them to do so in a way that poses unnecessary or excessive material risk. In particular, in 2018, the Company's compensation programs were designed to provide the following:

- elements that balance short-term and long-term compensation;
- for our executive officers, incentive compensation that rewards performance-based on Company performance; and
- compensation with fixed and variable components.

As a result, the Company believes that executive officers and key employees receive a balance between competitive remuneration to encourage retention and compensation designed to provide opportunities to earn more by successfully executing our business strategy. The Company believes the design of these programs encourages our executive officers and key employees to perform at high levels and maximize Company performance without focusing exclusively on compensation performance metrics to the detriment of other important business metrics.

The Company also believes that its compensation program does not encourage excessive risk taking because the above compensation elements coupled with equity ownership in the Company provide a proper mix between long and short-term incentives. A significant portion of the NEOs' total compensation is performance-based and tied to the profitability of the Company. Specifically, in 2018, each of Mr. Lovette and Mr. Sandri were eligible to receive an annual cash bonus payable based on the Company's PBT Margin. Additionally, Mr. Lovette and Mr. Sandri each has been granted equity awards and currently owns a level of equity that the Company believes provides sufficient long-term incentives. The Company believes that the NEOs' beneficial ownership of Pilgrim's Pride common stock, which encourages long-term focus on sustainable performance, aligns their interests with those of our stockholders. For 2018, approximately 68.5% and 64.0% of the total target compensation of our CEO and our CFO, respectively, was "at risk," or dependent upon both the Company's and the individual's performance.

Overall, the Company concluded that there were no risks arising from our compensation policies and practices that are reasonably likely to have a material adverse effect on the Company.

RELATED PARTY TRANSACTIONS

Related Party Transactions Policy

During 2018, in accordance with its Charter, our Audit Committee was responsible for reviewing and approving the terms and conditions of all proposed transactions between us and any of our officers or Directors, or relatives or affiliates of any such officers or Directors. Furthermore, our Certificate of Incorporation provides that all transactions required to be disclosed under Item 404 of Regulation S-K under the Exchange Act ("related party transactions") must first be reviewed, evaluated and approved by the Audit Committee or other committee comprised solely of independent directors, such approval to be evidenced by a resolution stating that such committee has, in good faith, unanimously determined that such transaction complies with the provisions of our Certificate of Incorporation governing related party transactions. Any Audit Committee or other independent body member who was or is not independent with respect to a related party transaction under review has been required by our Audit Committee Charter to disclose his or her lack of independence to the remaining committee members and abstain from the review and approval of that transaction.

Certain Transactions

During 2018, we were a party to certain transactions with our current Directors and executive officers. These transactions, along with all other related party transactions, received the approval of the current Audit Committee or, in the case of transactions entered into prior to our emergence from bankruptcy, the Audit Committee in existence at that time. Company management analyzed the terms of all contracts entered into with related parties and believed that they were substantially similar to, and contained terms not less favorable to us than, those obtainable from unaffiliated parties.

On January 19, 2010, we entered into an agreement with JBS USA Food Company ("JBS USA"), a subsidiary of JBS, in order to allocate costs associated with the procurement of SAP licenses and maintenance services by JBS USA for both JBS USA and the Company. Under this agreement, the fees associated with procuring SAP licenses and maintenance services are allocated between the Company and JBS USA in proportion to the percentage of licenses used by each company. The agreement expires on the date of expiration, or earlier termination, of each underlying SAP license agreement.

On May 5, 2010, we also entered into an agreement with JBS USA in order to allocate the costs of supporting the business operations by one consolidated corporate team, which had historically been supported by their respective corporate teams. Expenditures paid by JBS USA on behalf of the Company will be reimbursed by the Company, and expenditures paid by the Company on behalf of JBS USA will be reimbursed by JBS USA. This agreement expires on December 31, 2019. During 2018, JBS USA incurred approximately $62.2 million in expenditures paid on our behalf, including the procurement and maintenance of SAP licenses. During 2018, we incurred approximately $9.2 million in expenditures paid on behalf of JBS USA.

We routinely enter transactions to purchase products from JBS USA and to sell our products to them. During 2018, our purchases from JBS USA totaled $117.6 million and our sales to JBS USA totaled $13.8 million. In 2018, the Company also purchased products from Seara Meats B.V. and JBS Toledo, subsidiaries of JBS, in the amounts of $36.2 million and $0.4 million, respectively. In the same year, the Company also sold products to JBS Five Rivers;

Combo, Mercado de Congelados; and JBS Chile Ltda., in the amounts of $7.1 million, $0.2 million, and $60 thousand, respectively.

The Company entered into a tax sharing agreement during 2014 with JBS USA Holdings effective for tax years starting 2010. A net tax payable due to JBS USA Holdings in the amount of $0.5 million for tax year 2018 was accrued in 2018 and paid in 2019.

William D. Lovette is the son of the Company's former CEO and President and is employed as the Company's Head of Operations, Case Ready East. During fiscal year 2018, his annual cash compensation was $547,205. During fiscal year 2017, his annual cash compensation was $341,232. During fiscal year 2016, his annual cash compensation was $497,939. He was also granted awards under the Company's long term incentive programs in 2016, 2017 and 2018. The RSUs awarded in 2016 and 2017 were not earned and consequently were forfeited. In 2018, the Compensation Committee recommended, and the Board approved, a discretionary award at 50% of the approved 2017 Program, resulting in a grant of 1,912 RSUs. The performance conditions pertaining to the 2018 Program award were partially achieved and a grant will be awarded at 65% of the approved 2018 Program targets, which would result in a grant of 1,485 RSUs. The shares covered by the RSUs will vest ratably over three years in equal installments on the first, second and third anniversaries of each date of grant.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEE INFORMATION

Audit Fees

Fees for audit services totaled $3,175,201 in 2018, $3,267,186 in 2017 and $1,608,398 in 2016. Fees were incurred for the annual audit, the audit of internal controls over financial reporting (i.e., the Sarbanes-Oxley 404 Audit), the reviews of our quarterly reports on Form 10-Q, statutory audits required in Mexico and the U.K. and Europe, comfort letters and review of registration statements and accounting consultations.

Audit-Related Fees

We incurred audit-related services fees of $51,885 in 2018 and none for 2017 or 2016. Audit-related services principally include other attestation services such as agreed-upon procedures required for compliance with contracts or other statutes.

Tax Fees

Fees for tax services totaled $59,744 in 2018, $24,975 in 2017 and $38,000 in 2016. Tax-related services principally included tax advice and return preparation related to our Mexico subsidiaries in 2018, 2017 and 2016 and U.K. and Europe subsidiaries in 2018 and 2017.

All Other Fees

We incurred no fees for other services not included above during either 2018, 2017 or 2016.

The Audit Committee pre-approved all audit and non-audit fees of the independent registered public accounting firm during 2018, 2017 and 2016.

Pre-Approval Policies and Procedures

In accordance with its Charter, our Audit Committee has established policies and procedures by which it approves in advance any audit and permissible non-audit services to be provided by our independent registered public accounting firm. Under these procedures, prior to the engagement of the independent registered public accounting firm for pre-approved services, requests or applications for the independent registered public accounting firm to provide services must be submitted to our Chief Financial Officer, or his designee, and the Audit Committee and must include a detailed description of the services to be rendered. The Chief Financial Officer, or his designee, and the independent registered public accounting firm must ensure that the independent registered public accounting firm is not engaged to perform the proposed services unless those services are within the list of services that have received the Audit Committee's pre-approval and must cause the Audit Committee to be informed in a timely manner of all services rendered by the independent registered public accounting firm and the related fees.

Requests or applications for the independent registered public accounting firm to provide services that require additions or revisions to the 2018 pre-approval will be submitted to the Audit Committee (or any Audit Committee members who have been delegated pre-approval authority) by the Chief Financial Officer or his designee. Each request or application must include:

- a recommendation by the Chief Financial Officer (or designee) as to whether the Audit Committee should approve the request or application; and
- a joint statement of the Chief Financial Officer (or designee) and the independent registered public accounting firm as to whether, in their view, the request or application is consistent with the SEC's regulations and the requirements for auditor independence of the Public Company Accounting Oversight Board.

The Audit Committee also will not permit the engagement to provide any services to the extent that the SEC has prohibited the provision of those services by independent registered public accounting firms.

The Audit Committee delegated authority to the Chairman of the Audit Committee to:

- pre-approve any services proposed to be provided by the independent registered public accounting firm and not already pre-approved or prohibited by this policy up to $25,000;
- increase any authorized fee limit for pre-approved services (but not by more than 30% of the initial amount that was pre-approved) before we or our subsidiaries engage the independent registered public accounting firm to perform services for any amount in excess of the fee limit; and
- investigate further the scope, necessity or advisability of any services as to which pre-approval is sought.

The Chairman of the Audit Committee is required to report any pre-approval or fee increase decisions to the Audit Committee at the next committee meeting.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee assists the Board in fulfilling its responsibilities for general oversight of the integrity of the Company's financial statements, our compliance with legal and regulatory requirements, the independent registered public accounting firm's qualifications and independence, the performance of our internal audit function and the independent registered public accounting firm, risk assessment and risk management. The Audit Committee manages the Company's relationship with its independent registered public accounting firm (who reports directly to the Audit Committee). The Audit Committee has the authority to obtain advice and assistance from outside legal, accounting or other advisors as the Audit Committee deems necessary to carry out its duties and to receive appropriate funding, as determined by the Audit Committee, from the Company for such advice and assistance.

The Company's management has primary responsibility for preparing our financial statements and for our financial reporting process. Our independent registered public accounting firm is responsible for expressing an opinion on the conformity of the Company's audited financial statements with accounting principles generally accepted in the United States.

In this context, the Audit Committee hereby reports as follows:

1. The Audit Committee has reviewed and discussed the audited financial statements with the Company's management.

2. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Accounting Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU Section 380) as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

3. The Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence and has discussed with the independent registered public accounting firm the independent registered public accounting firm's independence.

4. Based on the review and discussions set forth above, the Audit Committee recommended to the Board that the audited financial statements be included in the Company's annual report on Form 10-K for the year ended December 30, 2018 that was filed with the SEC and that accompanies this proxy statement.

The undersigned members of the Audit Committee have submitted this report to the Board of Directors.

<u>Audit Committee</u>
Michael L. Cooper, Chairman
Charles Macaluso
Wallim Cruz De Vasconcellos Junior

PROPOSAL 5. RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Our Board of Directors recommends the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 29, 2019. If the stockholders fail to ratify the appointment, the Audit Committee will reconsider its selection.

Representatives of KPMG LLP are expected to be present at the Annual Meeting and to be available to respond to appropriate questions. They will be given the opportunity to make a statement if they wish to do so.

Our Board of Directors recommends that you vote "FOR" the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 29, 2019. Proxies will be so voted unless stockholders specify otherwise.

Financial Statements Available

Our annual report on Form 10-K for the fiscal year ended December 30, 2018 is being mailed concurrently with this proxy statement. The annual report does not form any part of the material for the solicitation of proxies. Upon written request of a stockholder, the Company will furnish, without charge, a copy of our annual report. If you would like a copy of the annual report, please contact Pilgrim's Pride Corporation, at: 1770 Promontory Circle, Greeley, Colorado 80634 Attn: Investor Relations. In addition, financial reports and recent filings with the SEC are available on the internet at www.sec.gov. Company information is also available on the internet at www.pilgrims.com. Information contained on the website is not part of this proxy statement.

SECURITY OWNERSHIP

The following table sets forth, as of March 12, 2019, certain information with respect to the beneficial ownership of our common stock by (1) each person known by us to own more than 5% of the outstanding shares of our common stock (the only class of voting securities outstanding); (2) each of our Directors and Director nominees, including employee Directors; (3) our NEOs; and (4) all of our current Directors and executive officers as a group. Shares are beneficially owned when the person holding the shares has voting or investment power over the shares or the right to acquire voting or investment power within 60 days. Voting power is the power to vote the shares. Investment power is the power to direct the sale or other disposition of the shares.

Name and Beneficial Owner	Amount and Nature of Beneficial Ownership of Common Stock	Percent of Outstanding Common Stock	Percent of Voting Power
JBS USA Holding Lux S.à r.l.[(a)]	195,445,936	78.36%	78.36%
William W. Lovette[(b)]	492,228	*	*
Fabio Sandri	401,073	*	*
Michael L. Cooper	10,171	*	*
David E. Bell[(c)]	4,786	*	*
Charles Macaluso	2,786	*	*
Farha Aslam	—	*	*
Wallim Cruz De Vasconcellos Junior	2,786	*	*
Denilson Molina	—	*	*
Gilberto Tomazoni	—	*	*
Andre Nogueira de Souza	—	*	*
Vincent Trius	—	*	*
Arquimedes A. Celis	—	*	*
All executive officers and Directors as a group (9)[(a)]	196,359,766	78.73%	78.73%

* Less than 1%.

(a) JBS USA Holding Lux S.à r.l. (formerly known as JBS USA Holdings, Inc.) is a wholly owned, indirect subsidiary of JBS and indirectly beneficially owns 195,445,936 shares of our common stock. JBS is ultimately controlled by the Batista family members, which is comprised of José Batista Sobrinho, the founder of JBS, Wesley Mendonça Batista, Joesley Mendonça Batista and José Mendonça Batista Junior. The Batista family indirectly owns 100% of the issued and outstanding shares of J&F Investimentos S.A., a Brazilian corporation, which owns approximately 40.57% of the outstanding capital of JBS. Additionally, the Batista family controls Banco Original S.A. and Banco Original do Agronegócio S.A., Brazilian corporations which own 1.23% and 0.03% of the outstanding capital of JBS, respectively.

(b) Mr. Lovette retired from his positions of CEO and President effective as of March 22, 2019.

(c) Dr. Bell will cease to be a Director effective as of the Annual Meeting.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides certain information about our common stock that may be issued under our equity plans as of December 30, 2018.

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	—	—	4,145,922(a)
Equity compensation plans not approved by securities holders	—	—	—
Total	—	—	4,145,922

(a) Represents shares of our common stock that may be issued under the 2009 LTIP. As of December 30, 2018, the Company has granted an aggregate of 102,675 shares of restricted stock and 3,609,555 RSUs under the 2009 LTIP. As of December 30, 2018, no other awards have been issued under the 2009 LTIP. For additional information concerning terms of the 2009 LTIP, see "Compensation Discussion and Analysis - Components of Compensation - Long Term Incentive Compensation".

The Company maintains the 2009 LTIP, which is administered by the Compensation Committee. The 2009 LTIP will expire pursuant to its terms on December 28, 2019 and no awards will be granted under the 2009 LTIP after that date. The equity-based awards that may be granted under the 2009 LTIP include "incentive stock options," within the meaning of the Code, nonqualified stock options, stock appreciation rights, restricted stock awards, RSUs and other stock based awards. As of December 30, 2018, the maximum number of shares reserved for issuance under the 2009 LTIP was 4,145,922 shares and the maximum number of shares with respect to which awards of any and all types may be granted during a calendar year to any participant is limited, in the aggregate, to 5,000,000 shares. The maximum amount that may be paid in cash during any fiscal year with respect to any award (including any performance bonus award) is $10,000,000. Except as may otherwise be provided in any applicable award agreement or other written agreement entered into between the Company and a participant in the 2009 LTIP, if a "change in control" occurs and the participant's awards are not converted, assumed, or replaced by a successor entity, then immediately prior to the change in control the awards will become fully exercisable and all forfeiture restrictions on the awards will lapse. While we do not have a formal stock ownership requirement for our executive officers, we do maintain policies against hedging the economic interest in Company securities, engaging in speculative securities transactions, including short sales, and pledging Company securities.

Under the 2009 LTIP, a "change in control" generally includes (1) a direct or indirect sale or other disposition of the Company and its subsidiaries taken as a whole as an entirety or substantially as an entirety in one transaction or series of transactions, (2) the consummation of any transaction (including a merger) to which the Company is a party the result of which is that immediately after such transaction the stockholders of the Company immediately prior to such transaction hold less than 50.1% of the total voting power generally entitled to vote in the election of Directors of the person surviving such transaction, (3) any "person" or "group" becomes the ultimate "beneficial owner" (each as defined in Rule 13d-3 of the Exchange Act) of more than 50% of the total voting power generally entitled to vote in the election of Directors of the Company on a fully diluted basis, (4) subject to specified exceptions and qualifications, during any two consecutive years, individuals who at the beginning of such period constituted the members of the Board cease for any reason to constitute a majority of the members of the Board then in office, or (5) the adoption of a plan for the liquidation or dissolution of the Company.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's officers and Directors, and persons who own more than ten percent of our common stock, to file reports of ownership and changes in ownership with the SEC and the stock exchange in which our common stock is listed. Officers, Directors and persons who own more than ten percent of our common stock are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms, we believe that all applicable filing requirements applicable to our officers, Directors and persons who own more than ten percent of our common stock were complied with for the fiscal year ended December 30, 2018.

HOUSEHOLDING OF STOCKHOLDER MATERIALS

Some banks, brokers and other nominee record holders may be participating in the practice of "householding" proxy statements and annual reports. This means that only one copy of this proxy statement or annual report to stockholders may have been sent to multiple stockholders in the same household. We will promptly deliver a separate copy of either document to any stockholder who requests orally or by writing to our Investor Relations Department at the following address: 1770 Promontory Circle, Greeley, Colorado 80634 or by telephoning (970)506-8192. Any stockholder who currently is receiving multiple copies and would like to receive only one copy for his or her household should contact his or her bank, broker or other nominee record holder.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 1, 2019

This proxy statement and the Company's 2018 Annual Report are also available electronically on our hosted website. You may view these directly at: www.envisionreports.com/PPC.

To access and review the materials made available electronically:

1. Go to www.envisionreports.com/PPC.
2. Enter the 12-digit control number located on the proxy card.
3. Click "View Stockholder Material."

We encourage you to review all of the important information contained in the proxy materials before voting.

PROPOSAL 6. STOCKHOLDER PROPOSAL TO PROVIDE A REPORT REGARDING THE REDUCTION OF WATER POLLUTION

The Board of Directors recommends that the stockholders vote **AGAINST** the following Stockholder Proposal co-filed by Oblate International Pastoral Investment Trust, Friends Fiduciary, Adrian Dominican Sisters and Mercy Investment Services, Inc. (collectively, the "Co-filers"). The Company takes no responsibility for the accuracy of the Co-filers' statements.

RESOLVED: Shareholders of Pilgrim's Pride Corporation ("Pilgrim's") request a report on how the company is responding to increasing regulatory, public and competitive pressure to significantly reduce water pollution from the company's owned facilities; facilities under contract; and suppliers. This report should omit proprietary information, be prepared at reasonable cost, and be made available to shareholders by December 1, 2019.

Supporting statement:

Examples of topics the report could cover include whether the company has considered:

- a responsible manure management policy that prevents water pollution, including not locating new or expanded CAFOs in already-polluted watersheds;
- sustainable feed sourcing policy (e.g. from farms with practices that reduce water pollution and greenhouse gas emissions); or
- diversifying into plant based protein production systems.

Whereas:

Meat production is the leading source of water pollution in the U.S., exposing 7 million Americans to nitrates in drinking water.[1]

Pilgrim's is exposed to the risk of unaddressed water pollution in its supply chain. Animal waste from direct operations and 4,000 growers, as well as outflows from animal slaughtering, contain high levels of nitrogen and phosphorus, antibiotic-resistant bacteria and pathogens that often pollute surrounding waterways. Cultivation of feed ingredients for the 36 million chickens produced weekly by Pilgrim's is the primary source of supply-chain water pollution due to nitrates washing off fields.

Pilgrim's currently does not have policies aimed at mitigating these waste streams, and is ranked as a top corporate water polluter in the United States as a result. An analysis of EPA Toxic Release Inventory data ranked Pilgrim's among the top 15 sources of toxic discharges into U.S. waterways from 2010-2014. An updated report found at least seven of Pilgrim's slaughterhouses to be in chronic violation of water pollution permits during 2017, with Pilgrim's Mount Pleasant, TX plant ranked as the third-largest nitrogen pollution loader of all slaughterhouses evaluated. Pilgrim's was fined $1.43 million for fouling the Suwanee River from its Live Oak, FL plant, which had 37 water pollution violations. [2]

There is a growing public pushback around pollution from the meat industry that is impacting companies' ability to expand or do business. Washington, Wisconsin, Maryland, and Virginia have tightened requirements related to nutrient management plans, manure disposal, field application of manure, and groundwater monitoring for animal agriculture. Local protests against industrial animal agriculture expansion are taking place across the country that have resulted in lawsuits and lost contracts against poultry producers.

[1] http://www.environmentalintegrity.org/news/slaughterhouses-violate-water-pollution-permits/
[2] Ibid.
[3] https://www.opb.org/news/article/washington-dairy-pollution-regs/; https://www.environmentalintegrity.org/wp-content/uploads/2017/02/Shenandoah-Report.pdf; https://www.jsonline.com/story/news/politics/2017/01/07/state-wants-jump-start-manure-project/96212456/

Pilgrim's competitors are working to reduce pollution: Smithfield set a target to purchase 75% of its grain from farms managed to reduce water pollution; Perdue launched a large-scale poultry litter recycling operation to prevent nutrient pollution; Hormel adopted a Sustainable Agriculture Policy with commitments on water quality and supply chain management; and Tyson is investing in plant-based protein and committed to support improved environmental practices on two million acres of corn by the end of 2020.

By contrast, Pilgrim's policies, contracts, and codes do not address water quality.

Board of Directors' Statement In Opposition to Stockholder Proposal to Provide a Report Regarding the Reduction of Water Pollution

The Board believes the Company's present practices and procedures appropriately and adequately address the concerns raised in the proposal and that providing the contemplated report is unnecessary and would impose additional costs on the Company that will not create value either for our stockholders or the communities in which we operate. The Board further believes that a separate report is not an effective way for the Company to "significantly reduce water pollution from the Company's owned facilities; facilities under contract; and suppliers."

Contrary to the implications raised in the proposal, we are committed to our role as a steward of the environment in the areas where we do business. As part of our commitment to the environment, we have been in the process of upgrading wastewater treatment facilities at a number of our facilities. Our wastewater facilities, whether owned or under contract, are operated in accordance with site-specific permit requirements, which are established by the local authorities governing these operations. We also expect responsible and efficient water stewardship from our industry partners, including our suppliers. We contract primarily with independent contract growers to raise the live chickens processed in our poultry operations. We strive to support growers in their efforts to run their businesses wisely and to be independent and sustainable enterprises. While these contract growers are independent contractors responsible for their own farms and for day-to-day compliance with applicable environmental rules and regulations, we require that our contract growers comply with all local, state, and federal environmental regulations applicable to their operations. Moreover, we are not aware of any court judgments or regulatory rulings finding that our live bird operations pose a danger to the environment or neighboring water sources.

We are proud of the water conservation and environmental measures that we currently have in place. Water is an essential component of our food safety and quality processes, and we take actions to protect and preserve water quality, particularly in and around our facilities. We have always valued and are committed to supporting improved environmental practices.

In light of current practices and continuous efforts with respect to water conservation and quality, the Board believes the Company is addressing the concerns raised in the proposal and a report is unnecessary and not in the best interests of our stockholders. Accordingly, the Board recommends that stockholders vote AGAINST this stockholder proposal.

Our Board of Directors recommends that you vote "AGAINST" this stockholder proposal. Proxies will be so voted unless stockholders specify otherwise.

PROPOSAL 7. STOCKHOLDER PROPOSAL TO PROVIDE A REPORT ON HUMAN RIGHTS DUE DILIGENCE

The Board of Directors recommends that the stockholders vote **AGAINST** the following Stockholder Proposal filed by Oxfam America Inc. ("Oxfam"). The Company takes no responsibility for the accuracy of Oxfam's statements.

Report on Human Rights Due Diligence

2019 Pilgrim's Pride Corporation

Whereas: Corporations have a responsibility to respect human rights within company-owned operations and through business relationships under the UN Guiding Principles on Business and Human Rights.[1] To meet this responsibility, companies are expected to conduct human rights due diligence, informed by the core international human rights instruments, to assess, identify, prevent, and mitigate adverse human rights impacts.[2]

Industrial meat production exposes workers, farmers, and communities to actual and potential adverse human rights impacts. Inadequate regulatory frameworks do not sufficiently protect against these impacts. Poultry processing workers face serious labor rights violations, including injuries from unsafe line speeds and other hazards, exposure to toxins, wage and hour violations, sexual harassment, and workplace discrimination. Factory farming contributes to economic struggles for contract growers and family farmers, exploitation of migrant farmworkers, and occupational health and safety risks. Monoculture farming to grow animal feed requires heavy use of chemical fertilizers and pesticides, impacting human health, soil and water quality, and biodiversity.

Pilgrim's faces public resistance to the expansion of its operations and footprint to meet growing demand for protein. In 2018, community members spoke up in opposition to a proposed plant in Georgia due to concerns about negative impact to the local community and environment.[3] A proactive assessment of Pilgrim's salient human rights risks, informed by meaningful stakeholder consultation, would mitigate adverse human rights impacts and threats to the company's social license to operate and business opportunities.

Recent legal complaints against Pilgrim's Pride and its subsidiaries range from allegations of hiring discrimination,[4] [5] disability discrimination,[6] to federal fines issued for violations of: environmental; wage and hour; workplace safety and health; and labor relations regulations.[7] The repeated occurrence of these types of fines and lawsuits indicate that although Pilgrim's commits to respect human rights in its Code of Conduct and Sustainability Report documents, adoption of corporate principles is only the first step in effectively managing human rights risks.

Resolved: Shareholders request the Board of Directors prepare a report, at reasonable cost and omitting proprietary information, on Pilgrim's human rights due diligence process to assess, identify, prevent and mitigate actual and potential adverse human rights impacts.

Supporting Statement:

The report should:

- Include the human rights principles used to frame its risk assessments;
- Outline the human rights impacts of Pilgrim's business activities, including company-owned operations, contract growers, and supply chain, and plans to mitigate any adverse impacts;
- Explain the types and extent of stakeholder consultation; and

---

[1] https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

[2] https://www.ohchr.org/en/professionalinterest/pages/coreinstruments.aspx; https://www.ilo.org/declaration/lang--en/index.htm; http://wwwoecd.org/investment/mne/1922428.pdf

[3] https://dontslaughterourcove.com/

[4] https://www.reliableplant.com/Read/8537/pilgrim's-pride-to-pay-$1m-for-hiring-discrimination

[5] https://carlairwininc.com/blog/ofccp-files-lawsuit-against-pilgrims-pride-alleging-hiring-discrimination/

[6] https://www.eeoc.gov/eeoc/newsroomlrelease/9-24-18i.cfm

[7] https://violationtracker.goodjobsfirst.org/parent/jbs

- Address Pilgrim's plans to track effectiveness of measures to assess, prevent, mitigate, and remedy adverse human rights impacts.

Board of Directors' Statement In Opposition to Stockholder Proposal to Provide a Report on Human Rights Due Diligence

The Company is strongly committed to protecting human rights in our business activities, including our owned-operations, contract growers and supply chain. We also greatly value the health and safety of our employees and other parties associated with our operations and we continue to focus on creating a workplace atmosphere with the goal of eliminating workplace incidents, risks and hazards. We have conducted our business and will continue to conduct our business in a respectful manner. We are committed to operating our business in conformity with all laws and regulations applicable to the health and safety of our workforce or human rights.

The stockholder proposal focuses on requiring the Company to provide a report on the efforts we are taking in the realm of human rights due diligence. While the Board is strongly committed to promoting social responsibility and human rights throughout every facet of our operations, the Board believes the Company's present practices and procedures appropriately and adequately address the concerns raised in the proposal. Accordingly, the Board believes that, in view of the Company's continued engagement and commitment to actions in connection with human rights issues, providing the contemplated report is unnecessary and would impose additional costs on the Company.

Our human rights values can be traced to our Code of Conduct that was adopted by the Board. The Code of Conduct sets high standards for the Company's team members, including the Company's employees, officers and directors. Our Code of Conduct requires us, among other things, to commit to upholding the principles of human rights. A few of the key areas we focus on include:

- Health and safety in the workplace;
- The right to legal wages and benefits;
- Appropriate working hours and overtime pay;
- Prevention of child labor or forced labor;
- The fair and ethical treatment of all team members, including non-discrimination; and
- Our employees' rights to join or not join a trade union or to have recognized employee representation as required by local law.

Additionally, we already engage in a number of practices that make the report requested by Oxfam unnecessary. First, we have engaged an independent third-party to maintain an "Ethics Hotline" through both a toll-free phone number and a web-based reporting platform for team members to anonymously report suspected violations of our Code of Conduct or the law. The Ethics Hotline provides an effective tool for gauging the effectiveness of our Code of Conduct and we continuously monitor and respond to all reported matters. Further, our human resources department, working in collaboration with management, works directly with our facilities to drive improvement in worker conditions and facilitate compliance with applicable laws and regulations. Our human resources department also conducts training courses for our team members that focus on topics such as workplace health and safety, sexual harassment, discrimination in the workplace and environmental impacts of our operations, among others. We believe that these training programs promote a workplace culture that acknowledges the importance of all human rights.

We also prepare a yearly Sustainability Report in which we report our progress in improving our business and creating a more sustainable future for our team members, customers, consumers and other stakeholders. In our Sustainability Report, we have identified five key priorities, which are the foundation of our sustainability program. These key priorities include the health and safety of our employees.

We also expect our industry partners, including our suppliers and contract growers, to operate their businesses in a manner that promotes ethical behavior and that focuses on managing the impacts of their operations on their workers and the communities in which they operate. While the contract growers that we work with to raise the live chickens processed in our poultry operations are independent contractors responsible for their own farms and for day-to-day compliance with applicable health and safety regulations and applicable human rights principles, we require that our contract growers comply with all local, state, and federal environmental regulations applicable to their operations.

The Code of Conduct and our Sustainability Report are publicly available to all stockholders on our website at www.pilgrims.com.

In light of current practices and continuous efforts with respect to promoting human rights initiatives, the Board believes the Company is addressing the concerns raised in the proposal and a report on human rights due diligence is unnecessary and not in the best interests of our stockholders. Accordingly, the Board recommends that stockholders vote AGAINST this stockholder proposal.

Our Board of Directors recommends that you vote "AGAINST" this stockholder proposal. Proxies will be so voted unless stockholders specify otherwise.

OTHER BUSINESS

The Board of Directors is not aware of, and it is not anticipated that there will be presented at the Annual Meeting, any business other than the proposals regarding the election of the Directors, a stockholder advisory vote on executive compensation, the ratification of the appointment of KPMG LLP as our independent registered public accounting firm, and the stockholder proposals submitted by stockholders described above. If other matters properly come before the Annual Meeting, the persons named on the accompanying proxy card will vote the returned proxies as the Board of Directors recommends.

By order of the Board of Directors,

JAYSON PENN
Chief Executive Officer and President

Greeley, Colorado
April 5, 2019

Annex A

PILGRIM'S PRIDE CORPORATION

2019 LONG TERM INCENTIVE PLAN

ARTICLE 1. PURPOSES OF THE PLAN

The purposes of the Pilgrim's Pride Corporation 2019 Long Term Incentive Plan (the "Plan") are to attract and retain the best available personnel, to provide additional incentives to Employees, Directors and Consultants and to promote the success and enhance the value of the Company's business by linking the personal interests of the Directors, Employees and Consultants to those of Company stockholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Company stockholders.

ARTICLE 2. DEFINITIONS

Wherever the following terms are used in the Plan they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

2.1 "Affiliate" means (a) a Subsidiary, (b) any entity in which the Company has a significant equity interest, or (c) any entity that directly or through one or more intermediaries is controlled by the Company, in each case, as determined by the Committee.

2.2 "Award" means an Option, an award of Restricted Stock, a Stock Appreciation Right, an award of Performance Shares, an award of Performance Stock Units, a Dividend Equivalent Right, an award of Restricted Stock Units, a Performance Bonus Award, a Performance-Based Award or any other right or benefit, including any other Award under Article 8, granted to a Participant pursuant to the Plan.

2.3 "Award Agreement" means any written agreement, contract, or other instrument or document evidencing the terms and conditions of an Award, including through electronic medium.

2.4 "Board" means the Board of Directors of the Company.

2.5 "Change in Control" shall mean the occurrence of any of the following events:

(a) a direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation) of all or substantially all the assets of the Company and its subsidiaries taken as a whole to any "person" or "group" (as such terms are used in Section 13(d)(3) of the Exchange Act) as an entirety or substantially as an entirety in one transaction or series of transactions;

(b) the consummation of any transaction (including, without limitation, any merger, consolidation or recapitalization) to which the Company is a party the result of which is that immediately after such transaction the stockholders of the Company immediately prior to such transaction beneficially own less than 50.1% of the total voting power generally entitled to vote in the election of directors, managers or trustees of the person surviving such transaction;

(c) any "person" or "group" (as such terms are used in Section 13(d)(3) of the Exchange Act) becomes the ultimate "beneficial owner," as defined in Rule 13d-3 under the Exchange Act, of more than 50% of the total voting power generally entitled to vote in the election of directors, managers or trustees of the Company on a fully-diluted basis;

(d) during any period of two consecutive years, individuals who at the beginning of such period constituted the members of the Board (together with any new directors whose election by such Board or whose nomination for election by the stockholders of the Company was approved by a vote of a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the members of the Board then in office; or

(e) the adoption of a plan for the liquidation or dissolution of the Company.

Notwithstanding the foregoing, to the extent that any amount constituting "non-qualified deferred compensation" under Section 409A of the Code (as defined below) would become payable under this Plan by reason of a Change in Control, which does not also constitute a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company within the meaning of Section 409A of the Code, then the amount shall be payable on the earliest payment event permissible under Section 409A of the Code that is set forth in the Award Agreement.

2.6 "Code" means the U.S. Internal Revenue Code of 1986, as amended.

2.7 "Committee" means the committee of the Board appointed or described in Article 11 to administer the Plan.

2.8 "Common Stock" means the common stock of the Company, par value $0.01 per share, and such other securities of the Company that may be substituted for the Common Stock pursuant to Article 10.

2.9 "Company" means Pilgrim's Pride Corporation, a Delaware corporation.

2.10 "Consultant" means any consultant or adviser if: (a) the consultant or adviser renders bona fide services to the Company or any Affiliate; (b) the services rendered by the consultant or adviser are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the Company's securities; and (c) the consultant or adviser is a natural person.

2.11 "Director" means a member of the Board, or as applicable, a member of the board of directors of a Subsidiary.

2.12 "Disability" means that a Participant is unable to carry out the responsibilities and functions of the position held by the Participant by reason of any medically determined physical or mental impairment for a period of not less than ninety (90) consecutive days. A Participant shall not be considered to have incurred a Disability unless he or she furnishes proof of such impairment, such as a treating physician's written certification, sufficient to satisfy the Board in its discretion. Notwithstanding the foregoing, for purposes of Incentive Stock Options granted under the Plan, "Disability" means the Participant is disabled within the meaning of Section 22(e)(3) of the Code.

2.13 "Dividend Equivalent Right" means a right granted to a Participant pursuant to Section 8.3 hereof to receive the equivalent value (in cash or Shares) of dividends paid on the Shares.

2.14 "Effective Date" shall have the meaning set forth in Section 12.1 hereof.

2.15 "Eligible Individual" means any person who is an Employee, a Consultant or a Director, as determined by the Committee.

2.16 "Employee" means a full time or part time employee of the Company or any Affiliate, including an officer or Director, who is treated as an employee in the personnel records of the Company or Affiliate for the relevant period, but shall exclude individuals who are classified by the Company or Affiliate as (a) leased from or otherwise employed by a third party, (b) independent contractors or (c) intermittent or temporary, even if any such classification is changed retroactively as a result of an audit, litigation or otherwise. A Participant shall not cease to be an Employee in the case of (i) any vacation or sick time or otherwise approved paid time off in accordance with the Company or an Affiliate's policy or (ii) transfers between locations of the Company or between the Company and/or any Affiliate. Neither services as a Director nor payment of a director's fee by the Company or an Affiliate shall be sufficient to constitute "employment" by the Company or any Affiliate.

2.17 "Equity Restructuring" shall mean a nonreciprocal transaction between the company and its stockholders, such as a stock dividend, stock split, spin-off, rights offering or recapitalization through a large, nonrecurring cash dividend, that affects the Shares (or other securities of the Company) or the price of Shares (or other securities) and causes a change in the per share value of the Shares underlying outstanding Awards.

2.18 "Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

2.19 "Fair Market Value" means, as of any given date, (a) if Shares are traded on any established stock exchange, the closing price of a Share as quoted on the principal exchange on which the Shares are listed, as reported in the *Wall Street Journal* (or such other source as the Company may deem reliable for such purposes) for such date, or if no sale occurred on such date, the first trading date immediately prior to such date during which a sale occurred; or (b) if Shares are not traded on an exchange but are regularly quoted on a national market or other quotation system, the closing sales price on such date as quoted on such market or system, or if no sales occurred on such date, then on the date immediately prior to such date on which sales prices are reported; or (c) in the absence of an established market for the Shares of the type described in clauses (a) or (b) of this Section 2.19, the fair market value established by the Committee acting in good faith.

2.20 "Incentive Stock Option" means an Option that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

2.21 "Independent Director" means a Director of the Company who is not an Employee.

2.22 "Non-Employee Director" means a Director of the Company who qualifies as a "Non-Employee Director" as defined in Rule 16b-3(b)(3) under the Exchange Act, or any successor rule.

2.23 "Non-Qualified Stock Option" means an Option that is not intended to be an Incentive Stock Option.

2.24 "Option" means a right granted to a Participant pursuant to Article 5 to purchase a specified number of Shares at a specified price during specified time periods. An Option may be either an Incentive Stock Option or a Non-Qualified Stock Option.

2.25 "Participant" means any Eligible Individual who, as an Independent Director, Consultant or Employee, has been granted an Award pursuant to the Plan.

2.26 "Performance-Based Award" means an Award granted pursuant to Article 6 or Article 8 that vests, in whole or in part, based on the attainment of Performance Goals.

2.27 "Performance Bonus Award" has the meaning set forth in Section 8.5 hereof.

2.28 "Performance Criteria" means the criteria that the Committee selects for purposes of establishing the Performance Goal or Performance Goals for a Participant for a Performance Period. The Performance Criteria that may be used to establish Performance Goals include, but are not limited to the following: revenue; earnings or net earnings (including earnings before or after any one or more of the following: interest, taxes, depreciation, or amortization); sales; economic value-added; cash flow (including, but not limited to, operating cash flow and free cash flow); cash flow return on capital; earnings per share of Common Stock (including earnings before any one or more of the following: interest, taxes, depreciation, amortization, restructuring costs or rental expenses); return on equity; return on capital; total stockholder return; return on invested capital; return on assets or net assets; return on sales; income or net income (either before or after taxes); operating earnings; operating income or net operating income; operating profit or net operating profit; operating or net profit margin; cost reductions or savings or expense management; funds from operations; appreciation in the Fair Market Value of shares of Common Stock; working capital; market share; productivity; expense; operating efficiency; customer satisfaction; and safety record, any of which may be measured in absolute terms or as compared to any incremental increase, on a consolidated basis, on an adjusted basis, or as compared to the performance of a published or special index, including, but not limited to, the Standard & Poor's 500 Stock Index, the Nasdaq Market Index, the Russell 2000 index or a group of comparable companies, or any combination thereof.

2.29 "Performance Goals" means, for a Performance Period, the goals established in writing by the Committee for the Performance Period based upon the Performance Criteria.

Depending on the Performance Criteria used to establish such Performance Goals, the Performance Goals may be expressed in terms of overall Company performance, the performance of an Affiliate, the performance of a division, business unit, geography, segment, product, product line, partnership, joint venture, minority investment or any combination thereof, of the Company or an Affiliate, or the performance of an individual. The Committee, in its discretion, may appropriately adjust or modify the calculation of Performance Goals for such Performance Period in order to prevent the dilution or enlargement of the rights of Participants (a) in the event of, or in anticipation of, any unusual or extraordinary corporate item, transaction, event, or development, or (b) in recognition of, or in anticipation of, any other unusual or nonrecurring events affecting the Company, or the financial statements of the Company, or in response to, or in anticipation of, changes in applicable laws, regulations, accounting principles, or business conditions.

2.30 "Performance Period" means one or more periods of time, which may be of varying and overlapping durations, as the Committee may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to, and the payment of, a Performance-Based Award.

2.31 "Performance Share" means a right granted to a Participant pursuant to Section 8.1 hereof, to receive Shares, the payment of which is contingent upon achieving certain Performance Goals or other performance-based targets established by the Committee.

2.32 "Performance Stock Unit" means a right granted to a Participant pursuant to Section 8.2 hereof, to receive Shares, the payment of which is contingent upon achieving certain Performance Goals or other performance-based targets established by the Committee.

2.33 "Plan" means this Pilgrim's Pride Corporation 2019 Long Term Incentive Plan, as it may be amended from time to time.

2.34 "Restricted Stock" means Shares awarded to a Participant pursuant to Article 6 that are subject to certain restrictions and may be subject to risk of forfeiture.

2.35 "Restricted Stock Unit" means an Award granted pursuant to Section 8.4 hereof and shall be evidenced by a bookkeeping entry representing the equivalent of one Share.

2.36 "Section 409A Compliance" shall have the meaning assigned to it in Section 9.6 hereof.

2.37 "Securities Act" shall mean the U.S. Securities Act of 1933, as amended.

2.38 "Share" means a share of Common Stock.

2.39 "Stock Appreciation Right" or "SAR" means a right granted pursuant to Article 7 to receive a payment equal to the excess of the Fair Market Value of a specified number of Shares on the date the SAR is exercised over the Fair Market Value on the date the SAR was granted as set forth in the applicable Award Agreement.

2.40 "Subsidiary" means any "subsidiary corporation" as defined in Section 424(f) of the Code and any applicable regulations promulgated thereunder or any other entity of which a majority of the outstanding voting stock or voting power is beneficially owned directly or indirectly by the Company.

ARTICLE 3. SHARES SUBJECT TO THE PLAN

3.1 Number of Shares.

(a) Subject to Article 10 and Section 3.1(b) hereof, the aggregate number of Shares which may be issued or transferred pursuant to Awards under the Plan is 2,000,000 Shares, all of which may be issued upon the exercise of Incentive Stock Options.

(b) To the extent that an Award terminates, expires, lapses for any reason, or is settled in cash, any Shares subject to the Award shall again be available for the grant of an Award pursuant to the Plan. Additionally, any Shares tendered or withheld to satisfy the grant or exercise price or tax withholding obligation pursuant to any Award shall again be available for the grant of an Award. To the extent permitted by applicable law or any exchange rule, Shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by the Company or any Subsidiary shall not be counted against Shares available for grant pursuant to this Plan. The payment of Dividend Equivalent Rights in cash in conjunction with any outstanding Awards shall not be counted against the Shares available for issuance under the Plan. Notwithstanding the provisions of this Section 3.1(b), no Shares may again be optioned, granted or awarded if such action would cause an Incentive Stock Option to fail to qualify as an incentive stock option under Section 422 of the Code.

3.2 Shares Distributed. Any Shares distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares, treasury Shares or Shares purchased on the open market.

3.3 Limitation on Number of Shares Subject to Awards. Notwithstanding any provision in the Plan to the contrary, the maximum number of Shares with respect to one or more Awards that may be granted to any one Participant during any fiscal year shall be 2,000,000 Shares and the maximum amount that may be paid in cash during any fiscal year with respect to any Award (including, without limitation, any Performance Bonus Award) shall be $10,000,000.

3.4 Repricing. Notwithstanding the foregoing, a Repricing (as defined below) is prohibited without prior stockholder approval. Subject to compliance with the provisions of the immediately preceding sentence regarding a Repricing, the Committee may, at any time or from time to time: (a) authorize the Company, with the consent of the respective Participants, to issue new Awards in exchange for the surrender and cancellation of any or all outstanding Awards or (b) buy from a Participant an Award previously granted with payment in cash, Shares (including Restricted Stock) or other consideration, based on such terms and conditions as the Committee and the Participant may agree. For purposes of the Plan, "Repricing" means any of the following or any other action that has the same purpose and effect: (i) lowering the exercise price of an outstanding Option or SAR granted under the Plan after it is granted or (ii) canceling an outstanding Award granted under the Plan at a time when its exercise or purchase price exceeds the then Fair Market Value of the stock underlying such outstanding Award, in exchange for another Award or a cash payment, unless the cancellation and exchange occurs in connection with a merger, amalgamation, consolidation, sale of substantially all the Company's assets, acquisition, spin-off or other similar corporate transaction.

ARTICLE 4. ELIGIBILITY AND PARTICIPATION

4.1 Eligibility. Each Eligible Individual shall be eligible to be granted one or more Awards pursuant to the Plan.

4.2 Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select from among all Eligible Individuals, those to whom Awards shall be granted and shall determine the nature and amount of each Award. No Eligible Individual shall have any right to be granted an Award pursuant to this Plan.

4.3 Non-U.S. Participants. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in countries outside the United States in which the Company and its Affiliates operate or have Eligible Individuals, the Committee, in its sole discretion, shall have the power and authority to: (a) determine which Affiliates shall be covered by the Plan; (b) determine which Eligible Individuals outside the United States are eligible to participate in the Plan; (c) modify the terms and conditions of any Award granted to Eligible Individuals outside the United States to comply with applicable laws of jurisdictions outside of the United States; (d) establish subplans and modify exercise procedures and other terms and procedures and rules, to the extent such actions may be necessary or advisable (any such subplans and/or modifications shall be attached to this Plan as appendices), including adoption of rules, procedures or subplans applicable to particular Affiliates or Participants residing in particular locations; *provided, however*, that no such subplans and/or modifications shall increase the share limitations contained in Sections 3.1 and 3.3 hereof; and (e) take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local governmental regulatory exemptions or approvals. Without limiting the generality of the foregoing, the Committee is specifically authorized to adopt rules, procedures and subplans with provisions that limit or modify rights on death, disability or retirement or on termination of employment, available methods of exercise or settlement of an Award, payment of income, social insurance contributions and payroll taxes, the shifting of employer tax liability to the Participant, the withholding procedures and handling of any Share certificates or other indicia of ownership which may vary with local requirements. Notwithstanding the foregoing, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate the Exchange Act, the Code, any securities law or governing statute or any other applicable law.

ARTICLE 5. STOCK OPTIONS

5.1 General. The Committee is authorized to grant Options to Eligible Individuals on the following terms and conditions:

(a) Exercise Price. The exercise price per Share subject to an Option shall be determined by the Committee and set forth in the Award Agreement; provided that, subject to Section 5.2(c) hereof, the per Share exercise price for any Option shall not be less than 100% of the Fair Market Value of a Share on the date of grant.

(b) Time and Conditions of Exercise. The Committee shall determine the time or times at which an Option may be exercised in whole or in part; *provided* that the term of any Option granted under the Plan shall not exceed ten years. The Committee shall also determine the performance or other conditions, if any, that must be satisfied before all or part of an Option may be exercised.

(c) Payment. The Committee shall determine the methods by which the exercise price of an Option may be paid, the form of payment, including, without limitation: (i) cash or check, (ii) surrender of Shares or delivery of a properly executed form of attestation of ownership of Shares as the Committee may require (including withholding of Shares otherwise deliverable upon exercise of the Award) which have a Fair Market Value on the date of surrender or attestation equal to the aggregate exercise price of the Shares as to which the Award shall be exercised, (iii) promissory note bearing interest at no less than such rate as shall then preclude the imputation of interest under the Code), (iv) other property acceptable to the Committee (including through the delivery of a notice that the Participant has placed a market sell order with a broker with respect to Shares then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price; *provided* that payment of such proceeds is then made to the Company upon settlement of such sale, or (v) any combination of the foregoing methods of payment. The Committee shall also determine the methods by which Shares shall be delivered or deemed to be delivered to Participants. Notwithstanding any other provision of the Plan to the contrary, no Participant who is a Director or an "executive officer" of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to pay the exercise price of an Option, or continue any extension of credit with respect to the exercise price of an Option with a loan from the Company or a loan arranged by the Company in violation of Section 13(k) of the Exchange Act.

(d) Evidence of Grant. All Options shall be evidenced by an Award Agreement between the Company and the Participant. The Award Agreement shall include such additional provisions as may be specified by the Committee.

5.2 Incentive Stock Options. Incentive Stock Options shall be granted only to Employees of the Company or any Subsidiary, and the terms of any Incentive Stock Options granted pursuant to the Plan, in addition to the requirements of Section 5.1 hereof, must comply with the provisions of this Section 5.2.

(a) Expiration. Subject to Section 5.2(c) hereof, an Incentive Stock Option shall expire and may not be exercised to any extent by anyone after the first to occur of the following events:

(i) Ten years from the date it is granted, unless an earlier time is set in the Award Agreement;

(ii) Three months after the Participant's termination of employment as an Employee; and

(iii) One year after the date of the Participant's termination of employment or service on account of Disability or death. Upon the Participant's Disability or death, any Incentive Stock Options exercisable at the Participant's Disability or death may be exercised by the Participant's legal representative or representatives, by the person or persons entitled to do so pursuant to the Participant's last will and testament, or, if the Participant fails to make testamentary disposition of such Incentive Stock Option or dies intestate, by the person or persons entitled to receive the Incentive Stock Option pursuant to the applicable laws of descent and distribution.

(b) Dollar Limitation. The aggregate Fair Market Value (determined as of the time the Option is granted) of all Shares with respect to which Incentive Stock Options are first exercisable by a Participant in any calendar year may not exceed $100,000 or such other limitation as imposed by Section 422(d) of the Code, or any successor provision. To the extent that Incentive Stock Options are first exercisable by a Participant in excess of such limitation, the excess shall be considered Non-Qualified Stock Options.

(c) Ten Percent Owners. An Incentive Stock Option shall be granted to any individual who, at the date of grant, owns stock possessing more than ten percent of the total combined voting power of all classes of Shares of the Company only if such Option is granted at a price that is not less than 110% of Fair Market Value on the date of grant and the Option is exercisable for no more than five years from the date of grant.

(d) Notice of Disposition. The Participant shall give the Company prompt notice of any disposition of Shares acquired by exercise of an Incentive Stock Option within (i) two years from the date of grant of such Incentive Stock Option or (ii) one year after the transfer of such Shares to the Participant.

(e) Right to Exercise. During a Participant's lifetime, an Incentive Stock Option may be exercised only by the Participant.

(f) Failure to Meet Requirements. Any Option (or portion thereof) purported to be an Incentive Stock Option, which, for any reason, fails to meet the requirements of Section 422 of the Code shall be considered a Non-Qualified Stock Option.

5.3 Substitution of Stock Appreciation Rights. The Committee may provide in the Award Agreement evidencing the grant of an Option that the Committee, in its sole discretion, shall have to right to substitute a Stock Appreciation Right for such Option at any time prior to or upon exercise of such Option; *provided,* that such Stock Appreciation Right shall be exercisable with respect to the same number of Shares for which such substituted Option would have been exercisable.

ARTICLE 6. RESTRICTED STOCK AWARDS

6.1 Grant of Restricted Stock. The Committee is authorized to make Awards of Restricted Stock to any Eligible Individual selected by the Committee in such amounts and subject to such terms and conditions as determined by the Committee. All Awards of Restricted Stock shall be evidenced by an Award Agreement.

6.2 Purchase Price. At the time of the grant of an Award of Restricted Stock, the Committee shall determine the price, if any, to be paid by the Participant for each Share subject to the Award of Restricted Stock. To the extent required by applicable law, the price to be paid by the Participant for each Share subject to the Award of Restricted Stock shall not be less than the par value of a Share (or such higher amount required by applicable law). The purchase price of Shares acquired pursuant to the Award of Restricted Stock shall be paid either: (i) in cash at the time of purchase; (ii) at the sole discretion of the Committee, by services rendered or to be rendered to the Company or an Affiliate; or (iii) in any other form of legal consideration that may be acceptable to the Committee in its sole discretion and in compliance with applicable law.

6.3 Issuance and Restrictions. Restricted Stock shall be subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Restricted Stock or the right to receive dividends on the Restricted Stock). These restrictions may lapse separately or in combination at such times, pursuant to such circumstances, in such installments, or otherwise, as the Committee determines at the time of the grant of the Award or thereafter.

6.4 Forfeiture. Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of employment or service during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited; *provided, however*, that the Committee may (a) provide in any Restricted Stock Award Agreement that restrictions or forfeiture conditions relating to Restricted Stock will be waived in whole or in part in the event of terminations resulting from specified causes, and (b) in other cases waive in whole or in part restrictions or forfeiture conditions relating to Restricted Stock.

6.5 Certificates for Restricted Stock. Restricted Stock granted pursuant to the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing shares of Restricted Stock are registered in the name of the Participant, certificates must bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, and the Company may, at its discretion, retain physical possession of the certificate until such time as all applicable restrictions lapse.

ARTICLE 7. STOCK APPRECIATION RIGHTS

7.1 Grant of Stock Appreciation Rights.

(a) A Stock Appreciation Right may be granted to any Eligible Individual selected by the Committee. A Stock Appreciation Right shall be subject to such terms and conditions not inconsistent with the Plan as the Committee shall impose and shall be evidenced by an Award Agreement, provided that the term of any Stock Appreciation Right shall not exceed ten years.

(b) A Stock Appreciation Right shall entitle the Participant (or other person entitled to exercise the Stock Appreciation Right pursuant to the Plan) to exercise all or a specified portion of the Stock Appreciation Right (to the extent then exercisable pursuant to its terms) and to receive from the Company an amount equal to the product of (i) the excess of (A) the Fair Market Value of the Shares on the date the Stock Appreciation Right is exercised over (B) the Fair Market Value of the Shares on the date the Stock Appreciation Right was granted and (ii) the number of Shares with respect to which the Stock Appreciation Right is exercised, subject to any limitations the Committee may impose.

7.2 Payment and Limitations on Exercise.

(a) Subject to Section 7.2(b) hereof, payment of the amounts determined under Section 7.1(b) hereof shall be in cash, in Shares (based on its Fair Market Value as of the date the Stock Appreciation Right is exercised) or a combination of both, as determined by the Committee.

(b) To the extent any payment under Section 7.1(b) hereof is effected in Shares, it shall be made subject to satisfaction of all provisions of Article 5 pertaining to Options.

ARTICLE 8. OTHER TYPES OF AWARDS

8.1 Performance Share Awards. Any Eligible Individual selected by the Committee may be granted one or more Awards of Performance Shares which shall be denominated in a number of Shares and which may be linked to any one or more of the Performance Criteria or other specific performance criteria determined appropriate by the Committee, in each case on a specified date or dates or over any period or periods determined by the Committee. In making such determinations, the Committee shall consider (among such other factors as it deems relevant in light of the specific type of award) the contributions, responsibilities and other compensation of the particular Participant.

8.2 Performance Stock Units. Any Eligible Individual selected by the Committee may be granted one or more Performance Stock Unit awards which shall be denominated in unit equivalents of Shares and/or units of value including dollar value of Shares and which may be linked to any one or more of the Performance Criteria or other specific performance criteria determined appropriate by the Committee, in each case on a specified date or dates or over any period or periods determined by the Committee. In making such determinations, the Committee shall consider (among such other factors as it deems relevant in light of the specific type of award) the contributions, responsibilities and other compensation of the particular Participant.

8.3 Dividend Equivalent Rights. Any Eligible Individual selected by the Committee may be granted Dividend Equivalent Rights based on the dividends declared on the Shares that are subject to any Award, to be credited as of dividend payment dates, during the period between the date the Award is granted and the date the Award is exercised, vests or expires, as determined by the Committee. Such Dividend Equivalent Rights shall be converted to cash or additional Shares by such formula and at such time and subject to such limitations as may be determined by the Committee.

8.4 Restricted Stock Units. The Committee is authorized to make Awards of Restricted Stock Units to any Eligible Individual selected by the Committee in such amounts and subject to such terms and conditions as determined by the Committee. At the time of grant, the Committee shall specify the date or dates on which the Restricted Stock Units shall become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate. At the time of grant, the Committee shall specify the maturity date applicable to each grant of Restricted Stock Units which shall be no earlier than the vesting date or dates of the Award and may be determined at the election of the grantee. On the maturity date, the Company shall, subject to Section 9.5(b), transfer to the Participant one unrestricted, fully transferable Share for each Restricted Stock Unit scheduled to be paid out on such date and not previously forfeited. Alternatively, settlement of a Restricted Stock Unit may be made in cash or any combination of cash and Shares, as determined by the Committee, in its sole discretion, at the time of grant of the Restricted Stock Units. Methods of converting Restricted Stock Units into cash may include, without limitation, a method based on the average Fair Market Value of Shares over a series of trading days. A holder of Restricted Stock Units shall have no rights other than those of a general creditor of the Company. Restricted Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Award Agreement evidencing the grant of the Restricted Stock Unit.

8.5 Performance Bonus Awards. Any Eligible Individual selected by the Committee may be granted one or more Performance-Based Awards in the form of a cash bonus (a "Performance Bonus Award") payable upon the attainment of Performance Goals that are established by the Committee and relate to one or more of the Performance Criteria, in each case on a specified date or dates or over any period or periods determined by the Committee.

8.6 Other Awards. The Committee is authorized under the Plan to make any other Award to an Eligible Individual that is not inconsistent with the provisions of the Plan and that by its terms involves or might involve the issuance of (i) Shares, (ii) a right with an exercise or conversion privilege related to the passage of time, the occurrence of one or more events, or the satisfaction of performance criteria or other conditions, or (iii) any other security with the value derived from the value of the Shares. The Committee may establish one or more separate programs under the Plan for the purpose of issuing particular forms of Awards to one or more classes of Participants on such terms and conditions as determined by the Committee from time to time.

8.7 Term. Except as otherwise provided herein, the term of any Award of Performance Shares, Performance Stock Units, Dividend Equivalent Rights, Restricted Stock Units and any other Award granted pursuant to this Article 8 shall be set by the Committee in its discretion.

8.8 Exercise or Purchase Price. The Committee may establish the exercise or purchase price, if any, of any Award of Performance Shares, Performance Stock Units, Restricted Stock Units and any other Award granted pursuant to this Article 8; *provided, however*, that such price shall not be less than the par value of a Share on the date of grant, unless otherwise permitted by applicable state law.

8.9 Exercise upon Termination of Employment or Service. An Award of Performance Shares, Performance Stock Units, Dividend Equivalent Rights, Restricted Stock Units and any other Award granted pursuant to this Article 8 shall only be exercisable or payable while the Participant is an Employee, Consultant or Director, as applicable; *provided, however*, that the Committee in its sole and absolute discretion may provide that an Award of Performance Shares, Performance Stock Units, Dividend Equivalent Rights, Restricted Stock Units or any other Award granted pursuant to this Article 8 may be exercised or paid subsequent to a termination of employment or service, as applicable, or following a Change in Control of the Company, or because of the Participant's retirement, death or disability, or otherwise.

8.10 Form of Payment. Payments with respect to any Awards granted under this Article 8 shall be made in cash, in Shares or a combination of both, as determined by the Committee.

8.11 Award Agreement. All Awards under this Article 8 shall be subject to such additional terms and conditions as determined by the Committee and shall be evidenced by an Award Agreement.

8.12 Payment of Performance-Based Awards. Unless otherwise provided in the applicable Award Agreement, a Participant must be employed by the Company or an Affiliate on the day a Performance-Based Award for the appropriate Performance Period is paid to the Participant. Furthermore, a Participant shall be eligible to receive payment pursuant to a Performance-Based Award for a Performance Period only if the Performance Goals for such period are achieved. In determining the amount earned by a Participant under a Performance-Based Award, the Committee shall have the right to modify the amount payable at a given level of performance, if in its sole and absolute discretion, such modification is appropriate, or to take into account additional factors that the Committee may deem relevant to the assessment of individual or corporate performance for the Performance Period.

ARTICLE 9. PROVISIONS APPLICABLE TO AWARDS

9.1 Stand-Alone and Tandem Awards. Awards granted pursuant to the Plan may, in the discretion of the Committee, be granted either alone, in addition to, or in tandem with, any other Award granted pursuant to the Plan. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

9.2 Award Agreement. Awards under the Plan shall be evidenced by Award Agreements that set forth the terms, conditions and limitations for each Award which may include the term of an Award, the provisions applicable in the event the Participant's employment or service terminates, and the Company's authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an Award.

9.3 Limits on Transfer. No right or interest of a Participant in any Award may be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or an Affiliate, or shall be subject to any lien, obligation, or liability of such Participant to any other party other than the Company or an Affiliate. Except as otherwise provided by the Committee, no Award shall be assigned, transferred, or otherwise disposed of by a Participant (including, without limitation, to a third party financial institution or for consideration) other than by will or the laws of descent and distribution or pursuant to beneficiary designation procedures approved from time to time by the Committee (or the Board in the case of Awards granted to Independent Directors). The Committee by express provision in the Award or an amendment thereto may permit an Award (other than an Incentive Stock Option) to be transferred to, exercised by and paid to certain persons or entities related to the Participant, including, but not limited to, members of the Participant's family, charitable institutions, or trusts or other entities whose beneficiaries or beneficial owners are members of the Participant's family and/or charitable institutions, or to such other persons or entities as may be expressly approved by the Committee, pursuant to such conditions and procedures as the Committee may establish. Any permitted transfer shall be subject to the condition that the Committee receive evidence satisfactory to it that the transfer is being made for estate and/or tax planning purposes (or to a "blind trust" in connection with the Participant's termination of employment or service with the Company or an Affiliate to assume a position with a governmental, charitable, educational or similar non-profit institution) and on a basis consistent with the Company's lawful issue of securities.

9.4 Beneficiaries. Notwithstanding Section 9.3 hereof, a Participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Participant, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Committee. If the Participant is married and resides in a community property state, a designation of a person other than the Participant's spouse as his or her beneficiary with respect to more than 50% of the Participant's interest in the Award shall not be effective without the prior written consent of the Participant's spouse. If no beneficiary has been designated or survives the Participant, payment shall be made to the person entitled thereto pursuant to the Participant's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Committee prior to the Participant's death.

9.5 Stock Certificates; Book Entry Procedures.

(a) Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates evidencing Shares pursuant to the exercise or vesting of any Award, unless and until the Board has determined, with advice of counsel, that the issuance and delivery of such certificates is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the Shares are listed or traded. All certificates evidencing Shares delivered pursuant to the Plan are subject to any stop-transfer orders and other restrictions as the Committee deems necessary or advisable to comply with federal, state local, securities or other laws, including laws of jurisdictions outside of the United States, rules and regulations and the rules of any national securities exchange or automated quotation system on which the Shares are listed, quoted, or traded. The Committee may place legends on any certificate evidencing Shares to reference restrictions applicable to the Shares. In addition to the terms and conditions provided herein, the Board may require that a Participant make such reasonable covenants, agreements, and representations as the Board, in its discretion, deems advisable in order to comply with any such laws, regulations, or requirements. The Committee shall have the right to require any Participant to comply with any timing or other restrictions with respect to the settlement or exercise of any Award, including a window-period limitation, as may be imposed in the discretion of the Committee.

(b) Notwithstanding any other provision of the Plan, unless otherwise determined by the Committee or required by any applicable law, rule or regulation, the Company shall not deliver to any Participant certificates evidencing Shares issued in connection with any Award and instead such Shares shall be recorded in the books of the Company (or, as applicable, its transfer agent or stock plan administrator).

9.6 Accelerated Vesting and Deferral Limitations. The Committee shall not have the discretionary authority to accelerate or delay issuance of Shares under an Award that constitutes a deferral of compensation within the meaning of Section 409A of the Code, except to the extent that such acceleration or delay may, in the discretion of the Committee, be effected in a manner that will not cause any person to incur taxes, interest or penalties under Section 409A of the Code ("Section 409A Compliance").

9.7 Paperless Administration. In the event that the Company establishes, for itself or using the services of a third party, an automated system for the documentation, granting or exercise of Awards, such as a system using an internet website or interactive voice response, then the paperless documentation, granting or exercise of Awards by a Participant may be permitted through the use of such an automated system.

ARTICLE 10. CHANGES IN CAPITAL STRUCTURE

10.1 Adjustments.

(a) In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to stockholders, or any other change affecting the Shares or the price of the Shares other than an Equity Restructuring, the Committee shall make such adjustments, if any, as the Committee in its discretion may deem appropriate to reflect such change with respect to (i) the aggregate number and kind of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Sections 3.1 and 3.3 hereof); (ii) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (iii) the grant or exercise price per Share for any outstanding Awards under the Plan.

(b) In the event of any transaction or event described in Section 10.1(a) hereof or any unusual or nonrecurring transactions or events affecting the Company, any affiliate of the Company, or the financial statements of the Company or any affiliate, or of changes in applicable laws, regulations or accounting principles, the Committee, in its sole and absolute discretion, and on such terms and conditions as it deems appropriate, either by the terms of the Award or by action taken prior to the occurrence of such transaction or event and either automatically or upon the Participant's request, is hereby authorized to take any one or more of the following actions whenever the Committee determines that such action is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any Award under the Plan, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles:

(i) To provide for either (A) termination of any such Award in exchange for an amount of cash, if any, equal to the amount that would have been attained upon the exercise of such Award or realization of the Participant's rights (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction or event described in this Section 10.1 the Committee determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment) or (B) the replacement of such Award with other rights or property selected by the Committee in its sole discretion;

(ii) To provide that such Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;

(iii) To make adjustments in the number and type of Shares (or other securities or property) subject to outstanding Awards, and in the number and kind of outstanding Restricted Stock and/or in the terms and conditions of (including the grant or exercise price), and the criteria included in outstanding options, rights and awards and options, rights and awards which may be granted in the future;

(iv) To provide that such Award shall be exercisable or payable or fully vested with respect to all Shares covered thereby, notwithstanding anything to the contrary in the Plan or the applicable Award Agreement; and

(v) To provide that the Award cannot vest, be exercised or become payable after such event.

(c) In connection with the occurrence of any Equity Restructuring, and notwithstanding anything to the contrary in Sections 10.1(a) and 10.1(b) hereof:

(i) The number and type of securities subject to each outstanding Award and the exercise price or grant price thereof, if applicable, shall be equitably adjusted.

The adjustments provided under this Section 10.1(c)(i) shall be nondiscretionary and shall be final and binding on the affected Participant and the Company.

(ii) The Committee shall make such equitable adjustments, if any, as the Committee in its discretion may deem appropriate to reflect such Equity Restructuring with respect to the aggregate number and kind of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Sections 3.1 and 3.3 hereof).

10.2 Acceleration Upon a Change in Control and for Other Reasons.

(a) Notwithstanding Section 10.1 hereof, and except as may otherwise be provided in any applicable Award Agreement or other written agreement entered into between the Company and a Participant, if a Change in Control occurs and a Participant's Awards are not converted, assumed, or replaced by a successor entity, then immediately prior to the Change in Control such Awards shall become fully exercisable and all forfeiture restrictions on such Awards shall lapse. Upon, or in anticipation of, a Change in Control, the Committee may cause any and all Awards outstanding hereunder to terminate at a specific time in the future, including, but not limited to, the date of such Change in Control, and shall give each Participant the right to exercise or accelerate such Awards during a period of time as the Committee, in its sole and absolute discretion, shall determine.

(b) Regardless of whether an event has occurred as described in Section 10.2(a) above, and subject to Article 6 and Article 8 as to Performance-Based Awards, the Committee may in its sole discretion at any time determine that, upon the termination of employment or service of a Participant for any reason, or the occurrence of a Change of Control, all or a portion of such Participant's Options or SARs shall become fully or partially exercisable, that all or a part of the restrictions on all or a portion of the Participant's outstanding Awards shall lapse, and/or that any Performance Criteria with respect to any Awards held by that Participant shall be deemed to be wholly or partially satisfied, in each case, as of such date as the Committee may, in its sole discretion, declare.

(c) The Committee may discriminate among Participants and among Awards made to a Participant in exercising its discretion pursuant to this Section 10.2. In the event that the terms of any agreement between the Company or any Affiliate and a Participant contains provisions that conflict with and are more restrictive than the provisions of this Section 10.2, this Section 10.2 shall prevail and control and the more restrictive terms of such agreement (and only such terms) shall be of no force or effect.

10.3 No Other Rights. Except as expressly provided in the Plan, no Participant shall have any rights by reason of any subdivision or consolidation of Shares of any class, the payment of any dividend, any increase or decrease in the number of Shares of any class or any dissolution, liquidation, merger, or consolidation of the Company or any other corporation. Except as expressly provided in the Plan or pursuant to action of the Committee under the Plan, no issuance by the Company of Shares of any class, or securities convertible into Shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of Shares subject to an Award or the grant or exercise price of any Award.

ARTICLE 11. ADMINISTRATION

11.1 Committee. Unless and until the Board delegates administration of the Plan to a Committee as set forth below, the Plan shall be administered by the full Board, and for such purposes the term "Committee" as used in this Plan shall be deemed to refer to the Board. The Board, at its discretion or as otherwise necessary to comply with the requirements of Rule 16b-3 promulgated under the Exchange Act or to the extent required by any other applicable rule or regulation, may delegate administration of the Plan to a Committee consisting of two or more members of the Board. Unless otherwise determined by the Board, the Committee shall consist of at least one Non-Employee Director and one "independent director" under the rules of Nasdaq (or other principal securities market on which Shares are traded); provided that any action taken by the Committee shall be valid and effective, whether or not members of the Committee at the time of such action are later determined not to have satisfied the requirements for membership set forth in this Section 11.1 or otherwise provided in any charter of the Committee. Notwithstanding the foregoing: (a) the full Board, acting by a majority of its members in office, shall conduct the general administration of the Plan with respect to all Awards granted to Independent Directors and for purposes of such Awards the term "Committee" as used in this Plan shall be deemed to refer to the Board and (b) the Committee may delegate its authority hereunder to the extent permitted by Section 11.5 hereof. In its sole discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan except with respect to matters which under Rule 16b-3 under the Exchange Act, or any regulations or rules issued thereunder, are required to be determined in the sole discretion of the Committee. Except as may otherwise be provided in the certificate of incorporation or bylaws of the Company or in any charter of the Committee, appointment of Committee members shall be effective upon acceptance of appointment; Committee members may resign at any time by delivering written notice to the Board; and vacancies in the Committee may only be filled by the Board.

11.2 Action by the Committee. Unless otherwise established by the Board or in the certificate of incorporation or bylaws of the Company or in any charter of the Committee, a majority of the Committee shall constitute a quorum and the acts of a majority of the members present at any meeting at which a quorum is present, and acts approved in writing by a majority of the Committee in lieu of a meeting, shall be deemed the acts of the Committee. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Affiliate, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

11.3 Authority of Committee. Subject to any specific designation in the Plan, the Committee has the exclusive power, authority and discretion to:

(a) Designate Participants to receive Awards;

(b) Determine the type or types of Awards to be granted to each Participant;

(c) Determine the number of Awards to be granted and the number of Shares to which an Award will relate;

(d) Determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the exercise price, grant price, or purchase price, any reload provision, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Committee in its sole discretion determines;

(e) Determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(f) Prescribe the form of each Award Agreement, which need not be identical for each Participant;

(g) Decide all other matters that must be determined in connection with an Award;

(h) Establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan;

(i) Determine conclusively whether a Change in Control of the Company has occurred pursuant to the definition in Section 2.5, and the date of the occurrence of such Change in Control and any incidental matters relating thereto;

(j) Interpret the terms of, and any matter arising pursuant to, the Plan or any Award Agreement; and

(k) Make all other decisions and determinations that may be required pursuant to the Plan or as the Committee deems necessary or advisable to administer the Plan.

11.4 Decisions Binding. The Committee's interpretation of the Plan, any Awards granted pursuant to the Plan, any Award Agreement and all decisions and determinations by the Committee with respect to the Plan are final, binding, and conclusive on all parties.

11.5 Delegation of Authority. To the extent permitted by applicable law, the Board may from time to time delegate to a committee of one or more members of the Board or one or more officers of the Company the authority to grant or amend Awards to Participants other than (a) Employees who are subject to Section 16 of the Exchange Act or (b) officers of the Company (or Directors) to whom authority to grant or amend Awards has been delegated hereunder. For the avoidance of doubt, provided it meets the limitation in the preceding sentence, this delegation shall include the right to modify Awards as necessary to accommodate changes in the laws or regulations, including in jurisdictions outside the United States. Any delegation hereunder shall be subject to the restrictions and limits that the Board specifies at the time of such delegation, and the Board may at any time rescind the authority so delegated or appoint a new delegatee. At all times, the delegatee appointed under this Section 11.5 shall serve in such capacity at the pleasure of the Board.

ARTICLE 12. EFFECTIVE AND EXPIRATION DATE

12.1 Effective Date. The Plan is effective as of December 28, 2019.

12.2 Expiration Date. The Plan will expire on, and no Award may be granted pursuant to the Plan after December 28, 2029, except that no Incentive Stock Options may be granted under the Plan after the earlier of the tenth anniversary of (a) the date the Plan is approved by the Board or (b) the Effective Date. Any Awards that are outstanding on the tenth anniversary of the Effective Date shall remain in force according to the terms of the Plan and the applicable Award Agreement.

ARTICLE 13. AMENDMENT, MODIFICATION, AND TERMINATION

13.1 Amendment, Modification, and Termination. Subject to Section 14.14 hereof, with the approval of the Board, at any time and from time to time, the Committee may terminate, amend or modify the Plan; *provided, however*, that (a) to the extent necessary and desirable to comply with any applicable law, regulation, or stock exchange rule, the Company shall obtain stockholder approval of any Plan amendment in such a manner and to such a degree as required, and (b) stockholder approval shall be required for any amendment to the Plan that (i) increases the number of shares available under the Plan (other than any adjustment as provided by Article 10), or (ii) permits the Committee to extend the exercise period for an Option beyond ten years from the date of grant.

13.2 Awards Previously Granted. Except with respect to amendments made pursuant to Section 14.14 hereof, no termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted pursuant to the Plan without the prior written consent of the Participant; *provided*, *however*, that an amendment or modification that may cause an Incentive Stock Option to become a Non-Qualified Stock Option shall not be treated as adversely affecting the rights of the Participant.

ARTICLE 14. GENERAL PROVISIONS

14.1 No Rights to Awards. No Eligible Individual or other person shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Committee is obligated to treat Eligible Individuals, Participants or any other persons uniformly.

14.2 No Stockholders Rights. Except as otherwise provided herein, a Participant shall have none of the rights of a stockholder with respect to Shares covered by any Award, including the right to vote or receive dividends, until the Participant becomes the record owner of such Shares, notwithstanding the exercise of an Option or other Award.

14.3 Withholding. The Company or any Affiliate, as appropriate, shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy U.S. federal, state, and local taxes and taxes imposed by jurisdictions outside of the United States (including the Participant's employment tax obligations) required by law to be withheld with respect to any taxable event concerning a Participant arising as a result of this Plan or to take such other action as may be necessary in the opinion of the Company or an Affiliate, as appropriate, to satisfy withholding obligations for the payment of taxes. The Committee may in its discretion and in satisfaction of the foregoing requirement allow a Participant to elect to have the Company withhold Shares otherwise issuable under an Award (or allow the return of Shares) having a Fair Market Value equal to the sums required to be withheld. Notwithstanding any other provision of the Plan, the number of Shares which may be withheld with respect to the issuance, vesting, exercise or payment of any Award (or which may be repurchased from the Participant of such Award within six months (or such other period as may be determined by the Committee) after such Shares were acquired by the Participant from the Company) in order to satisfy the Participant's U.S. federal, state, local and non-U.S. income and payroll tax liabilities with respect to the issuance, vesting, exercise or payment of the Award shall be limited to the number of Shares which have a Fair Market Value on the date of withholding or repurchase equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such supplemental taxable income. No Shares shall be delivered hereunder to any Participant or other person until the Participant or such other person has made arrangements acceptable to the Committee for the satisfaction of the tax obligations with respect to any taxable event concerning the Participant or such other person arising as a result of this Plan.

14.4 No Right to Employment or Services. Nothing in the Plan or any Award Agreement shall interfere with or limit in any way the right of the Company or any Affiliate to terminate any Participant's employment or services at any time, nor confer upon any Participant any right to continue in the employ or service of the Company or any Affiliate.

14.5 Unfunded Status of Awards. The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Participant any rights that are greater than those of a general creditor of the Company or any Affiliate.

14.6 Indemnification. To the extent allowable pursuant to applicable law, each member of the Committee or of the Board shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her; *provided* he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

14.7 Relationship to other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits pursuant to any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Affiliate except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

14.8 Expenses. The expenses of administering the Plan shall be borne by the Company and its Affiliates.

14.9 Titles and Headings. The titles and headings of the Sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

14.10 Fractional Shares. No fractional Shares shall be issued and the Committee shall determine, in its discretion, whether cash shall be given in lieu of fractional shares or whether such fractional shares shall be eliminated by rounding up or down as appropriate.

14.11 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Plan, and any Award granted or awarded to any Participant who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 under the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

14.12 Government and Other Regulations. The obligation of the Company to make payment of awards in Shares or otherwise shall be subject to all applicable laws, rules, and regulations of the United States and jurisdictions outside the United States, and to such approvals by government agencies, including government agencies in jurisdictions outside of the United States, in each case as may be required or as the Company deems necessary or advisable. Without limiting the foregoing, the Company shall have no obligation to issue or deliver evidence of title for Shares subject to Awards granted hereunder prior to: (i) obtaining any approvals from governmental agencies that the Company determines are necessary or advisable, and (ii) completion of any registration or other qualification with respect to the Shares under any applicable law in the United States of in a jurisdiction outside of the United States or ruling of any governmental body that the Company determines to be necessary or advisable or at a time when any such registration or qualification is not current, has been suspended or otherwise has ceased to be effective. The inability or impracticability of the Company to obtain or maintain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained. The Company shall be under no obligation to register pursuant to the Securities Act, as amended, any of the Shares paid pursuant to the Plan. If the Shares paid pursuant to the Plan may in certain circumstances be exempt from registration pursuant to the Securities Act, as amended, the Company may restrict the transfer of such Shares in such manner as it deems advisable to ensure the availability of any such exemption.

14.13 Governing Law. The Plan and all Award Agreements, and all controversies arising thereunder or related thereto, shall be construed in accordance with and governed by the laws of the State of Delaware without regard to principles of conflict of laws that would apply to any other law.

14.14 Section 409A. Except as provided in Section 14.15 hereof, to the extent that the Committee determines that any Award granted under the Plan is subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including, without limitation, any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Committee determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the Committee may adopt such amendments to the Plan and the applicable Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance and thereby avoid the application of any penalty taxes under such Section.

14.15 No Representations or Covenants with respect to Tax Qualification. Although the Company may endeavor to (1) qualify an Award for favorable tax treatment under the laws of the United States or jurisdictions outside of the United States (*e.g.*, incentive stock options under Section 422 of the Code or French-qualified stock options) or (2) avoid adverse tax treatment (*e.g.*, under Section 409A of the Code), the Company makes no representation to that effect and expressly disavows any covenant to maintain favorable or avoid unfavorable tax treatment, anything to the contrary in this Plan, including Section 14.14 hereof, notwithstanding. The Company shall be unconstrained in its corporate activities without regard to the potential negative tax impact on holders of Awards under the Plan.

14.16 Applicable Policies Notwithstanding any other provision of the Plan or an Award agreement to the contrary, acceptance by any Participant of any Award granted pursuant to the Plan constitutes such Participant's acknowledgement and agreement that all Awards made pursuant to the Plan shall be subject to (a) Section 304 of the Sarbanes Oxley Act of 2002, (b) any rules and/or regulations issued pursuant to the Dodd-Frank Act of 2010 or any clawback policy adopted by the Company pursuant to such rules and/or regulations and (c) the insider trading policy of the Company.

This page intentionally left blank.

Dear Fellow Pilgrim’s Shareholders:

Our Strategy, with the diverse portfolio of bird sizes, geographical market exposure, our culture and our people, are what fundamentally differentiate us from the competition, giving us the potential to reduce volatility and generate higher margins over time. During 2018 our team members have remained focused on executing and delivering the best performance possible against differing market conditions across our global footprints. In the U.S. we endured a very challenging environment in commodity chicken, slower than expected recovery from weather disruptions at some complexes, partially offset by an improvement in operating results from Prepared Foods. In Europe we improved the performance through expected synergies but were impacted by higher feed inputs as a result of a drought that will be passed to our prices in coming quarters. Our Mexican operations produced a very strong first half, a weaker than seasonal Q3, followed by a rebound in Q4.

We continue to differentiate our portfolio and reduce the share of commodity sales to further reduce the impact of market fluctuation into our margins and improve our relative performance to competitors. We have grown revenues to Key Customers by over 100% the last seven years, supporting their growth with a full range of products. We have been increasing the percentage of specialty birds (including NAE and organic) and expect them to be over 40% of our US fresh portfolio during 2019, up from less than 20% just a few years ago. Prepared Foods are accelerating in momentum and grew 12% in revenue and 15% in volume, reflecting the results of the investments we made in the plants, operations and people to expand our capacities and capabilities to service customer expectations.

The integration in Europe is better than expected and we have extracted both operating and product synergies with our other geographical facilities. Margins have increased since the acquisition, and we are excited about our growth prospects. In Mexico, our Prepared Foods business is growing at a double digit rate and generating excellent results under both premium Pilgrim’s and Del Dia, both brands have continued to receive very favorable acceptance by consumers at retail, club stores, and QSRs.

For fiscal year 2018, we achieved Net Revenues of $10.94 billion while generating Net Income of $248 million, and a GAAP EPS of $1.00. Our adjusted EBITDA* (Earnings Before Interest, Taxes Depreciation and Amortization) was $798 million, or a 7.3% margin.

The strategy we implemented eight years ago have made a tangible difference – the result is evident in all three geographic regions in which we operate. It magnifies our relentless pursuit of operational excellence and presence in diverse and differentiated business models, segments, channels, and geographies. For the long term, we expect our competitive advantage to sustain.

Thank you for your continued support.

Jayson Penn
Chief Executive Officer and President
April 5, 2019

* As defined in our reconciliation to GAAP within our annual report on Form 10-K for the period ended December 30, 2018 and supporting 8-Ks.

This page intentionally left blank.

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 30, 2018

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 ☒ 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 ☒

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-accelerated Filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the Registrant's Common Stock, $0.01 par value, held by non-affiliates of the Registrant as of July 1, 2018 was $1,061,819,405. 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 13, 2019 was 248,965,081.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement for the 2019 Annual Meeting of Stockholders are incorporated by reference into Part III of this annual report.

PILGRIM'S PRIDE CORPORATION
FORM 10-K
TABLE OF CONTENTS

This page intentionally left blank.

PART I

Forward Looking Statements and Explanatory Note

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 Securities and Exchange Commission ("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-looking statements that reflect our current views about future events and are subject to risks, uncertainties and assumptions. Such risks, uncertainties and assumptions include those 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.

Item 1. Business

Company Overview

Pilgrim's Pride Corporation (referred to herein as "Pilgrim's," "PPC," "the Company," "we," "us," "our," or similar terms), which was incorporated in Texas in 1968 and reincorporated in Delaware in 1986, is the successor to a partnership founded in 1946 as a retail feed store. JBS S.A., through its indirect wholly-owned subsidiaries (together, "JBS"), beneficially owns 78.5% of our outstanding common stock. We are one of the largest chicken producers in the world with operations in the United States ("U.S."), the United Kingdom ("U.K."), Mexico, France, Puerto Rico and the Netherlands. 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, ready-to-eat meals, multi-protein frozen foods, vegetarian foods and desserts.

We market our balanced portfolio of fresh, prepared and value-added chicken products to a diverse set of over 6,000 customers across the U.S., the U.K., Mexico and in approximately 100 other countries, with no single customer accounting for more than ten percent 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 retail customers, including grocery store chains and wholesale clubs, such as Kroger®, Costco®, Publix®, and H-E-B®.

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. As of December 30, 2018, we operate feed mills, hatcheries, processing plants and distribution centers in 14 U.S. states, the U.K., France, the Netherlands, Mexico and Puerto Rico. Our plants are strategically located to ensure that customers timely receive fresh products. With our global network of approximately 5,300 growers, 38 feed mills, 49 hatcheries, 36 processing plants, 16 prepared foods cook plants, 22 distribution centers, nine rendering facilities and four pet food plants, we believe we are well-positioned to supply the growing demand for our products.

Our U.K. and Europe segment reflects the operations of Granite Holdings Sàrl and its subsidiaries (together, "Moy Park"), which we acquired on September 8, 2017. Moy Park is a leading and highly regarded U.K. food company, providing fresh, high quality and locally farmed poultry and convenience food products. Moy Park has operated in the U.K. and Europe retail market for over 50 years and delivers a range of fresh, ready-to-cook, coated and ready-to-eat poultry products to major retailers and large foodservice customers throughout the U.K., Ireland, France and the Netherlands. We believe that we operate one of the most efficient business models for chicken production in the U.K. and Europe.

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. Additionally, we are an important player in the live market in Mexico. We believe our Mexico business is well-positioned to continue benefiting from these trends in the Mexican consumer market.

As of December 30, 2018, we have approximately 52,100 employees and have the capacity to process more than 45.3 million birds per week for a total of approximately 13.4 billion pounds of live chicken annually. In 2018, we produced 10.7 billion pounds of chicken products, generating approximately $10.9 million in net sales and approximately $246.8 million in net income attributable to Pilgrim's.

On January 6, 2017, we acquired 100% of the membership interests of JFC LLC and its subsidiaries (together, "GNP") from Maschhoff Family Foods, LLC for a cash purchase price of $350 million, subject to customary working capital adjustments. GNP is a vertically integrated poultry business based in St. Cloud, Minnesota. The acquired business had a production capacity of 2.1 million birds per five-day work week in its two plants and employed approximately 1,600 people at the time of acquisition. The plants are located in geographic areas where Pilgrim's did not have a presence, providing Pilgrim's the opportunity to expand its production and customer bases. We plan to continue to leverage GNP's operations to enhance production efficiencies. Also, the addition of GNP's Just Bare® product lines join our existing no-antibiotics-ever and organic production capabilities, strengthening our footprint in fast-growing and higher-margin chicken segments. This acquisition further strengthened the Company's strategic position in the U.S. chicken market. The GNP operations are included in our U.S. segment.

On September 8, 2017, we acquired 100% of the issued and outstanding shares of Moy Park from JBS S.A. for a cash purchase price of $301.3 million and a note payable to the seller in the amount of £562.5 million. Moy Park is one of the top-ten food companies in the U.K., Northern Ireland's largest private sector business and one of Europe's leading poultry producers. With four fresh processing plants, ten prepared foods cook plants, three feed mills, seven hatcheries and one rendering facility in the U.K., France, and the Netherlands, the acquired business processes 6.0 million birds per seven-day work week, in addition to producing around 456.0 million pounds of prepared foods per year. Moy Park had approximately 10,200 employees at the time of acquisition. This acquisition further strengthened the Company's strategic position in the U.K. and Europe chicken market. The Moy Park operations constitutes our U.K. and Europe segment.

We operate on the basis of a 52/53-week fiscal year that ends on the Sunday falling on or before December 31. Any reference we make to a particular year (for example, 2018) applies to our fiscal year and not the calendar year. Fiscal 2018 was a 52-week fiscal year.

Our Industry

Industry Overview

The U.S. consumes more chicken than any other protein (approximately 35.9 billion pounds projected in calendar year 2019 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 42.8 billion pounds of ready-to-cook broiler meat in calendar year 2019, representing 20.2% of the total world production. Broilers are tender, young chickens suitable for broiling or roasting. Brazil and the European Union produce the second and third most chicken meat, with 14.1% and 12.8% of the world market, respectively, according to the USDA. Total chicken produced within the geographical regions in which the Company operates accounted for 36.6% of total world chicken production.

According to the USDA, the export of U.S. chicken products increased at an average annual growth rate of 0.1% from 2008 through 2018. The U.S. is the second-largest exporter of broiler meat behind Brazil. The U.S. is projected to export 7.1 billion pounds in calendar year 2019, which would account for 28.0% of the total world exports and 16.5% of the total U.S. production, according to the USDA. The top five exporters are projected to control over 85.2% of the market in 2019. Total exports within the geographical regions in which the Company operates accounted for 40.9% of total world chicken exports.

According to the USDA, chicken production in the U.S. increased from 2008 through 2018 at a compounded annual growth rate of 1.4%. 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 2018 through

2027 show an anticipated increase of global chicken production at a compounded annual growth rate of 0.8%. We believe our relationship with JBS 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, soybean meal and wheat as well as certain vitamins and minerals. Corn, soybean meal and wheat accounted for approximately 46.2%, 42.5% and 5.6% of our feed costs, respectively, in 2018. 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 an approximate 17.2% market share, based on ready-to-cook production in 2018, according to *WATTPoultryUSA* magazine. 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 business 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®, Kroger®, Costco®, Publix®, and H-E-B®, most 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 6,000 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 have closed, idled or sold plants and distribution centers, reduced or consolidated production at other facilities, streamlined our workforce and reduced administrative and corporate expenses. In addition, we continue to seek 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. We share corporate headquarters with JBS in Greeley, Colorado, and have integrated certain corporate functions with JBS to save costs.

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 JBS, which has over 50 years of combined experience operating protein processing facilities in South America, North America, Australia and Europe.

Relationship with JBS. We work closely with JBS management to identify areas where Pilgrim's and JBS can achieve synergies. We share corporate headquarters with JBS in Greeley, Colorado, and have integrated certain corporate functions with JBS to save costs. In addition to cost savings through the integration of certain corporate functions and the rationalization of facilities, our relationship with JBS allows us to enjoy several advantages given its diversified international operations and strong record in commodity risk management. In addition, the expertise of JBS 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 global 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.

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 Segments

We operate in three reportable business segments: U.S., U.K. and Europe, and Mexico. As a producer and seller of chicken products we either produce or purchase chicken for resale in the U.S., the U.K and Europe, and Mexico. We conduct separate operations in the U.S., the U.K. and Europe, Puerto Rico and Mexico; however, for geographic reporting purposes, we include Puerto Rico with our U.S. operations. See "Note 22. Business Segment and Geographic Reporting" of our Consolidated and Combined 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 85.7%, 44.2%, and 94.2% of our total U.S., U.K. and Europe, and Mexico chicken sales in 2018, respectively.

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 11.1%, 41.3%, and 5.8% of our total U.S., U.K. and Europe, and Mexico chicken sales in 2018, respectively.

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 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 export and other chicken products sales accounted for 3.2% and 14.5% of our total U.S. and U.K. and Europe chicken sales in 2018, respectively.

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.

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 develop and strengthen trade and consumer awareness and increase brand loyalty for consumer products marketed under the Pilgrim's®, Just BARE®, Gold'n Pump®, Gold Kist®, County Pride Chicken®, Pierce Chicken®, Pilgrim's® Mexico, County Post®, Savoro, To-Ricos, Del Dia®, Moy Park, and O'Kane 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., U.K. and continental Europe, or for export to Mexico, the Middle East, Asia, 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 chicken exports within our geographical operations in the U.S., U.K. and Europe, and Mexico 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, 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, 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 2014, 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.

	2018	2017	2016	2015	2014
			(In thousands)		
U.S. chicken:					
Fresh chicken	$ 5,959,458	$ 5,700,503	$ 4,627,137	$ 4,701,943	$ 4,703,993
Prepared chicken	773,983	950,378	1,269,010	1,672,693	1,787,389
Export and other chicken	258,732	213,595	313,827	358,877	620,082
Total U.S. chicken	6,992,173	6,864,476	6,209,974	6,733,513	7,111,464
U.K. and Europe chicken:					
Fresh chicken	925,124	846,575	811,127	240,815	—
Prepared chicken	865,864	792,284	794,880	241,589	—
Export and other chicken	303,921	318,699	283,276	67,903	—
Total U.K. and Europe chicken	2,094,909	1,957,558	1,889,283	550,307	—
Mexico chicken:					
Fresh chicken	1,252,403	1,245,144	1,154,355	960,528	900,360
Prepared chicken	76,860	58,512	91,289	55,672	—
Total Mexico chicken	1,329,263	1,303,656	1,245,644	1,016,200	900,360
Total chicken	10,416,345	10,125,690	9,344,901	8,300,020	8,011,824
Other products:					
U.S.	433,488	578,746	461,429	409,841	535,572
U.K. and Europe	53,757	38,761	58,158	22,261	—
Mexico	34,194	24,666	14,076	20,550	35,969
Total other products	521,439	642,173	533,663	452,652	571,541
Total net sales	$10,937,784	$10,767,863	$ 9,878,564	$ 8,752,672	$ 8,583,365

United States Operations

The following table sets forth, beginning with 2014, 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.

	2018	2017	2016	2015	2014
U.S. chicken:					
Fresh chicken	85.2	83.0	74.5	69.8	66.2
Prepared chicken	11.1	13.9	20.4	24.9	25.1
Export and other chicken	3.7	3.1	5.1	5.3	8.7
Total U.S. chicken	100.0	100.0	100.0	100.0	100.0

Product Types

Fresh Chicken Overview. Fresh chicken is an important component of our sales and accounted for $6.0 billion, or 85.2%, of our total U.S. chicken sales in 2018 and $4.7 billion, or 66.2%, in 2014. Most of our 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 2018, $774.0 million, or 11.1%, of our U.S. chicken sales were in prepared chicken products to foodservice customers and retail distributors, as compared to $1.8 billion, or 25.1%, in 2014. 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 28.5% of our U.S. cost of sales in 2018. 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.

Export and Other Chicken Overview. Our export and other chicken 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 2018, approximately $258.7 million, or 3.7%, of our total U.S. chicken sales were attributable to U.S. chicken export and other chicken products, as compared to $620.1 million, or 8.7%, in 2014.

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.

United Kingdom and Europe Operations

The following table sets forth, beginning with 2014, the percentage of net U.K. and Europe 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.

	2018	2017	2016	2015	2014
U.K. and Europe chicken:					
Fresh chicken	44.2	43.2	42.9	43.8	—
Prepared chicken	41.3	40.5	42.1	43.9	—
Export and other chicken	14.5	16.3	15.0	12.3	—
Total U.K. and Europe chicken	100.0	100.0	100.0	100.0	—

Background

On September 8, 2017, a subsidiary of the Company acquired 100% of the issued and outstanding shares of Moy Park from JBS S.A. in a common-control transaction for cash and a note payable to the seller. Moy Park is one of the top-ten food companies in the U.K., Northern Ireland's largest private sector business and one of Europe's leading poultry producers. With four fresh processing plants, ten prepared foods cook plants, three feed mills, seven hatcheries and one rendering facility in the U.K., France, and the Netherlands, Moy Park processes 6.0 million birds per seven-day work week, in addition to producing around 456.0 million pounds of prepared foods per year at the time of acquisition.

Our Moy Park operations, with plants in the U.K., France and the Netherlands generated approximately 19.6% of our net sales in 2018. We are one of the largest producers and sellers of chicken in the U.K.. We believe that we operate one of the most efficient business models for chicken production in the U.K. and Europe.

During 2016 and 2017, we invested approximately £20 million in a new poultry hatchery facility in Newark, England with an egg set capacity of 2.9 million eggs per week. The first birds were hatched from the facility in September 2017.

Product Types

Moy Park has built strong brands with high levels of brand recognition in the markets in which such brands are sold, including "Moy Park" and "O'Kane". Moy Park believes the development of its brands are important as it provides customers with confidence in the quality and consistency of its products. Brand marketing is focused on establishing its brands through consistent quality and product innovation as well as developing relationships with key customers. Moy Park believes that its brands can be expanded throughout Europe, which provides the opportunity to sell higher margin products in its traditional markets.

Moy Park maintains a development team and an executive chef to continue to develop new ideas for value added products across its range, and share those insights with its customers in order to drive sales. Moy Park has included new innovative products in its portfolio every year during the last five years with a growing new product development pipeline.

Fresh Chicken Overview. Moy Park's fresh chicken sales primarily consist of refrigerated and frozen whole chickens, breast fillets and mini breast fillets. Fresh chicken sales accounted for $925.1 million, or 44.2%, of our total U.K. and Europe chicken sales in 2018, as compared to $240.8 million, or 43.8% in 2015.

Prepared Chicken Overview. Moy Park produces further processed and prepared chicken products for sale to customers in retail, foodservice, agricultural and international distribution channels. Moy Park also sells a range of ready-to-cook, ready-to-eat and coated chicken products to leading retailers and foodservice providers. Prepared chicken sales accounted for $865.9 million, or 41.3% of our total U.K. and Europe chicken sales in 2018, as compared to $241.6 million, or 43.9% in 2015.

Export and Other Chicken Overview. In 2018, approximately $303.9 million, or 14.5%, of our total U.K. and Europe chicken sales were attributable to U.K. and Europe chicken export and other chicken products, as compared to $67.9 million, or 12.3%, in 2015.

Markets

Customers for Moy Park's fresh and further processed and prepared chicken products include: national and regional retailers (including grocery supermarket chains, independent grocers and club stores) and wholesale distributors; international retailers and wholesale distributors; and the foodservice industry, including foodservice distributors, fast food and other restaurants.

Mexico Operations

Background

Our Mexico operations generated approximately 12.5% of our net sales in 2018. 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.

On June 29, 2015, we acquired, indirectly through certain of our Mexican subsidiaries, 100% of the equity of Tyson Mexico from Tyson Foods, Inc. and certain of its subsidiaries for cash. Tyson Mexico is a vertically integrated poultry business based in Gómez Palacio, Durango, Mexico. The acquired business has a production capacity of 2.9 million birds per week in its three plants. The acquisition further strengthened our strategic position in the Mexico chicken market.

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 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 approximately 75.4% of the population.

Key Customers

Our two largest customers accounted for approximately 12.4% and 11.0% of our net sales in 2018 and 2017, respectively. No single customer accounted for ten percent or more of our net sales in either 2018 or 2017.

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 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 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"), the Occupational Safety and Health Administration ("OSHA") and state and local regulatory authorities in the U.S. and by similar governmental agencies in the U.K. and Europe and 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 U.K. and Europe and Mexico food processing facilities and feed mills are subject to on-site examination, inspection and regulation by government agencies that perform 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. Moy Park's operations in the U.K. and Europe are subject to a number of local, national and regional laws and other requirements relating to the protection of the environment and the safety and health of personnel and the public. Our Mexican operations also are subject to extensive regulation by Mexican environmental authorities. The EPA, Mexican, U.K. and Europe environmental authorities 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, OSHA and other state, federal 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.

Moy Park's operations in the U.K. and Europe are similarly subject to a number of directives and local, national and regional regulations in relation to 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. In the U.K. and the European Union, all poultry farms which exceed a threshold size of 40,000 birds placed are required to carry out activities in compliance with their environmental permits and they must use Best Available Techniques in order to achieve a high level of environmental protection.

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.

Employees

As of December 30, 2018, we employed approximately 31,100 persons in the U.S., approximately 10,700 persons in Mexico and approximately 10,300 persons in the U.K. and Europe. Approximately 37.1% 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 2019 or later. We have not experienced any labor-related work stoppage at any location in over ten 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. In the absence of agreements, we may become subject to labor disruption at one or more of these locations, which could have an adverse effect on our financial results.

Trademarks

We own registered trademarks which are used in connection with our activity in our business. The trademarks are important to the overall marketing and branding of our products. All major trademarks in our business are registered. In part, our success can be attributed to the existence and continued protection of these trademarks.

Seasonality

The demand for our chicken products generally is greatest during the spring and summer months and lowest during the winter months.

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.

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	59	President and Chief Executive Officer
Fabio Sandri	47	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.

Fabio Sandri has served as the Chief Financial Officer for Pilgrim's since June 2011. From April 2010 to June 2011, Mr. Sandri served as the Chief Financial Officer of Estacio Participações, the private post-secondary educational institution in Brazil. 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, then 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

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.

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.

There have been outbreaks of 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 HPAI H5 and H7N3 or highly infectious strains such as H7N9. Even if no further highly pathogenic or highly contagious strains of avian influenza are confirmed in the U.S., the U.K. and Europe or Mexico, 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 U.S.-produced, the U.K. and Europe produced or Mexico-produced poultry domestically, and, if any of these strains were to spread to either the U.S., the U.K. and Europe or Mexico, 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 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.

We may not be able to successfully integrate the operations of companies we acquire, including Moy Park, or benefit from growth opportunities.

We intend to pursue additional selected growth opportunities in the future. These opportunities, including the Moy Park acquisition, may expose us to successor liability relating to actions involving any acquired entities, their respective management or contingent liabilities incurred prior to our involvement and will expose us to liabilities associated with ongoing operations, in particular to the extent we are unable to adequately and safely manage such acquired operations. A material liability associated with these types of opportunities, or our failure to successfully integrate any acquired entities into our business, could adversely affect our reputation and have a material adverse effect on us.

Undisclosed liabilities from our acquisitions may harm our financial condition and operating results. If we make acquisitions in the future, these transactions may be structured in such a manner that would result in our assumption of undisclosed liabilities or liabilities not identified during our pre-acquisition due diligence. These obligations and liabilities could adversely affect our financial condition and operating results.

We may not be able to successfully integrate any growth opportunities we may undertake in the future, including the Moy Park acquisition, or successfully implement appropriate operational, financial and administrative systems and controls to achieve the benefits that we expect to result therefrom. These risks include: (1) failure of the acquired entities to achieve expected results; (2) possible inability to retain or hire key personnel of the acquired entities; and (3) possible inability to achieve expected synergies and/or economies of scale. In addition, the process of integrating businesses could cause interruption of, or loss of momentum in, the activities of our existing business. The diversion of our management's attention and any delays or difficulties encountered in connection with the integration of these businesses could adversely affect our business, results of operations and prospects.

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

The chicken industry is highly competitive. In the U.S., Mexico and U.K. and Europe, 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. In the U.K. and Europe retail and food service markets, key competitive factors include price, delivering consistent levels of the highest quality, service level and delivering strong innovation. The fresh U.K. and Europe market is almost exclusively retailer private label with the exclusion of the Republic of Ireland where Moy Park is a leading brand. The U.K. fresh market is almost exclusively sourced from within the U.K. so vertical integration is a prerequisite for operating in this market. The U.K. prepared foods market is less exclusively sourced from within the U.K. so vertical integration is less of a consideration and competition is opened up to other processors, some of whom produce or source from abroad.

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

Our two largest customers accounted for approximately 12.4% of our net sales in 2018. 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 Europe 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 and Europe are conducted through subsidiaries organized under non-U.S. laws. 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 these subsidiaries to make payments and distributions to us are limited by terms of the Moy Park Multicurrency Revolving Facility Agreement and may be limited by the terms of our Mexico credit facility and will be subject to, among other things, the laws applicable to these subsidiaries. In the past, these laws have not had a material adverse effect on the ability of these subsidiaries to make these payments and distributions. However, laws such as these may have a material adverse effect on the ability of these subsidiaries to make these payments and distributions in the future.

Disruptions in international markets, distribution channels and tariffs 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 and Asia. 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 that have deterred Chinese importers from purchases of U.S.-origin chicken products. Russia also banned the importation of chicken and other agricultural products from the U.S. and certain other western countries in August 2014 in retaliation for sanctions imposed by the U.S. and Europe on Russia over its actions in Ukraine.

A significant risk is disruption due to import restrictions and tariffs, other trade protection measures, and import or export licensing requirements regarding food products imposed by foreign countries. 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. Changes in laws or regulations or the application thereof regarding areas such as wage and hour and environmental compliance may lead to government enforcement actions and resulting litigation by private litigants.

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. Additionally, there may be uncertainty as to the position the U.S. will take with respect to immigration following the 2016 U.S. presidential election and related change in the U.S. political agenda. 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. 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.

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 30, 2018, we employed approximately 31,100 persons in the U.S., approximately 10,700 persons in Mexico and approximately 10,300 persons in the U.K. and Europe. Approximately 37.1% 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 2019 or later. We have not experienced any labor-related work stoppage at any location in over ten 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. In the absence of agreements, we may become subject to labor disruption at one or more of these locations, 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 beneficially owns 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 beneficially owns 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 JBS USA and us 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 JBS USA and us, 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.

J&F Investimentos S.A. is investigating improper payments made in Brazil in connection with admissions of illicit conduct to the Brazilian Federal Prosecutor's Office and the outcome of this investigation and related investigations by the Brazilian government could have a material adverse effect on us.

On May 3, 2017, certain officers of J&F Investimentos S.A. ("J&F," and together with the companies controlled by J&F, the "J&F Group"), a company organized in Brazil and an indirect controlling stockholder of the Company, including a former senior executive and former board members of the Company, entered into plea bargain agreements (collectively, the "Plea Bargain Agreements") with the Brazilian Federal Prosecutor's Office (Ministério Público Federal) (the "MPF") in connection with certain misconduct by J&F and such individuals acting in their capacity as J&F executives. The details of such misconduct are set forth in separate annexes to the Plea Bargain Agreements, and include admissions of payments to politicians and political parties in Brazil during a ten-year period in exchange for receiving, or attempting to receive, favorable treatment for certain J&F Group companies in Brazil.

On June 5, 2017, J&F, for itself and as the controlling shareholder of the J&F Group companies, entered into a leniency agreement (the "Leniency Agreement") with the MPF, whereby J&F assumed responsibility for the conduct that was described in the annexes to the Plea Bargain Agreements. In connection with the Leniency Agreement, J&F has agreed to pay a fine of 10.3 billion Brazilian reais, adjusted for inflation, over a 25-year period. Various proceedings by Brazilian governmental authorities remain pending against J&F and certain of its officers to potentially invalidate the Plea Bargain Agreements and impose more severe penalties for additional alleged misconduct that were not disclosed in the annexes to the Plea Bargain Agreements.

J&F is conducting an internal investigation in accordance with the terms of the Leniency Agreement, and has engaged outside advisors to assist in conducting this investigation, which is ongoing, and with which we are fully cooperating. JBS S.A. and the Company have engaged outside U.S. legal counsel to: (i) conduct an independent investigation in connection with matters disclosed in the Leniency Agreement and the Plea Bargain Agreements; and (ii) communicate with relevant U.S. authorities, including the Department of Justice regarding the factual findings of that investigation. Additionally, JBS S.A. and the Company have taken, and are continuing to take, measures to enhance their compliance programs, including to prevent and detect bribery and corruption. We cannot predict when the J&F and JBS S.A. investigations will be completed or the results of such investigations, including whether any litigation will be brought against us or the outcome or impact of any resulting litigation. We will monitor the results of the investigations. Any proceedings that require us to make substantial payments, affect our reputation or otherwise interfere with our business operations could have a material adverse effect on our business, financial condition and operating results.

Any further developments in these, or other, matters involving the controlling shareholders, directors, or officers of J&F, or other parties affiliated with us, could subject JBS S.A. and its subsidiaries (including the Company) to potential fines or penalties, may materially adversely affect the public perception or reputation of JBS S.A. and its subsidiaries (including the Company) and could have a material adverse effect on JBS S.A. and its subsidiaries (including the Company).

Our operations are subject to general risks of litigation.

We are involved on an ongoing basis in litigation relating to alleged antitrust violations or arising in the ordinary course of business or otherwise. For example, between September 2, 2016 and October 13, 2016, a series of purported class action lawsuits were brought against Pilgrim's and 13 other producers by and on behalf of direct and indirect purchasers of broiler chickens. The complaints, which were filed with the U.S. District Court for the Northern District of Illinois, seek, among other relief, treble damages for an alleged conspiracy among defendants to reduce output and increase prices of broiler chickens from the period of January 2008 to the present. 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 result material damages, which could adversely affect our financial condition and results of operations.

We are subject to anti-corruption laws in the jurisdictions in which we operate, including the U.S. Foreign Corrupt Practices Act and the UK Bribery Act.

We are subject to a number of anti-corruption laws, including the U.S. Foreign Corrupt Practices Act ("FCPA") and the UK Bribery Act.

The FCPA and similar anti-bribery laws generally prohibit companies and their intermediaries from making improper payments or improperly providing anything of value to foreign officials, directly or indirectly, for the purpose of obtaining or keeping business and/or other benefits. Some of these laws have legal effect outside the jurisdictions in which they are adopted under certain circumstances. The FCPA also requires maintenance of adequate record-keeping and internal accounting practices to accurately reflect transactions. Under the FCPA, companies operating in the United States may be held liable for actions taken by their strategic or local partners or representatives.

The UK Bribery Act is broader in scope than the FCPA in that it directly prohibits commercial bribery (i.e. bribing others than government officials) in addition to bribery of government officials and it does not recognize certain exceptions, notably for facilitation payments, that are permitted by the FCPA. The UK Bribery Act also has wide jurisdiction. It covers any offense committed in the United Kingdom, but proceedings can also be brought if a person who has a close connection with the United Kingdom commits the relevant acts or omissions outside the United Kingdom. The UK Bribery Act defines a person with a close connection to include British citizens, individuals ordinarily resident in the United Kingdom and bodies incorporated in the United Kingdom.

The UK Bribery Act also provides that any organization that conducts part of its business in the United Kingdom, even if it is not incorporated in the United Kingdom, can be prosecuted for the corporate offense of failing to prevent bribery by an associated person, even if the bribery took place entirely outside the United Kingdom and the associated person had no connection with the United Kingdom. Other jurisdictions in which we operate have adopted similar anti-corruption, anti-bribery and anti-kickback laws to which we are subject. Civil and criminal penalties may be imposed for violations of these laws.

Although the code of ethics and standards of conduct adopted by JBS S.A. in late 2015 requires our employees to comply with the FCPA and the UK Bribery Act, we are still implementing a formal compliance program and policies that cover our employees and consultants. We operate in some countries which are viewed as high risk for corruption. Despite our ongoing efforts to ensure compliance with the FCPA, the UK Bribery Act and similar laws, there can be no assurance that our directors, officers, employees, agents, third-party intermediaries and the companies to which we outsource certain of our business operations, will comply with those laws and our anti-corruption policies, and we may be ultimately held responsible for any such non-compliance. If we or our directors or officers violate anti-corruption laws or other laws governing the conduct of business with government entities (including local laws), we or our directors or officers may be subject to criminal and civil penalties or other remedial measures, which could harm our reputation and have a material adverse impact on our business, financial condition, results of operations and prospects. Any actual or alleged violations of such laws could also harm our reputation or have an adverse impact on our business, financial condition, results of operations and prospects.

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 could adversely affect our financial results.

We are increasingly dependent on information technology, and our business and reputation could suffer if we are unable to protect our information technology systems against, or effectively respond to, cyber-attacks, other cyber incidents or security breaches or if our information technology systems are otherwise disrupted.

The proper functioning of our information systems is critical to the successful operation of our business. Although our information systems are protected with robust backup systems, including physical and software safeguards and remote processing capabilities, information systems are still vulnerable to natural disasters, power losses, unauthorized access, telecommunication failures, and other problems. In addition, certain software used by us is licensed from, and certain services related to our information systems are provided by, third parties who could choose to discontinue their relationship with us. If critical information systems fail or these systems or related software or services are otherwise unavailable, our ability to process orders, maintain proper levels of inventories, collect accounts receivable, pay expenses, and maintain the security of Company and customer data could be adversely affected.

Cyber-attacks and other cyber incidents are occurring more frequently and are constantly evolving in nature and sophistication. Our failure to maintain our cyber-security measures and keep abreast of new and evolving threats may make our systems vulnerable. The potential consequences of a material cybersecurity incident include reputational damage, litigation with third parties, regulatory actions, disruption of plant operations, and increased cybersecurity protection and remediation costs. There can be no assurance that we will be able to prevent all of the rapidly evolving forms of increasingly sophisticated and frequent cyberattacks. The vulnerability of our systems and our failure to identify or respond timely to cyber incidents could have an adverse effect on our operations and reputation and expose us to liability or regulatory enforcement actions.

Recent legal developments in Europe could result in changes to our business practices, penalties, increased cost of operations, or otherwise harm our business.

To conduct our operations, we regularly move data across national borders and must comply with increasingly complex and rigorous regulatory standards enacted to protect business and personal data in the U.S. and elsewhere. For example, the European Union recently adopted the General Data Protection Regulation (the "GDPR"). The GDPR imposes additional obligations on companies regarding the handling of personal data and provides certain individual privacy rights to persons whose data is stored. Compliance with existing, proposed and recently enacted laws and regulations can be costly; any failure to comply with these regulatory standards could subject us to legal and reputational risks including proceedings against the Company by governmental entities or others, fines and penalties, damage to our reputation and credibility and could have a negative impact on our business and results of operations.

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

On a consolidated basis, as of December 30, 2018, we had approximately $505.6 million in secured indebtedness, $1.8 billion of unsecured indebtedness and had the ability to borrow approximately $920.9 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.

Impairment in the carrying value of goodwill could negatively affect our operating results.

We have a significant amount of goodwill on our Consolidated Balance Sheet. Under generally accepted accounting principles, goodwill must be evaluated for impairment annually or more frequently if events indicate it is warranted. If the carrying value of our reporting units exceeds their current fair value as determined based on the discounted future cash flows of the related business, the goodwill is considered impaired and is reduced to fair value by a non-cash charge to earnings. Events and conditions that could result in impairment in the value of our goodwill include changes in the industry in which we operate, particularly the impact of a downturn in the global economy or the economies of geographic regions or countries in which we operate, as well as competition, adverse changes in the regulatory environment, or other factors leading to reduction in expected long-term sales or profitability.

Media campaigns related to food production and regulatory and customer focus on environmental, social and governance responsibility could expose us to additional costs or 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.

In addition, regulators, stockholders, customers and other interested parties have focused increasingly on the environmental, social and governance practices of companies. This has led to an increase in regulations and may continue to cause us to be subject to additional regulations in the future. Our customers or other interested parties may also require us to implement certain environmental, social or governance procedures or standards before doing or continuing to do business with us. This increased attention on environmental, social and governance practices could have a material adverse effect on our business, financial condition and results of operations.

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 acquisition of GNP was structured as an equity purchase in which we effectively assumed all of the liabilities of GNP 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;
- 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.

Our operations may be impacted by the United Kingdom's proposed exit from the European Union.

The United Kingdom's June 2016 referendum in which voters approved an exit from the European Union (commonly referred to as "Brexit") and subsequent negotiations related to the referendum has caused and may continue to cause volatility in the global stock markets, currency exchange rate fluctuations and global economic uncertainty, which could adversely affect our ability to transact business in the U.K. and in countries in the European Union. The long-term effects of Brexit will depend in part on any agreements the U.K. makes to retain access to markets in the European Union following the U.K.'s withdrawal from the European Union. In addition, we expect that Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the U.K. determines which European Union laws to replicate or replace. If the U.K. were to significantly alter its regulations affecting the food industry, we could face significant new costs. It may also be time-consuming and expensive for us to alter our internal operations in order to comply with new regulations. Additionally, Moy Park's results of operations may be adversely affected if the U.K. is unable to secure replacement trade agreements and arrangements on terms as favorable as those currently enjoyed by the U.K. Any of the effects of Brexit could adversely affect our business, business opportunities, results of operations, financial condition and cash flows.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Operating Facilities

Our main operating facilities are as follows:

	Operating	Idled	Capacity[(a)]	Unit of measure	Average Capacity Utilization[(b)]
Legacy Pilgrim's Facilities:					
U.S. Facilities					
Fresh processing plants	25	4	6.6 million	Birds per day	90.1%
Prepared foods cook plants	4	2	495.9 million	Pounds per year	64.4%
Feed mills	26	2	12.3 million	Tons per year	74.5%
Hatcheries	32	2	2.3 billion	Eggs per year	84.5%
Rendering	4	2	381,408	Tons per year	63.6%
Pet food processing	4	—	94,748	Tons per year	53.7%
Freezers	1	1	N/A		N/A
Grain elevator	1	—	4.0 million	Bushels put through per year	100.0%
U.K. and Europe Facilities					
Fresh processing plants	4	—	0.9 million	Birds per day	93.5%
Prepared foods cook plants	10	1	0.2 million	Tons per year	77.1%
Feed mills	3	—	0.7 million	Tons per year	92.0%
Hatcheries	6	1	413.9 million	Eggs per year	85.7%
Rendering	1	—	18,460	Tons per year	96.2%
Puerto Rico Facilities					
Fresh processing plant	1	—	0.1 million	Birds per day	53.4%
Feed mill	1	—	0.1 million	Tons per year	59.6%
Hatchery	1		27.0 million	Eggs per year	57.6%
Rendering	1	—	6,440	Tons per year	27.0%
Distribution center	1	—	N/A		N/A
Mexico Facilities					
Fresh processing plants	6	—	1.1 million	Birds per day	88.0%
Prepared foods cook plants	2	—	27.4	Kilograms per quarter	90.1%
Feed mills	8	—	2.3 million	Tons per year	71.4%
Hatcheries	10	1	1.2 billion	Eggs per year	74.6%
Rendering	3	—	54,240	Tons per year	80.5%
Distribution centers	21	—	N/A		N/A

(a) Capacity and utilization numbers do not include idled facilities.
(b) Due to the impact of Hurricane Maria in 2017, our Puerto Rico facilities were not operational in January and February 2018, partially reducing the reported average capacity utilization for the year.

Other Facilities and Information

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

In Mexico, we own an office building for administration in Gómez Palacio, Durango and lease an office building for Mexican corporate officers in Santiago de Querétaro, Querétaro. We also lease office space in Mexico City that houses our Mexican sales office.

In the U.K., we lease office space in Craigavon, U.K., which houses administrative, sales, marketing and other support personnel, and office space in Portadown, U.K., which houses information technology personnel. We also lease a space in Ballymena, U.K. that houses a research and development lab.

Most of our U.S. property, plant and equipment are pledged as collateral under our U.S. credit facilities. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 3. Legal Proceedings

Tax Claims and Proceedings

A Mexico subsidiary of the Company is currently appealing an unfavorable tax adjustment proposed by Mexican Tax Authorities due to an examination of a specific transaction undertaken by the Mexico subsidiary during tax years 2009 and 2010. Amounts under appeal are $24.3 million and $16.1 million for tax years 2009 and 2010, respectively. No loss has been recorded for these amounts at this time.

Other Claims and Proceedings

Between September 2, 2016 and October 13, 2016, a series of purported federal class action lawsuits styled as *In re Broiler Chicken Antitrust Litigation*, Case No. 1:16-cv-08637 were filed with the U.S. District Court for the Northern District of Illinois against PPC and 13 other producers by and on behalf of direct and indirect purchasers of broiler chickens alleging violations of federal and state antitrust and unfair competition laws. The complaints seek, among other relief, treble damages for an alleged conspiracy among defendants to reduce output and increase prices of broiler chickens from the period of January 2008 to the present. The class plaintiffs have filed three consolidated amended complaints: one on behalf of direct purchasers and two on behalf of distinct groups of indirect purchasers. Between December 2017 and January 2019, eighteen individual direct action complaints (*Affiliated Foods, Inc., et al., v. Claxton Poultry Farms, Inc., et al.*, Case No. 1:17-cv-08850; *Sysco Corp. v. Tyson Foods Inc., et al*, Case No. 1:18-cv-00700; *US Foods Inc. v. Tyson Foods Inc., et al*, Case No. 1:18-cv-00702; *Action Meat Distributors, Inc. et al., v. Claxton Poultry Farms, Inc., et al.*, Case No. 1:18-cv-03471; *Jetro Holdings, LLC, v. Tyson Foods, Inc. et al.*, Case No. 1:18-cv-04000; *Associated Grocers of the South, Inc. et al., v. Tyson Foods, Inc., et al.*, Case No. 1:18-cv-4616; *The Kroger Co., et al. v. Tyson Foods, Inc., et al.*, Case No. 1:18-cv-04534; *Ahold Delhaize USA, Inc. v. Koch Foods, Inc., et al.*, Case No. 1:18-cv-05351; *Samuels as Trustee In Bankruptcy for Central Grocers, Inc. et al v. Norman W. Fries, Inc., d/b/a Claxton Poultry Farms, Inc. et al.*, Case No. 1:18-cv-05341; *W. Lee Flowers & Company, Inc. v. Norman W. Fries, Inc., d/b/a Claxton Poultry Farms, Inc. et al.*, Case No. 1:18-cv-05345; *BJ's Wholesale Club, Inc. v. Tyson Foods, Inc., et al.*, Case No. 1:18-cv-05877; *United Supermarkets LLC, et al. v. Tyson Foods Inc., et al.*, Case No. 1:18-cv-06693; *Associated Wholesale Grocers, Inc. v. Koch Foods, Inc., et al.*, Case No. 1:18-cv-06316 (transferred from the U.S. District Court for the District of Kansas on September 17, 2018, following Defendants' successful motion to transfer); *Shamrock Foods Company and United Food Service, Inc. v. Tyson Foods, Inc., et al.,* Case No. 18-cv-7284; *Winn-Dixie Stores, Inc., et al. v. Koch Foods, Inc., et al.*, Case No. 1:18-cv-00245; *Quirch Foods, LLC, f/k/a Quirch Foods Co. v. Koch Foods, Inc., et al.,* Case No. 18-cv-08511; *Sherwood Food Distributors, L.L.C., et al. v. Tyson Foods, Inc., et al.,* Case No. 19-cv-00354), and *Hooters of America, LLC v. Tyson Foods, Inc., et al*, Case No. 1:19-cv-00390 (N.D. Ill.) were filed with the U.S. District Court for the Northern District of Illinois by individual direct purchaser entities, the allegations of which largely mirror those in the class action complaints. Substantial completion of document discovery for most Defendants, including PPC, occurred on July 18, 2018. The Court's scheduling order currently requires completion of fact discovery on October 14, 2019; class certification briefing and expert reports proceeding from November 12, 2019 to July 14, 2020; and summary judgment to proceed 60 days after the Court rules on motions for class certification. The Court has ordered the parties to coordinate scheduling of the direct action complaints with the class complaints with any necessary modifications to reflect time of filing. Discovery will be consolidated.

On October 10, 2016, Patrick Hogan, acting on behalf of himself and a putative class of persons who purchased shares of PPC's stock between February 21, 2014 and October 6, 2016, filed a class action complaint in the U.S. District Court for the District of Colorado against PPC and its named executive officers. The complaint alleges, among other things, that PPC's SEC filings contained statements that were rendered materially false and misleading by PPC's failure to disclose that (i) the Company colluded with several of its industry peers to fix prices in the broiler-chicken market as alleged in the *In re Broiler Chicken Antitrust Litigation*, (ii) its conduct constituted a violation of federal antitrust laws, (iii) PPC's revenues during the class period were the result of illegal conduct and (iv) that PPC lacked effective internal control over financial reporting. The complaint also states that PPC's industry was anticompetitive. On April 4, 2017, the Court appointed another stockholder, George James Fuller, as lead plaintiff. On May 11, 2017, the plaintiff filed an amended complaint, which extended the end date of the putative class period to November 17, 2017. PPC and the other defendants moved to dismiss on June 12, 2017, and the plaintiff filed its opposition on July 12, 2017. PPC and the other defendants filed their reply on August 1, 2017. On March 14, 2018, the Court dismissed the plaintiff's complaint without prejudice and issued final judgment in favor of PPC and the other defendants. On April 11, 2018, the plaintiff moved for reconsideration of the Court's decision and for permission to file a Second Amended Complaint. PPC and the other defendants filed a response to the plaintiff's motion on April 25, 2018. On November 19, 2018, the Court denied the plaintiff's motion for reconsideration and granted plaintiff leave to file a Second Amended Complaint. As of January 18, 2019, plaintiff has not yet filed a Second Amended Complaint.

On January 27, 2017, a purported class action on behalf of broiler chicken farmers was brought against PPC and four other producers in the Eastern District of Oklahoma, alleging, among other things, a conspiracy to reduce competition for grower services and depress the price paid to growers. Plaintiffs allege violations of the Sherman Act and the Packers and Stockyards Act and seek, among other relief, treble damages. The complaint was consolidated with a subsequently filed consolidated amended class action complaint styled as *In re Broiler Chicken Grower Litigation*, Case No. CIV-17-033-RJS (the "Grower Litigation"). The defendants (including PPC) jointly moved to dismiss the consolidated amended complaint on September 9, 2017. The Court initially held oral argument on January 19, 2018, during which it considered and granted only motions from certain other defendants who were challenging jurisdiction. Oral argument on the remaining pending motions in the Oklahoma court occurred on April 20, 2018. Rulings on the motion are pending. In addition, on March 12, 2018, the Northern District of Texas, Fort Worth Division ("Bankruptcy Court") enjoined plaintiffs from litigating the Grower Litigation complaint as pled against the Company because allegations in the consolidated complaint violate the confirmation order relating to the Company's 2008-2009 bankruptcy proceedings. Specifically, the 2009 bankruptcy confirmation order bars any claims against the Company based on conduct occurring before December 28, 2009. On March 13, 2018, Pilgrim's notified the trial court of the Bankruptcy Court's injunction. To date, plaintiffs have not amended the consolidated complaint to comply with the Bankruptcy Court's injunction order or the confirmation order.

On March 9, 2017, a stockholder derivative action styled as *DiSalvio v. Lovette, et al.*, No. 2017 cv. 30207, was brought against all of PPC's directors and its Chief Financial Officer, Fabio Sandri, in the District Court for the County of Weld in Colorado. The complaint alleges, among other things, that the named defendants breached their fiduciary duties by failing to prevent PPC and its officers from engaging in an antitrust conspiracy as alleged in the *In re Broiler Chicken Antitrust Litigation*, and issuing false and misleading statements as alleged in the Hogan class action litigation. On April 17, 2017, a related stockholder derivative action styled *Brima v. Lovette, et al.*, No. 2017 cv. 30308, was brought against all of PPC's directors and its Chief Financial Officer in the District Court for the County of Weld in Colorado. The Brima complaint contains largely the same allegations as the DiSalvio complaint. On May 4, 2017, the plaintiffs in both the DiSalvio and Brima actions moved to (i) consolidate the two stockholder derivative cases, (ii) stay the consolidated action until the resolution of the motion to dismiss in the Hogan putative securities class action, and (iii) appoint co-lead counsel. The Court granted the motion on May 8, 2017, staying the proceedings pending resolution of the motion to dismiss in the Hogan action.

In January 2018, a stockholder derivative action entitled *Raul v. Nogueira de Souza, et al.*, was filed in the U.S. District Court for the District of Colorado against the Company, as nominal defendant, as well as the Company's directors, its Chief Financial Officer, and majority stockholder, JBS S.A. The complaint alleges, among other things, that (i) defendants permitted the Company to omit material information from its proxy statements filed in 2014 through 2017 related to the conduct of Wesley Mendonça Batista and Joesley Mendonça Batista, (ii) the individual defendants and JBS S.A. breached their fiduciary duties by failing to prevent the Company and its officers from engaging in an antitrust conspiracy as alleged in the Broiler Litigation and (iii) issuing false and misleading statements as alleged in the Hogan class action litigation. On May 17, 2018, the plaintiffs filed an unopposed motion to stay proceedings pending a final resolution of the Hogan class action litigation. The court-ordered deadline for the defendants to file an answer or otherwise respond to the complaint was originally set for July 30, 2018. This deadline was extended to August 31, 2018, at which time the plaintiffs filed an unopposed motion to voluntarily dismiss the complaint without prejudice. The Court granted the plaintiffs' motion on September 4, 2018.

On January 25, 2018, a stockholder derivative action styled as *Sciabacucchi v. JBS S.A., et al.*, was brought against all of PPC's directors, JBS S.A., JBS USA Holding Lux S.à r.l. ("JBS Holding Lux") and several members of the Batista family, in the Court of Chancery of the State of Delaware (the "Chancery Court"). The complaint alleges, among other things, that the named defendants breached their fiduciary duties arising out of the Company's acquisition of Moy Park. On March 15, 2018, the members of the Batista family were dismissed from the action without prejudice by stipulation. On March 20, 2018, nominal defendant PPC filed its answer. On March 20, 2018, the remaining defendants, including PPC's directors, JBS S.A., and JBS Holding Lux moved to dismiss the complaint. On April 19, 2018, director defendants Bell, Macaluso, and Cooper filed their opening brief in support of their motion to dismiss. On April 19, 2018, defendants JBS S.A., JBS Holding Lux, and director defendants Lovette, Nogueira de Souza, Tomazoni, Farahat, Molina, and de Vasconcellos, Jr. filed their opening brief in support of their motion to dismiss. On May 24, 2018, Employees Retirement System of the City of St. Louis filed a derivative complaint, which was virtually identical to the Sciabacucchi complaint. On July 2, 2018, the Chancery Court granted a stipulation consolidating the cases and making the first complaint (Sciabacucchi) the operative complaint. On July 3, 2018, the plaintiffs dismissed the Special Committee defendants—Bell, Macaluso and Cooper. On July 9, 2018, the plaintiffs dismissed de Vasconcellos, Jr. and filed their opposition to the motion to dismiss by the entity and non-Special Committee defendants, who filed their reply on August 9, 2018. On November

15, 2018, the parties argued the dismissal of the remaining defendants (JBS S.A., JBS Holding Lux, and director defendants Lovette, Nogueira de Souza, Tomazoni, Farahat, and Molina) before the Chancery Court. After arguments concluded, the Chancery Court asked the parties to submit supplemental briefing on the viability of an additional ground for dismissal. The parties filed their respective supplemental briefs on December 21, 2018. The Chancery Court has yet to issue it's decision.

The Company believes it has strong defenses in each of the above litigations and intends to contest them vigorously. The Company cannot predict the outcome of these actions nor when they will be resolved. If the plaintiffs were to prevail in any of these litigations, the Company could be liable for damages, which could be material and could adversely affect its financial condition or results of operations.

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."

Holders

The Company estimates there were approximately 41,000 holders (including individual participants in security position listings) of the Company's common stock as of February 13, 2019.

Dividends

The Company has no current intention to pay any 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.

Both the U.S. Credit Facility and the indentures governing the Company's senior notes restrict, but do not prohibit, the Company from declaring dividends. The terms of the Moy Park Multicurrency Revolving Facility Agreement restrict Moy Park's ability and the ability of certain of Moy Park's subsidiaries to, among other things, make payments and distributions to us. See "Note 11. Long-Term Debt and Other Borrowing Arrangements" of our Consolidated and Combined Financial Statements included in this annual report for additional information.

Issuer Purchases of Equity Securities in 2018

On October 31, 2018, the Company's Board of Directors approved a $200.0 million share repurchase authorization. The Company plans to repurchase shares through various means which may include but are not limited to open market purchases, privately negotiated transactions, the use of derivative instruments and/or accelerated share repurchase programs. The extent to which the Company repurchases its shares and the timing of such repurchases will vary and depend upon market conditions and other corporate considerations, as determined by the Company's management team. The Company reserves the right to limit or terminate the repurchase program at any time without notice. For the fifty-two weeks ended December 30, 2018, the Company had repurchased 15,578 shares under this program for an aggregate cost of $0.2 million and an average price of $15.18 per share. Set forth below is information regarding our stock repurchases for the thirteen weeks ended December 30, 2018.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of the Shares That May Yet Be Purchased Under the Plans or Programs [(a)]
October 1, 2018 through October 28, 2018.	—	$ —	—	$ 200,000,000
October 29, 2018 through December 2, 2018.	—	—	—	200,000,000
December 3, 2018 through December 30, 2018	15,578	15.18	15,578	199,763,489
Total	15,578	$ 15.18	15,578	$ 199,763,489

(a) Reflects the remaining dollar value of shares that may yet be repurchased under our share repurchase authorization.

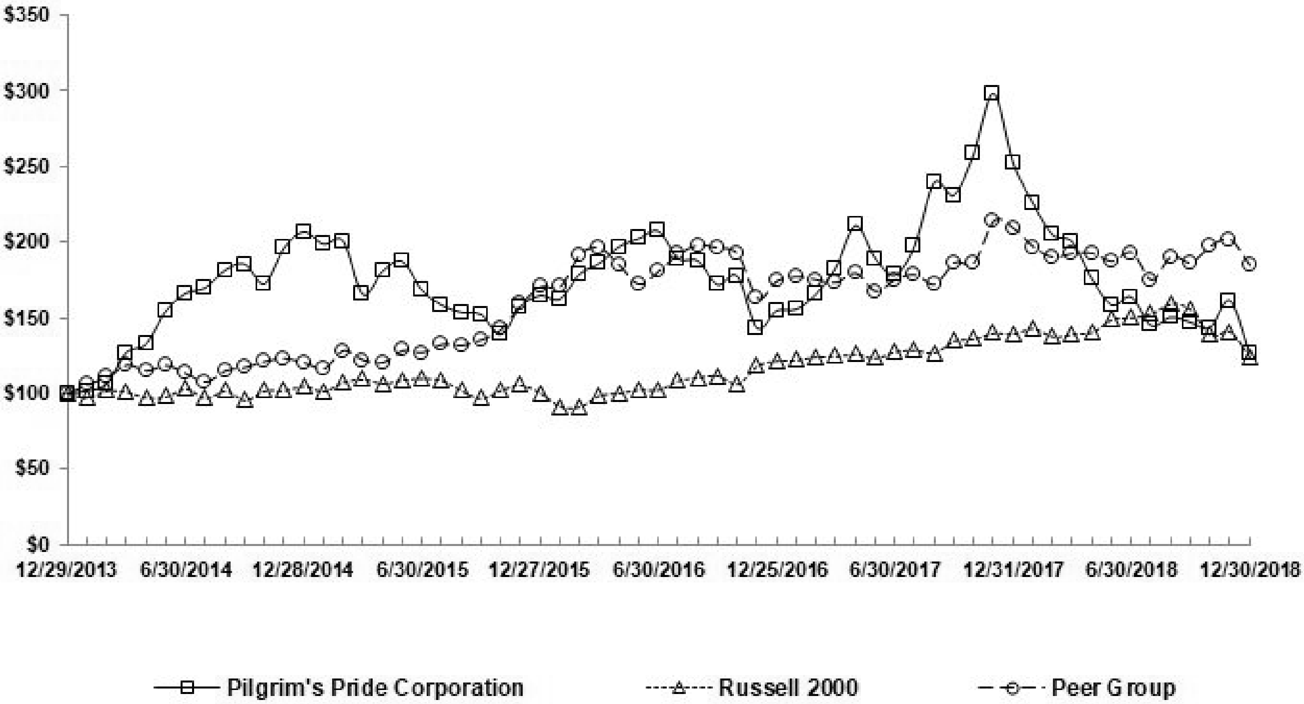
Total Return on Registrant's Common Equity

The graph below matches the cumulative 5-Year total return of holders of Pilgrim's Pride Corporation's common stock with the cumulative total returns of the Russell 2000 index and a customized peer group of three companies that includes: Hormel Foods Corp, Sanderson Farms Inc. and Tyson Foods Inc. The graph assumes that the value of the investment in our common stock, in each index, and in the peer group (including reinvestment of dividends) was $100 on December 29, 2013 and tracks it through December 30, 2018.

The graph covers the period from December 29, 2013 to December 30, 2018, 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.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Pilgrim's Pride Corporation, the Russell 2000 Index,
and a Peer Group



*$100 invested on 12/31/13 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

	12/29/13	06/30/14	12/28/14	06/30/15	12/27/15	06/30/16	12/25/16	06/30/17	12/31/17	06/30/18	12/30/18
PPC	$ 100.00	$ 166.12	$ 206.86	$ 168.15	$ 164.64	$ 207.25	$ 154.70	$ 178.29	$ 252.63	$ 163.73	$ 126.80
Russell 2000	100.00	103.28	104.89	109.88	100.26	102.49	121.63	127.70	139.44	150.13	124.09
Peer Group	100.00	113.28	120.48	127.12	170.38	180.94	174.39	175.36	209.17	193.13	184.60

Item 6. Selected Financial Data

(In thousands, except ratios and per share data)	2018[h]	2017[h]	2016	2015	2014
Operating Results Data:					
Net sales	$10,937,784	$10,767,863	$ 9,878,564	$ 8,752,672	$ 8,583,365
Gross profit[a]	843,476	1,471,614	1,103,983	1,298,724	1,393,995
Operating income[a]	495,686	1,072,322	792,082	1,061,132	1,203,115
Interest expense, net	149,001	99,453	73,335	42,721	77,271
Loss on early extinguishment of debt	15,818	—	—	1,470	29,475
Income (loss) before income taxes[a]	332,227	982,066	724,036	1,001,324	1,102,391
Income tax expense (benefit)[b]	85,423	263,899	243,919	338,352	390,953
Net income[a]	246,804	718,167	480,117	662,972	711,438
Net income (loss) attributable to noncontrolling interest	(1,141)	102	(803)	48	(210)
Net income attributable to Pilgrim's Pride Corporation[a]	247,945	694,579	440,532	645,914	711,648
Ratio of earnings to fixed charges[c]	2.72x	9.11x	8.86x	19.86x	12.96x
Per Common Diluted Share Data:					
Net income attributable to Pilgrim's Pride Corporation	$ 1.00	$ 2.79	$ 1.73	$ 2.50	$ 2.74
Adjusted net income attributable to Pilgrim's Pride Corporation[d]	1.28	2.84	1.75	2.60	2.95
Book value	8.06	7.45	8.21	10.28	8.46
Balance Sheet Summary:					
Working capital	$ 938,434	$ 1,063,765	$ 624,728	$ 1,090,129	$ 1,138,177
Total assets	5,931,202	6,248,652	5,021,942	5,668,292	3,091,718
Notes payable and current maturities of long-term debt	30,405	47,775	15,712	28,108	262
Long-term debt, less current maturities	2,295,190	2,635,617	1,396,124	1,436,852	3,980
Total stockholders' equity	2,019,585	1,855,661	2,086,132	2,659,875	2,196,801
Cash Flow Summary:					
Cash flows from operating activities	$ 491,650	$ 801,321	$ 795,362	$ 1,020,380	$ 1,066,692
Depreciation and amortization[e]	279,657	277,792	231,708	173,817	155,824
Impairment of property, plant and equipment	3,504	5,156	790	4,813	—
Purchases of investment securities	—	—	—	—	(55,100)
Proceeds from sale or maturity of investment securities	—	—	—	—	152,050
Acquisitions of property, plant and equipment	(348,666)	(339,872)	(340,960)	(190,262)	(171,443)
Purchase of acquired business, net of cash acquired	—	(658,520)	—	(373,532)	—
Payment of cash dividends	—	—	(714,785)	(1,498,470)	—
Cash flows from financing activities	(384,246)	466,395	(828,219)	(585,005)	(905,595)
Other Data:					
EBITDA[f][g]	$ 755,316	$ 1,353,343	$ 1,023,755	$ 1,213,779	$ 1,321,774
Adjusted EBITDA[f][g]	798,187	1,388,029	1,029,682	1,245,633	1,352,249
Key Indicators (as a percent of net sales):					
Gross profit[a]	7.7%	13.7%	11.2%	14.8%	16.2%
Selling, general and administrative expenses	3.1%	3.6%	3.1%	2.6%	2.2%
Operating income[a]	4.5%	10.0%	8.0%	12.1%	14.0%
Interest expense, net	1.4%	0.9%	0.7%	0.5%	0.9%
Net income[a]	2.3%	6.5%	4.5%	7.4%	8.3%

(a) Operating income and net income include the following restructuring charges for each of the years presented:

	2018	2017	2016	2015	2014
			(In millions)		
Additional effect on operating income:					
Administrative restructuring charges	(4.8)	(9.8)	(1.1)	(5.8)	(2.3)

(b) Income tax expense in 2018, 2017, 2016, 2015 and 2014 resulted primarily from expense recorded on our year-to-date income.

(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.

(d) Adjusted net income 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. We also believe that this non-GAAP financial measure, in combination with the our financial results calculated in accordance with GAAP, provides investors with additional perspective regarding the impact of such charges on net income attributable to Pilgrim's

Pride Corporation per common diluted share. Adjusted net income 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 attributable to Pilgrim's Pride Corporation per common diluted share to adjusted net income attributable to Pilgrim's Pride Corporation per common diluted share is as follows:

	2018	2017	2016	2015	2014
		(In thousands except per share data)			
Net income attributable to Pilgrim's Pride Corporation	$ 247,945	$ 694,579	$ 440,532	$ 645,914	$ 711,648
Adjustments, net of tax:					
Loss on early extinguishment of debt	12,449	113	—	1,470	29,475
Restructuring charges and transaction costs related to acquisitions	3,778	14,282	—	—	—
Other nonrecurring losses	14,475	—	—	—	—
Foreign currency transaction losses (gains)	12,748	(1,802)	4,055	26,148	27,979
	291,395	707,172	444,587	673,532	769,102
U.S. Tax Cuts & Jobs Act transition tax	26,400	—	—	—	—
Adjusted net income attributable to Pilgrim's Pride Corporation	317,795	707,172	444,587	673,532	769,102
Weighted average diluted shares of common stock outstanding	249,149	248,971	254,126	258,676	259,471
Adjusted net income attributable to Pilgrim's Pride Corporation per common diluted share	$ 1.28	$ 2.84	$ 1.75	$ 2.60	$ 2.95

(e) Includes amortization of capitalized financing costs of approximately $5.5 million, $6.0 million, $5.3 million, $4.1 million, and $13.7 million in 2018, 2017, 2016, 2015, and 2014, 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) foreign currency transaction losses (gains) in the period from 2014 through 2018, (ii) restructuring charges in the period from 2014 through 2018, (iii) transaction costs related to the Moy Park acquisition in 2018 and 2017, (iv) net income (loss) attributable to noncontrolling interests in the period from 2014 through 2018 and (v) other nonrecurring losses. 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.

(h) Includes the material impact of new business acquisitions as follows:

- Fiscal 2017 includes approximately three and one-half months of operating results from the acquisition of Moy Park, acquired for cash of $303.3 million and a note payable to the seller in the amount of £562.5 million on September 8, 2017. Fiscal 2018 and thereafter includes a full year of operating results.
- Fiscal 2017 includes approximately eleven and one-half months of operating results from the acquisition of GNP, acquired for a cash purchase price of $350 million on January 6, 2017. Fiscal 2018 and thereafter includes a full year of operating results.

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

	2018	2017	2016	2015	2014
			(In thousands)		
Net income	$ 246,804	$ 718,167	$ 480,117	$ 662,972	$ 711,438
Add:					
Interest expense, net [(a)]	149,001	99,453	73,335	42,721	77,271
Income tax expense (benefit)	85,423	263,899	243,919	338,352	390,953
Depreciation and amortization	279,657	277,792	231,708	173,817	155,824
Minus:					
Amortization of capitalized financing costs [(b)]	5,569	5,968	5,324	4,083	13,712
EBITDA	755,316	1,353,343	1,023,755	1,213,779	1,321,774
Add:					
Foreign currency transaction losses (gains) [(c)]	17,160	(2,659)	4,055	26,148	27,979
Restructuring charges [(d)]	4,765	9,775	1,069	5,754	2,286
Transaction costs related to acquisitions	320	19,606	—	—	—
Other nonrecurring losses[(e)]	19,485	8,066	—	—	—
Minus:					
Net income (loss) attributable to noncontrolling interest	(1,141)	102	(803)	48	(210)
Adjusted EBITDA	$ 798,187	$ 1,388,029	$ 1,029,682	$ 1,245,633	$ 1,352,249

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

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

(c) 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 nonmonetary 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 and Combined Statements of Income.

(d) 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.

(e) Other nonrecurring losses include expenses incurred for Hurricane Maria in Puerto Rico, Hurricane Michael in Florida and certain Moy Park severance charges.

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 United States ("U.S."), the United Kingdom ("U.K."), Mexico, France, Puerto Rico and the Netherlands. 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. Our prepared chicken products include fully cooked, ready-to-cook and individually frozen chicken parts, strips, nuggets and patties, some of which are either breaded or non-breaded and either marinated or non-marinated, ready-to-eat meals, multi-protein frozen foods, vegetarian foods and desserts.

We market our balanced portfolio of fresh, prepared and value-added chicken products to a diverse set of over 6,000 customers across the U.S., the U.K. and Europe, Mexico and in approximately 100 other countries, with no single customer accounting for more than ten percent 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 retail customers, including grocery store chains and wholesale clubs, such as Kroger®, Costco®, Publix®, and H-E-B®.

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 14 U.S. states, the U.K., Mexico, France, Puerto Rico and the Netherlands. Our plants are strategically located to ensure that customers timely receive fresh products. With our global network of approximately 5,300 growers, 38 feed mills, 49 hatcheries, 36 processing plants, 16 prepared foods cook plants, 22 distribution centers, nine rendering facilities and four pet food plants, we believe we are well-positioned to supply the growing demand for our products.

Our U.K. and Europe segment reflects the operations of Granite Holdings Sàrl and its subsidiaries (together, "Moy Park"), which we acquired on September 8, 2017. Moy Park is a leading and highly regarded U.K. food company, providing fresh, high quality and locally farmed poultry and convenience food products. Moy Park has operated in the U.K. retail market for over 50 years and delivers a range of fresh, ready-to-cook, coated and ready-to-eat poultry products to major retailers and large foodservice customers throughout the United Kingdom, Ireland, France and the Netherlands. We believe that we operate one of the most efficient business models for chicken production in the U.K. and Europe.

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. Additionally, we are an important player in the live market in Mexico. We believe our Mexico business is well positioned to continue benefiting from these trends in the Mexican consumer market.

As of December 30, 2018, we had approximately 52,100 employees and the capacity to process more than 45.3 million birds per week for a total of more than 13.4 billion pounds of live chicken annually. In 2018, we produced 10.7 billion pounds of chicken products, generating approximately $10.9 million in net sales and approximately $246.8 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. Any reference we make to a particular year (for example, 2018) in this report applies to our fiscal year and not the calendar year. Fiscal 2018 was a 52-week fiscal year.

Executive Summary

We reported net income attributable to Pilgrim's Pride Corporation of $247.9 million, or $1.00 per diluted common share, for 2018. These operating results included gross profit of $843.5 million. During 2018, we generated $491.7 million of cash from operations.

Our U.S. and Mexico segments use corn and soybean meal as the main ingredients for feed production, while our U.K. and Europe segment uses wheat and soybean meal as the main ingredients for feed production. The following table compares the highest and lowest prices reached on nearby futures for one bushel of corn, one ton of soybean meal and one metric ton of wheat during the current and previous years:

	Corn [a]				Soybean Meal [a]				Wheat[a]			
	Highest Price		Lowest Price		Highest Price		Lowest Price		Highest Price		Lowest Price	
2018:												
Fourth Quarter	$	3.90	$	3.68	$	327.30	$	307.80	£	179.30	£	167.00
Third Quarter		3.87		3.43		341.40		303.30		194.65		165.75
Second Quarter		4.27		3.66		391.70		329.90		156.75		142.40
First Quarter		4.01		3.63		394.10		319.60		139.20		134.70
2017:												
Fourth Quarter		3.68		3.47		346.30		315.50		143.65		136.25
Third Quarter		4.15		3.46		346.20		296.50		154.00		137.25
Second Quarter		3.96		3.66		321.00		297.20		150.00		140.00
First Quarter		3.86		3.55		352.70		314.10		149.15		139.35
2016:												
Fourth Quarter		3.98		3.58		320.70		269.00		140.75		127.75
Third Quarter		3.94		3.16		401.00		302.80		132.70		110.00
Second Quarter		4.38		3.52		418.30		266.80		112.00		104.10
First Quarter		3.73		3.52		275.30		257.20		111.90		99.15

(a) We obtain corn and soybean prices from the Chicago Board of Trade, and we obtain wheat prices from the London International Financial Futures and Options Exchange.

We purchase derivative financial instruments, specifically exchange-traded futures and options, in an attempt to mitigate price risk related to our anticipated consumption of commodity inputs such as corn, soybean meal, wheat, soybean oil and natural gas. We will sometimes purchase a derivative instrument to minimize the impact of a commodity's price volatility on our operating results. We will also purchase derivative financial instruments in an attempt to mitigate currency exchange rate exposure related to the financial statements of our Mexico segment that are denominated in Mexican pesos and our U.K. and Europe segment that are denominated in British pounds.

For our Mexico segment, 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.

For our U.K. and Europe segment, we do designate certain derivative financial instruments that we have purchased to mitigate foreign currency transaction exposures as cash flow hedges; therefore, before the settlement date of the financial derivative instruments, we recognize changes in the fair value of the effective portion of the cash flow hedge in accumulated other comprehensive income (loss), while we recognize changes in the fair value of the ineffective portion immediately in earnings. When the derivative financial instruments associated with the effective portion are settled, the amount in accumulated other comprehensive income (loss) is then reclassified to earnings. Gains or losses related to these derivative financial instruments are included in the line item *Cost of sales* in the Consolidated and Combined Statements of Income.

We recognized $27.1 million in net losses related to changes in the fair value of our derivative financial instruments during 2018. We recognized $6.7 million in net gains and $4.3 million in net losses related to changes in the fair value of our derivative financial instruments during 2017 and 2016, respectively.

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 to 63 days, and only at that time will the costs of the feed consumed by the chickens become included in cost of goods sold.

Commodities such as corn, soybean meal, 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.

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.

Acquisition Activity

Moy Park Acquisition. On September 8, 2017, we acquired 100% of the issued and outstanding shares of Moy Park from JBS S.A. for cash of $301.3 million and a note payable to the seller in the amount of £562.5 million. Moy Park is one of the top-ten food companies in the U.K., Northern Ireland's largest private sector business and one of Europe's leading poultry producers. With 4 fresh processing plants, 10 prepared foods cook plants, 3 feed mills, 7 hatcheries and 1 rendering facility in the U.K., France and the Netherlands, the acquired business processes 6.0 million birds per seven-day work week, in addition to producing around 456.0 million pounds of prepared foods per year. Moy Park currently has approximately 10,200 employees. See "Note 2. Business Acquisitions" of our Consolidated and Combined Financial Statements included in this annual report for additional information relating to this acquisition. The Moy Park operations constitutes our U.K. and Europe segment.

The acquisition was treated as a common-control transaction under U.S. GAAP. A common-control transaction is a transfer of net assets or an exchange of equity interests between entities under the control of the same parent. The accounting and reporting for a transaction between entities under common control is not to be considered a business combination under U.S. GAAP. Accordingly, for the period from September 30, 2015 through September 7, 2017, the Consolidated and Combined Financial Statements includes the accounts of our company and our majority-owned subsidiaries combined with the accounts of Moy Park. For the periods subsequent to September 8, 2017, the Consolidated and Combined Financial Statements includes the accounts of our company and our majority-owned subsidiaries, including Moy Park.

GNP Acquisition. On January 6, 2017, we acquired 100% of the membership interests of GNP from Maschhoff Family Foods, LLC for a cash purchase price of $350 million, subject to customary working capital adjustments. GNP is a vertically integrated poultry business based in St. Cloud, Minnesota. The acquired business has a production capacity of 2.1 million birds per five-day work week in its two plants and employed approximately 1,600 people at the time of acquisition. This acquisition further strengthens our strategic position in the U.S. chicken market. The GNP operations are included in our U.S. segment.

2017 Tax Reform

On December 22, 2017, the U.S. government enacted comprehensive tax legislation (the "Tax Act"), which significantly revises the ongoing U.S. corporate income tax law by lowering the U.S. federal corporate income tax rate from 35.0% to 21.0%, implementing a territorial tax system, imposing one-time tax on foreign unremitted earnings and setting limitations on deductibility of certain costs (e.g., interest expense), among other things.

We applied the guidance in Staff Accounting Bulletin ("SAB") 118 when accounting for the enactment date effects of the Tax Act. As of December 30, 2018, we have completed our accounting for all of the tax effects of the Tax Act. As further discussed below, during 2018, we recognized adjustments of $18.2 million to the provisional amounts recorded at December 31, 2017 and included these adjustments as a component of income tax expense.

As of December 31, 2017, we estimated no tax liability on foreign unremitted earnings due to a net earnings and profits ("E&P") deficit on accumulated post-1986 deferred foreign income. Therefore, we did not accrue any amount of tax expense for the Tax Act's one-time transition tax on the foreign subsidiaries' accumulated, unremitted earnings going back to 1986 for the year ended December 31, 2017. Upon further analysis of certain aspects of the Tax Act and a refinement of the historical calculation of E&P on accumulated post-1986 deferred foreign income during 2018, we finalized the E&P analysis of our foreign subsidiaries and recalculated significant overall positive E&P. Therefore, due to this recalculation, we recorded a $26.4 million tax liability for the one-time transition tax. This one-time transition tax adjustment increased the 2018 effective tax rate by approximately 7.9%. We have elected to pay this liability over the eight-year period provided in the Tax Act. As of December 30, 2018 the remaining balance of our transition tax obligation is $7.7 million, which will be paid over the next seven years. No additional income taxes have been provided for any remaining undistributed foreign earnings not subject to the one-time transition tax or any additional outside basis difference inherent in these foreign subsidiaries, as these amounts continue to be permanently reinvested in foreign operations. The undistributed earnings of our Mexico, Puerto Rico and U.K. subsidiaries totaled $683.0 million, $13.2 million and $2.2 million, respectively, at December 30, 2018.

As of December 31, 2017, we accrued $41.5 million in provisional tax benefit related to the net change in deferred tax liabilities stemming from the Tax Act's reduction of the U.S. federal tax rate from 35% to 21% for the year ended December 31, 2017. Due to return to provision adjustments which resulted from the filing of our 2017 federal income tax return, we recorded an additional $8.2 million tax benefit resulting from the Tax Act's rate reduction. This benefit reduced the 2018 effective tax rate by approximately 2.5%.

The Tax Act subjects a U.S. shareholder to tax on global intangible low-taxed income ("GILTI") earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, *Accounting for GILTI*, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred as a period expense only. We have elected to account for GILTI in the year the tax is incurred. As of December 30, 2018, we recorded a $5.4 million federal GILTI tax liability, which increased the 2018 effective tax rate by approximately 1.6%.

The Tax Act provides for a foreign-derived intangible income ("FDII") deduction, which is available to domestic C corporations that derive income from the export of property and services. As of December 30, 2018, we recorded a $0.1 million federal FDII benefit, which decreased the 2018 effective tax rate by an immaterial amount.

Potential Impact of Tariffs

We continue to monitor recent trade and tariff activity and its potential impact to exports and inputs costs across our segments. Currently, we are experiencing impacts to domestic and export prices of chicken resulting from uncertainty in trade policies and increased tariffs. We are unable to give any assurance as to the scope, duration, or impact of any changes in trade policies or tariffs, how successful any mitigation efforts will be, or the extent to which mitigation will be necessary, and accordingly, changes in trade policies and increased tariffs could have a material adverse effect on our business and results of operations.

Business Segment and Geographic Reporting

We operate in three reportable business segments: the U.S., the U.K. and Europe, and Mexico. We measure segment profit as operating income. 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 22. Business Segment and Geographic Reporting" of our Consolidated and Combined Financial Statements included in this annual report.

Results of Operations

2018 Compared to 2017

Net sales. Net sales for 2018 increased $169.9 million, or 1.6%, from $10.8 billion generated in 2017 to $10.9 billion generated in 2018. The following table provides additional information regarding net sales:

Source of net sales	2018	Change from 2017 Amount	Change from 2017 Percent
	(In thousands, except percent data)		
U.S.[(a)]	$ 7,425,661	$ (17,561)	(0.2)%
U.K. and Europe[(b)]	2,148,666	152,347	7.6 %
Mexico[(c)]	1,363,457	35,135	2.6 %
Total net sales	$ 10,937,784	$ 169,921	1.6 %

(a) U.S. net sales generated in 2018 decreased $17.6 million, or 0.2%, from U.S. net sales generated in 2017 primarily because of a decrease in net sales per pound partially offset by an increase in sales volume. The decrease in net sales per pound, which resulted primarily from lower market prices, contributed $120.5 million, or 1.6 percentage points, to the decrease in net sales. This decrease in net sales per pound was partially offset by increased sales volume of $102.9 million, or 5.0 percentage points. Included in U.S. sales generated during 2018 and 2017 were sales to JBS USA Food Company totaling $13.8 million and $15.3 million, respectively.

(b) U.K. and Europe sales generated in 2018 increased $152.3 million, or 7.6%, from U.K. and Europe sales generated in 2017, primarily because of the positive impact of foreign currency translation, an increase in net sales per pound and an increase in sales volume. The positive impact of foreign currency translation contributed $74.4 million, or 3.7 percentage points to the increase in U.K. and Europe net sales. The increase in net sales per pound contributed $53.5 million, or 2.7 percentage points, to the increase in U.K. and Europe net sales. The increase in sales volume contributed $24.5 million, or 1.2 percentage points, to the increase in U.K. and Europe net sales.

(c) Mexico sales generated in 2018 increased $35.1 million, or 2.6%, from Mexico sales generated in 2017 primarily because of an increase in net sales per pound and an increase in sales volume, partially offset by the impact of foreign currency translation. The increase in net sales per pound contributed $46.1 million, or 3.5 percentage points, to the increase in Mexico net sales. The increase in sales volume contributed $10.0 million, or 0.8 percentage points, to the increase in Mexico net sales. The impact of foreign currency translation partially offset the overall net sales increase by $21.0 million, or 1.6 percentage points.

Gross profit. Gross profit decreased by $628.1 million, or 42.7%, from $1.5 billion generated in 2017 to $843.5 million generated in 2018. The following tables provide gross profit information:

Components of gross profit	2018	Change from 2017 Amount	Change from 2017 Percent	Percent of Net Sales 2018	Percent of Net Sales 2017
	(In thousands, except percent data)				
Net sales	$10,937,784	$ 169,921	1.6 %	100.0%	100.0%
Cost of sales	10,094,308	798,059	8.6 %	92.3%	86.3%
Gross profit	$ 843,476	$ (628,138)	(42.7)%	7.7%	13.7%

Sources of gross profit	2018	Change from 2017 Amount	Change from 2017 Percent
	(In thousands, except percent data)		
U.S.	$ 515,882	$ (578,929)	(52.9)%
U.K. and Europe	170,828	(17,352)	(9.2)%
Mexico	156,634	(31,894)	(16.9)%
Elimination	132	37	38.9 %
Total gross profit	$ 843,476	$ (628,138)	(42.7)%

Sources of cost of sales	2018	Change from 2017 Amount	Change from 2017 Percent
	(In thousands, except percent data)		
U.S.[a]	$ 6,909,779	$ 561,368	8.8%
U.K. and Europe[b]	1,977,838	169,699	9.4%
Mexico[c]	1,206,823	67,029	5.9%
Elimination[d]	(132)	(37)	38.9%
Total cost of sales	$10,094,308	$ 798,059	8.6%

(a) Cost of sales incurred by our U.S. operations in 2018 increased $561.4 million, or 8.8%, from cost of sales incurred by our U.S. operations in 2017. Cost of sales primarily increased because of increased cost per pound sold, increased poultry sales volume, increased freight and storage costs, and increased grower costs. Increased cost per pound contributed $353.0 million mainly due to increased feed costs of $143.2 million and increased poultry sales volume contributed $78.2 million to the increase in cost of sales. The increased freight and storage costs contributed $77.2 million mainly due to driver shortages and the impact of new federal regulations. The increased grower costs contributed $51.8 million to the increase in cost of sales, mainly due to increased grower pay rates, feed delivery costs and utility costs. Other factors affecting U.S. cost of sales were individually immaterial.

(b) Cost of sales incurred by the U.K. and Europe operations during 2018 increased $169.7 million, or 9.4%, from cost of sales incurred by the U.K. and Europe operations during 2017 primarily because of increased sales volume and a $74.3 million increase in feed ingredient and raw material costs. U.K. and Europe cost of sales also increased because of a $68.0 million increase in payroll costs resulting from an increase in minimum wage and a $25.1 million increase in freight and storage costs. Other factors affecting cost of sales were individually immaterial.

(c) Cost of sales incurred by the Mexico operations during 2018 increased $67.0 million, or 5.9%, from cost of sales incurred by the Mexico operations during 2017 primarily because of increased sales volume and increased cost per pound with a $34.7 million increase in feed costs. Mexico cost of sales also increased because of a $14.1 million increase in grower costs, a $10.4 million increase in freight costs, a $4.0 million increase in natural gas costs, a $4.0 million increase in transportation costs and a $2.0 million increase in employee relations costs. Other factors affecting cost of sales were individually immaterial.

(d) Our Consolidated and Combined Financial Statements include the accounts of our company and our majority owned subsidiaries. We eliminate all significant affiliate accounts and transactions upon consolidation.

Operating income. Operating income decreased $576.6 million, or 53.8%, from $1.1 billion generated for 2017 to $495.7 million generated for 2018. The following tables provide operating income information:

Components of operating income	2018	Change from 2017 Amount	Change from 2017 Percent	Percent of Net Sales 2018	Percent of Net Sales 2017
	(In thousands, except percent data)				
Gross profit	$ 843,476	$ (628,138)	(42.7)%	7.7%	13.7%
SG&A expenses	343,025	(46,492)	(11.9)%	3.1%	3.6%
Administrative restructuring charges	4,765	(5,010)	(51.3)%	—%	0.1%
Operating income	$ 495,686	$ (576,636)	(53.8)%	4.5%	10.0%

Source of operating income	2018	Change from 2017 Amount	Change from 2017 Percent
	(In thousands, except percent data)		
U.S.	$ 291,381	$(550,111)	(65.4)%
U.K. and Europe	84,524	7,419	9.6 %
Mexico	119,649	(33,982)	(22.1)%
Elimination	132	38	40.4 %
Total operating income	$ 495,686	$(576,636)	(53.8)%

Sources of SG&A expenses	2018	Change from 2017 Amount	Change from 2017 Percent
	(In thousands, except percent data)		
U.S.[(a)]	$ 222,361	$ (22,700)	(9.3)%
U.K. and Europe[(b)]	83,679	(25,880)	(23.6)%
Mexico[(c)]	36,985	2,088	6.0 %
Total SG&A expense	$ 343,025	$ (46,492)	(11.9)%

Sources of administrative restructuring charges	2018	Change from 2017 Amount	Change from 2017 Percent
	(In thousands, except percent data)		
U.S.[(d)]	$ 2,140	$ (6,119)	(74.1)%
U.K. and Europe[(e)]	2,625	1,109	73.2 %
Total administrative restructuring charges	$ 4,765	$ (5,010)	(51.3)%

(a) SG&A expense incurred by the U.S. operations during 2018 decreased $22.7 million, or 9.3%, from SG&A expense incurred by the U.S. operations during 2017 primarily because of an $18.4 million decrease in transaction costs associated with the Moy Park acquisition and a $17.9 million decrease in benefit expenses, partially offset by an increase in legal fees of $9.5 million related to pending litigation and a $7.2 million increase in payroll expenses. Other factors affecting SG&A expense were individually immaterial.

(b) SG&A expense incurred by the U.K. and Europe operations during 2018 decreased $25.9 million, or 23.6%, from SG&A expense incurred by the U.K. and Europe operations during 2017 primarily because of a $10.6 million decrease in payroll expenses, a $7.2 million decrease in storage expenses, a $4.0 million decrease in pallet expenses, a $3.8 million decrease in management fees charged for administrative functions shared with JBS S.A. and a $2.3 million decrease in vehicle expenses. These decreases to SG&A expense were partially offset by a $2.6 million increase in expenses related to severance. Other factors affecting SG&A expense were individually immaterial.

(c) SG&A expense incurred by the Mexico operations during 2018 increased $2.1 million, or 6.0%, from SG&A expense incurred by the Mexico operations during 2017 primarily because of a $1.8 million increase in employee relations expenses and a $1.4 million increase in media marketing expenses. These increases to SG&A expense were partially offset by a $1.1 million decrease in the loss from sale of assets. Other factors affecting SG&A expense were individually immaterial.

(d) Administrative restructuring charges incurred by the U.S. operations during 2018 decreased $6.1 million, or 74.1%, from administrative restructuring charges incurred during 2017. Administrative restructuring charges incurred by the U.S. segment during 2018 included severance costs totaling $1.0 million related to GNP, facility closure costs totaling $0.5 million related to the Luverne, Minnesota facility and severance, asset and impairment and lease obligations costs totaling $0.7 million that resulted from the termination of the 40 North Foods operation. Administrative restructuring charges incurred by the U.S. segment during 2017 included asset impairment costs of $3.5 million related to the Athens, Alabama facility, severance costs of $2.6 million related to GNP, the elimination of prepaid costs totaling $0.7 million related to obsolete software assumed in the GNP acquisition, and facility closure costs totaling $0.9 million related to the Luverne, Minnesota facility.

(e) Administrative restructuring charges incurred by the U.K. and Europe operations during 2018 increased $1.1 million, or 73.2%, from administrative restructuring charges incurred during 2017. During 2018, administrative restructuring charges represented impairment costs of $2.6 million related to Rose Energy Ltd. During 2017, administrative restructuring charges represented impairment costs of $1.5 million related to to a property in Dublin, Ireland.

Interest expense. Consolidated and combined interest expense increased 51.9% to $162.8 million in 2018 from $107.2 million in 2017, primarily because of an increase in the weighted average interest rate to 5.20% in 2018 from 4.54% in 2017 and an increase in average borrowings of $2.5 billion in 2018 from $2.0 billion in 2017. As a percent of net sales, interest expense in 2018 and 2017 was 1.5% and 1.0%, respectively.

Income taxes. Our consolidated and combined income tax expense in 2018 was $85.4 million, compared to income tax expense of $263.9 million in 2017. The decrease in income tax expense in 2018 resulted from a decrease in pre-tax income during 2018.

2017 Compared to 2016

Net sales. Net sales for 2017 increased $889.3 million, or 9.0%, from 2016. The following table provides additional information regarding net sales:

Source of net sales	2017	Change from 2016 Amount	Change from 2016 Percent
	(In thousands, except percent data)		
U.S.[a]	$ 7,443,222	$ 771,819	11.6%
U.K. and Europe[b]	1,996,319	48,878	2.5%
Mexico[c]	1,328,322	68,602	5.4%
Total net sales	$ 10,767,863	$ 889,299	9.0%

(a) U.S. net sales generated in 2017 increased $771.8 million, or 11.6%, from U.S. net sales generated in 2016 primarily because of net sales generated by the acquired GNP operations and an increase in net sales per pound experienced by our existing customers, partially offset by a decrease in sales volume. The impact of the acquired GNP business contributed $433.9 million, or 6.5 percentage points, to the increase in net sales. Higher net sales per pound, which resulted primarily from higher market prices, contributed $533.0 million, or 8.0 percentage points, to the net sales increase. Decreased sales volume, which resulted from the unfavorable impact that ongoing operational improvements in one of our prepared foods facilities had on production, the conversion of our Sanford, North Carolina facility to an organic operation, as well as more deboning of leg quarters in several of our facilities, offset the overall net sales increase by $195.2 million, or 2.9 percentage points. Included in U.S. sales generated during 2017 and 2016 were sales to JBS USA Food Company totaling $15.3 million and $16.5 million, respectively.

(b) U.K. and Europe sales generated in 2017 increased $48.9 million, or 2.5%, from U.K. and Europe sales generated in 2016, primarily because of an increase in sales volume and an increase in net sales per pound, partially offset by the impact of foreign currency translation. The increase in sales volume contributed $80.5 million, or 4.1 percentage points, to the increase in U.K. and Europe net sales. The increase in net sales per pound contributed $151.6 million, or 7.8 percentage points, to the increase in U.K. and Europe net sales. The increase to net sales was partially offset by the impact of foreign currency translation, which reduced U.K. and Europe net sales by $183.3 million, or 9.4 percentage points. Other factors affecting the increase in U.K. and Europe net sales were individually immaterial.

(c) Mexico sales generated in 2017 increased $68.6 million, or 5.4%, from Mexico sales generated in 2016, primarily because of an increase in sales volume and an increase in net sales per pound partially offset by the impact of foreign currency translation. The increase in sales volume contributed $50.1 million, or 4.0 percentage points, to the increase in Mexico net sales. The increase in net sales per pound contributed $69.6 million, or 5.5 percentage points, to the increase in Mexico net sales. The impact of foreign currency translation partially offset the overall net sales increase by $51.1 million, or 4.1 percentage points. Other factors affecting the increase in Mexico net sales were individually immaterial.

Gross profit. Gross profit increased by $367.6 million, or 33.3%, from $1.1 billion generated in 2016 to $1.5 billion generated in 2017. The following tables provide gross profit information:

Components of gross profit	2017	Change from 2016 Amount	Change from 2016 Percent	Percent of Net Sales 2017	Percent of Net Sales 2016
		(In thousands, except percent data)			
Net sales	$10,767,863	$ 889,299	9.0%	100.0%	100.0%
Cost of sales	9,296,249	521,668	5.9%	86.3%	88.8%
Gross profit	$ 1,471,614	$ 367,631	33.3%	13.7%	11.2%

Sources of gross profit	2017	Change from 2016 Amount	Change from 2016 Percent
	(In thousands, except percent data)		
U.S.	$1,094,811	$ 352,726	47.5 %
U.K. and Europe	188,180	(1,443)	(0.8)%
Mexico	188,528	16,348	9.5 %
Elimination	95	—	— %
Total gross profit	$1,471,614	$ 367,631	33.3 %

Sources of cost of sales	2017	Change from 2016 Amount	Change from 2016 Percent
	(In thousands, except percent data)		
U.S.[(a)]	$6,348,411	$ 419,093	7.1%
U.K. and Europe[(b)]	1,808,139	50,321	2.9%
Mexico[(c)]	1,139,794	52,254	4.8%
Elimination[(d)]	(95)	—	—%
Total cost of sales	$9,296,249	$ 521,668	5.9%

(a) Cost of sales incurred by our U.S. operations in 2017 increased $419.1 million, or 7.1%, from cost of sales incurred by our U.S. operations in 2016. Cost of sales primarily increased because of costs incurred by the acquired GNP operations and, to a lesser extent, by increases in cost of sales incurred by our existing U.S. operations. Cost of sales incurred by the acquired GNP operations contributed $363.5 million, or 6.2 percentage points, to the increase in U.S. cost of sales. Cost of sales related to the existing U.S. operations increased due to $88.7 million in increased labor costs, $25.7 million in increased chick costs, $19.7 million in increased depreciation, $19.1 million in increased health care costs and $25.7 million in increased freight. These increases were partially offset by associated lower sales volume, a $79.6 million decrease in feed ingredients costs and $20.6 million of commodity derivative gains. Other factors affecting U.S. cost of sales were individually immaterial.

(b) Cost of sales incurred by the U.K. and Europe operations during 2017 increased $50.3 million, or 2.9%, from cost of sales incurred by the U.K. and Europe operations during 2016 primarily because of increased sales volume and a $64.5 million increase in feed ingredient costs. U.K. and Europe cost of sales also increased because of a $4.5 million increase in freight and storage costs, a $3.5 million increase in other costs, and a $0.8 million increase in utilities costs. These costs were partially offset by a decline in depreciation of $15.4 million and a decline of wages and benefits by $8.3 million from 2016 amounts. Other factors affecting cost of sales were individually immaterial.

(c) Cost of sales incurred by the Mexico operations during 2017 increased $52.3 million, or 4.8%, from cost of sales incurred by the Mexico operations during 2016 primarily because of increased sales volume and a $37.1 million increase in contract services. Mexico cost of sales also increased because of a $12.9 million increase in wages and benefits, a $9.3 million increase in warehousing costs, an $8.6 million increase in utilities costs, a $6.6 million increase in transportation costs and a $1.8 million increase in in depreciation and amortization costs. These costs were partially offset by the $21.5 million favorable impact of foreign currency translation on inventory, a $1.3 million gain in commodity derivatives and a $1.1 million decrease in travel and entertainment costs. Other factors affecting cost of sales were individually immaterial.

(d) Our Consolidated and Combined Financial Statements include the accounts of our company and our majority owned subsidiaries. We eliminate all significant affiliate accounts and transactions upon consolidation.

Operating income. Operating income increased $280.2 million, or 35.4%, from $792.1 million generated for 2016 to $1.1 billion generated for 2017. The following tables provide operating income information:

Components of operating income	2017	Change from 2016 Amount	Change from 2016 Percent	Percent of Net Sales 2017	Percent of Net Sales 2016
	(In thousands, except percent data)				
Gross profit	$ 1,471,614	$ 367,631	33.3%	13.7%	11.2%
SG&A expenses	389,517	78,685	25.3%	3.6%	3.1%
Administrative restructuring charges	9,775	8,706	814.4%	0.1%	—%
Operating income	$ 1,072,322	$ 280,240	35.4%	10.0%	8.1%

Source of operating income	2017	Change from 2016 Amount	Change from 2016 Percent
	(In thousands, except percent data)		
U.S.	$ 841,492	$ 268,932	47.0 %
U.K. and Europe	77,105	(1,467)	(1.9)%
Mexico	153,631	12,775	9.1 %
Elimination[(f)]	94	—	— %
Total operating income	$ 1,072,322	$ 280,240	35.4 %

Sources of SG&A expenses	2017	Change from 2016 Amount	Change from 2016 Percent
	(In thousands, except percent data)		
U.S.[(a)]	$ 245,061	$ 76,604	45.5 %
U.K. and Europe[(b)]	109,559	(1,492)	(1.3)%
Mexico[(c)]	34,897	3,573	11.4 %
Total SG&A expense	$ 389,517	$ 78,685	25.3 %

Sources of administrative restructuring charges	2017	Change from 2016 Amount	Change from 2016 Percent
	(In thousands, except percent data)		
U.S.[(d)]	$ 8,259	$ 7,190	672.6%
U.K. and Europe[(e)]	1,516	1,516	100.0%
Total administrative restructuring charges	$ 9,775	$ 8,706	814.4%

(a) SG&A expense incurred by the U.S. operations during 2017 increased $76.6 million, or 45.5%, from SG&A expense incurred by the U.S. operations during 2016 primarily because of expenses incurred by the acquired GNP operations and, to a lesser extent, by increases in SG&A expense incurred by our existing U.S. operations. Expenses incurred by the acquired GNP business contributed $35.5 million, or 21.2 percentage points, to the overall increase in SG&A expenses. Expenses incurred by our existing U.S. operations increased primarily because of an $18.7 million increase in transaction costs associated with the Moy Park acquisition, a $6.0 million increase in professional fees expenses, a $5.7 million increase in management fees charged for administrative functions shared with JBS USA Food Company, a $5.0 million increase in advertising and promotional expenses, a $4.4 million increase in employee wages and benefits and a $1.4 million increase in depreciation and amortization expenses. Other factors affecting SG&A expense were individually immaterial.

(b) SG&A expense incurred by the U.K. and Europe operations during 2017 decreased $1.5 million, or 1.3%, from SG&A expense incurred by the U.K. and Europe operations during 2016 primarily because of a $9.0 million decrease in advertising and promotion costs and a $4.0 million decrease in management fees charged for administrative functions shared with JBS S.A. These decreases to SG&A expense were partially offset by a $7.4 million increase in employee wages and benefits, a $2.3 million increase in miscellaneous expenses and a $1.6 million increase in depreciation and amortization. Other factors affecting SG&A expense were individually immaterial.

(c) SG&A expense incurred by the Mexico operations during 2017 increased $3.6 million, or 11.4%, from SG&A expense incurred by the Mexico operations during 2016 primarily because of a $1.7 million increase in wages and benefits and a $1.9 million increase in advertising and promotion expenses. These increases to SG&A expense were partially offset by a $0.3 million benefit from a decline in foreign exchange rates. Other factors affecting SG&A expense were individually immaterial.

(d) Administrative restructuring charges incurred by the U.S. operations during 2017 increased $7.2 million, or 672.6%, from administrative restructuring charges incurred during 2016. Administrative restructuring charges incurred by the U.S. segment during 2017 included asset impairment costs of $3.5 million related to the Athens, Alabama facility, severance costs of $2.6 million related to GNP, the elimination of prepaid costs totaling $0.7 million related to obsolete software assumed in the GNP acquisition, and facility closure costs totaling $0.9 million related to the Luverne, Minnesota facility. Administrative restructuring charges incurred by the U.S. operations during 2016 represented impairment costs of $0.8 million related to assets held for sale in Texas and impairment costs of $0.3 million related to the sale of an asset in Louisiana.

(e) Administrative restructuring charges incurred by the U.K. and Europe operations during 2017 increased $1.5 million, or 100.0%, from administrative restructuring charges incurred during 2016. During 2017, administrative restructuring charges represented impairment costs of $1.5 million related to to a property in Dublin, Ireland.

(f) Our Consolidated and Combined Financial Statements include the accounts of both our company and our majority owned subsidiaries. We eliminate all significant affiliate accounts and transactions upon consolidation.

Interest expense. Consolidated and combined interest expense increased 41.7% to $107.2 million in 2017 from $75.6 million in 2016, primarily because of an increase in the weighted average interest rate to 4.54% in 2017 from 4.39% in 2016 and an increase in average borrowings of $2.0 billion in 2017 from $1.5 billion in 2016. Borrowings increased primarily to fund both the GNP and Moy Park acquisitions during 2017. As a percent of net sales, interest expense in 2017 and 2016 was 1.00% and 0.77%, respectively.

Income taxes. Our consolidated income tax expense in 2017 was $263.9 million, compared to income tax expense of $243.9 million in 2016. The increase in income tax expense in 2017 resulted from an increase in pre-tax income during 2017, partially offset by the recognition of a future reduction in the U.S. tax rate during 2017.

Liquidity and Capital Resources

The following table presents our available sources of liquidity as of December 30, 2018:

Source of Liquidity[(a)]	Facility Amount	Amount Outstanding	Available
		(In millions)	
Cash and cash equivalents	$ —	$ —	$ 338.4
Debt facilities:			
U.S. Credit Facility[(a)]	750.0	41.6	708.4
2018 Mexico Credit Facility[(b)]	76.3	—	76.3
U.K. and Europe Credit Facilities[(c)]	138.4	2.2	136.2

(a) Availability under the U.S. Credit Facility is also reduced by our outstanding standby letters of credit. Standby letters of credit outstanding at December 30, 2018 totaled $41.6 million.

(b) As of December 30, 2018, the U.S. dollar-equivalent of the amount available under the 2018 Mexican Credit Facility (as described below) was $76.3 million. The 2018 Mexican Credit Facility provides for a loan commitment of $1.5 billion Mexican pesos.

(c) The U.K. and Europe Credit Facilities provide for loan commitments of £100.0 million (or $127.0 million U.S. dollar-equivalent) and €10.0 million (or $11.4 million U.S. dollar-equivalent).

Long-Term Debt and Other Borrowing Arrangements

U.S. Senior Notes

On March 11, 2015, we completed a sale of $500.0 million aggregate principal amount of our 5.75% senior notes due 2025. On September 29, 2017, we completed an add-on offering of $250.0 million of these senior notes. The issuance price of this add-on offering was 102.0%, which created gross proceeds of $255.0 million. The additional $5.0 million will be amortized over the remaining life of the senior notes. On March 7, 2018, we completed another add-on offering of $250.0 million of these senior notes (together with the senior notes issued in March 2015 and September 2017, the "Senior Notes due 2025"). The issuance price of this add-on offering was 99.25%, which created gross proceeds of $248.1 million. The $1.9 million discount will be amortized over the remaining life of the senior notes. Each issuance of the Senior Notes due 2025 is treated as a single class for all purposes under the 2015 Indenture (defined below) and have the same terms.

The Senior Notes due 2025 are governed by, and were issued pursuant to, an indenture dated as of March 11, 2015 by and among us, our guarantor subsidiary and Wells Fargo Bank, National Association, as trustee (the "2015 Indenture"). The 2015 Indenture provides, among other things, that the Senior Notes due 2025 bear interest at a rate of 5.75% per annum from the date of issuance until maturity, payable semi-annually in cash in arrears, beginning on September 15, 2015 for the Senior Notes due 2025 that were issued in March 2015 and beginning on March 15, 2018 for the Senior Notes due 2025 that were issued in September 2017 and March 2018.

On September 29, 2017, we completed a sale of $600.0 million aggregate principal amount of its 5.875% senior notes due 2027. On March 7, 2018, we completed an add-on offering of $250.0 million of these senior notes (together with the senior notes issued in September 2017, the "Senior Notes due 2027"). The issuance price of this add-on offering was 97.25%, which created gross proceeds of $243.1 million. The $6.9 million discount will be amortized over the remaining life of the Senior Notes due 2027. Each issuance of the Senior Notes due 2027 is treated as a single class for all purposes under the 2017 Indenture (defined below) and have the same terms.

The Senior Notes due 2027 are governed by, and were issued pursuant to, an indenture dated as of September 29, 2017 by and among us, our guarantor subsidiary and U.S. Bank National Association, as trustee (the "2017 Indenture"). The 2017 Indenture provides, among other things, that the Senior Notes due 2027 bear interest at a rate of 5.875% per annum from the date of issuance until maturity, payable semi-annually in cash in arrears, beginning on March 30, 2018 for the Senior Notes due 2027 that were issued in September 2017 and beginning on March 15, 2018 for the Senior Notes due 2027 that were issued in March 2018.

The Senior Notes due 2025 and the Senior Notes due 2027 are each guaranteed on a senior unsecured basis by our guarantor subsidiary. In addition, any of our other existing or future domestic restricted subsidiaries that incur or guarantee any other indebtedness (with limited exceptions) must also guarantee the Senior Notes due 2025 and the Senior Notes due 2027. The Senior Notes due 2025 and the Senior Notes due 2027 and related guarantees are unsecured senior obligations of our company and our guarantor subsidiary and rank equally with all of our and our guarantor subsidiary's other unsubordinated indebtedness. The Senior Notes due 2025, the 2015 Indenture, the Senior Notes due 2027 and the 2017 Indenture also contain customary covenants and events of default, including failure to pay principal or interest on the Senior Notes due 2025 and the Senior Notes due 2027, respectively, when due, among others.

We used the net proceeds from the sale of the Senior Notes due 2025 and the Senior Notes due 2027 that were issued in September 2017 to repay in full the JBS S.A. Promissory Note issued as part of the Moy Park acquisition and for general corporate purposes. We used the net proceeds from the sale of the Senior Notes due 2025 and the Senior Notes due 2027 that were issued in March 2018 to pay the second tender price of Moy Park Notes (as described below), repay a portion of outstanding secured debt, and for general corporate purposes. The Senior Notes due 2025 and the Senior Notes due 2027 were sold to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act.

Moy Park Senior Notes

Between May 29, 2014 and April 17, 2015, Moy Park (Bondco) plc completed the sale of £300.0 million aggregate principal amount of its 6.25% senior notes due 2021 (the "Moy Park Senior Notes"). Between November 3, 2017 and March 8, 2018, Moy Park (Bondco) plc completed the purchase for cash of the Moy Park Senior Notes through a tender offer. As of March 8, 2018, £234.3 million principal amount of Moy Park Senior Notes had been validly tendered and purchased by Moy Park (Bondco) plc.

On May 29, 2018, Moy Park (Bondco) plc redeemed all remaining Moy Park Senior Notes outstanding at the redemption price equal to 101.56% of the principal amount, plus accrued and unpaid interest. The aggregate principal amount of the Moy Park Senior Notes redeemed on May 29, 2018 was £65.7 million. As of December 30, 2018, there are no Moy Park Senior Notes outstanding.

U.S. Credit Facility

On July 20, 2018, we, and certain of our subsidiaries entered into a Fourth Amended and Restated Credit Agreement (the "U.S. Credit Facility") with CoBank, ACB, as administrative agent and collateral agent, and the other lenders party thereto. The U.S. Credit Facility provides for a $750.0 million revolving credit commitment and a term loan commitment of up to $500.0 million (the "Term Loans"). We used the proceeds from the term loan commitment under the U.S. Credit Facility, together with cash on hand, to repay the outstanding loans under our previous credit agreement with Coöperatieve Rabobank U.A., New York Branch, as administrative agent, and the other lenders and financial institutions party thereto.

The U.S. Credit Facility 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 $1.25 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 July 20, 2023. All principal on the Term Loans is due at maturity on July 20, 2023. Installments of principal are required to be made, in an amount equal to 1.25% of the original principal amount of the Term Loans, on a quarterly basis prior to the maturity date of the Term Loans. Covenants in the U.S. Credit Facility also require us 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 U.S. Credit Facility. As of December 30, 2018, we had Term Loans outstanding totaling $500.0 million and the amount available for borrowing under the revolving loan commitment was $708.4 million. We had letters of credit of $41.6 million and no borrowings outstanding under the revolving loan commitment as of December 30, 2018.

The U.S. Credit Facility includes a $75.0 million sub-limit for swingline loans and a $125.0 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 1.25% through August 2, 2018 and, thereafter, 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 0.25% through August 2, 2018 and, based on our net senior secured leverage ratio, between the base rate plus 0.25% and base rate plus 1.75% thereafter.

The U.S. Credit Facility contains customary financial and other various covenants for transactions of this type, including restrictions on our ability to incur additional indebtedness, incur liens, pay dividends, make certain restricted payments, consummate certain asset sales, enter into certain transactions with our affiliates, or merge, consolidate and/or sell or dispose of all or substantially all of our assets, among other things. The U.S. Credit Facility requires us to comply with a minimum level of tangible net worth 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 continue to be unconditionally guaranteed by certain of our subsidiaries and continue to be secured by a first priority lien on (i) the accounts receivable and inventory of our company and our 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 its direct foreign subsidiaries and (iii) substantially all of the assets of us and the guarantors under the U.S. Credit Facility. We are currently in compliance with the covenants under the U.S. Credit Facility.

Mexico Credit Facility

On December 14, 2018, certain of our Mexican subsidiaries entered into an unsecured credit agreement (the "2018 Mexico Credit Facility") with Banco del Bajio, Sociedad Anónima, Institución de Banca Múltiple, as lender. The loan commitment under the 2018 Mexico Credit Facility is $1.5 billion Mexican pesos and can be borrowed on a revolving basis. The U.S. dollar-equivalent of the loan commitment under the 2018 Mexico Credit Facility is $76.3 million. Outstanding borrowings under the 2018 Mexico Credit Facility accrue interest at a rate equal to the 28-Day Interbank Equilibrium Interest Rate plus 1.50%. The 2018 Mexico Credit Facility contains covenants and defaults that we believe are customary for transactions of this type. The 2018 Mexico Credit Facility will be used for general corporate and working capital purposes. The 2018 Mexico Credit Facility will mature on December 14, 2023.

The 2018 Mexico Credit Facility replaced the unsecured credit agreement (the "2016 Mexico Credit Facility") between certain of our Mexican subsidiaries and BBVA Bancomer, S.A. Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, as lender, dated September 27, 2016. The 2016 Mexico Credit Facility was terminated on December 19, 2018.

Moy Park Bank of Ireland Revolving Facility Agreement

On June 2, 2018, Moy Park Holdings (Europe) Ltd. and its subsidiaries entered into an unsecured multicurrency revolving facility agreement (the "Bank of Ireland Facility Agreement") with the Governor and Company of the Bank of Ireland, as agent, and the other lenders party thereto. The Bank of Ireland Facility Agreement provides for a multicurrency revolving loan commitment of up to £100.0 million. The multicurrency revolving loan commitments under the Bank of Ireland Facility Agreement matures on June 2, 2023. Outstanding borrowings under the Bank of Ireland Facility Agreement bear interest at a rate per annum equal to the sum of (i) LIBOR or, in relation to any loan in euros, EURIBOR, plus (ii) a margin, ranging from 1.25% to 2.00% based on Leverage (as defined in the Bank of Ireland Facility Agreement). All obligations under the Bank of Ireland Facility Agreement are guaranteed by certain of Moy Park's subsidiaries. As of December 30, 2018, the U.S. dollar-equivalent loan commitment and borrowing availability were both $127.0 million. There were no outstanding borrowings under the Bank of Ireland Facility Agreement as of December 30, 2018.

The Bank of Ireland Facility Agreement contains representations and warranties, covenants, indemnities and conditions that we believe are customary for transactions of this type. Pursuant to the terms of the Bank of Ireland Facility Agreement, Moy Park is required to meet certain financial and other restrictive covenants. Additionally, Moy Park is prohibited from taking certain actions without consent of the lenders, including, without limitation, incurring additional indebtedness, entering into certain mergers or other business combination transactions, permitting liens or other encumbrances on its assets and making restricted payments, including dividends, in each case except as expressly permitted under the Bank of Ireland Facility Agreement. The Bank of Ireland Facility Agreement contains events of default that we believe are customary for transactions of this type. If a default occurs, any outstanding obligations under the Bank of Ireland Facility Agreement may be accelerated.

Moy Park France Invoice Discounting Facility

In June 2009, Moy Park France Sàrl entered into a €20.0 million invoice discounting facility with GE De Facto (the "Invoice Discounting Facility"). The facility limit was decreased by 50 percent in June 2018. The Invoice Discounting Facility is payable on demand and the term is extended on an annual basis. The agreement can be terminated by either party with three months' notice. Outstanding borrowings under the Invoice Discounting Facility bear interest at a per annum rate equal to EURIBOR plus 0.80%. As of December 30, 2018, the U.S. dollar-equivalent loan commitment, borrowing availability, and outstanding borrowings under the Invoice Discounting Facility were $11.4 million, $9.2 million and $2.2 million, respectively.

The Invoice Discounting Facility contains financial covenants and various other covenants that may adversely affect Moy Park's ability to, among other things, incur additional indebtedness, consummate certain asset sales, enter into certain transactions with JBS and our other affiliates, merge, consolidate and/or sell or dispose of all or substantially all of Moy Park's assets.

Moy Park Credit Agricole Bank Overdraft

On December 3, 2018, Moy Park entered into an unsecured €0.5 million bank overdraft agreement (the "Overdraft Agreement") with Credit Agricole. The Overdraft Agreement is payable on demand and can be cancelled anytime by us or Credit Agricole. Outstanding borrowings under the Overdraft Agreement bear interest at a per annum rate equal to EURIBOR plus 1.50%. As of December 30, 2018, the U.S. dollar-equivalent outstanding borrowing under the Overdraft Agreement was less than $0.1 million.

Moy Park Multicurrency Revolving Facility Agreement

On March 19, 2015, Moy Park Holdings (Europe) Ltd. and its subsidiaries, entered into an agreement with Barclays Bank plc, which expired on March 19, 2018. The agreement provided for a multicurrency revolving loan commitment of up to £20.0 million.

Moy Park Receivables Finance Agreement

Moy Park Ltd., entered into a £45.0 million receivables finance agreement on January 29, 2016 (the "Receivables Finance Agreement"), with Barclays Bank plc. Moy Park Holdings (Europe) Ltd. repaid the Receivables Finance Agreement in full using available cash and proceeds from the Bank of Ireland Facility Agreement and terminated the Receivables Finance Agreement with Barclays Bank plc on June 4, 2018.

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 $55.9 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 $260 million and $280 million on the acquisition of property, plant and equipment in 2019. 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.

Contractual Obligations

In addition to our debt commitments at December 30, 2018, 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 30, 2018, 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)]	**Total**	**Less than One Year**	**One to Three Years**	**Three to Five Years**	**Greater than Five Years**
			(In thousands)		
Long-term debt[(b)]	$ 2,352,684	$ 27,684	$ 50,000	$ 425,000	$ 1,850,000
Interest[(c)]	902,861	125,747	248,884	242,230	286,000
Capital leases	4,043	2,971	1,069	3	—
Operating leases	349,654	84,220	117,104	81,693	66,637
Derivative liabilities	11,440	11,440	—	—	—
Purchase obligations[(d)]	440,438	433,778	6,660	—	—
Total	$ 4,061,120	$ 685,840	$ 423,717	$ 748,926	$ 2,202,637

(a) The total amount of unrecognized tax benefits at December 30, 2018 was $12.4 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.
(b) Long-term debt is presented at face value and excludes $41.6 million in letters of credit outstanding related to normal business transactions.
(c) Interest expense in the table above assumes the continuation of interest rates and outstanding borrowings as of December 30, 2018.
(d) Includes 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.

We expect cash flows from operations, combined with availability under the U.S. Credit Facility, and U.K. and Europe Credit Facilities to provide sufficient liquidity to fund current obligations, projected working capital requirements, maturities of long-term debt and capital spending for at least the next twelve months.

Historical Flow of Funds

Calendar Year 2018

Cash provided by operating activities was $491.7 million during 2018. The cash flows provided by operating activities resulted primarily from net income of $246.8 million, net noncash expenses of $348.1 million, a change in accounts payable, accrued expenses and other current liabilities of $86.8 million and a change in inventories of $83.2 million. These cash flows were partially offset by the use of $248.5 million in cash related to income taxes, the use of $11.6 million in cash related to prepaid expenses and other current assets, the use of $10.9 million in cash related to trade accounts and other receivables and the use of $6.8 million in cash related to long-term pension and other postretirement obligations.

Accounts payable and accrued expenses, including accounts payable to related parties, had proceeds of $86.8 million related to operating activities during 2018. This change resulted primarily from the timing of payments.

The change in inventories represented a $83.2 million source of cash related to operating activities during 2018. The change in cash related to a decrease in our finished products inventory.

Trade accounts and other receivables, including accounts receivable from related parties, used cash of $10.9 million related to operating activities during 2018. This change is primarily due to customer payment timing.

Prepaid expenses and other current assets had uses of cash of $11.6 million related to operating activities during 2018. This change resulted primarily from a net increase in both commodity derivatives and value-added tax receivables.

Income taxes, which includes income taxes receivables, income taxes payable, deferred tax assets, deferred tax liabilities, reserves for uncertain tax positions and the tax components within accumulated other comprehensive loss, had proceeds of cash of $248.5 million. This change resulted primarily from the timing of estimated tax payments.

Net non-cash expenses provided $348.1 million in operating cash flows during 2018. Net non-cash expense items increased primarily because of $279.7 million related to depreciation and amortization, $32.5 million related to deferred income tax expense, noncash loss on early extinguishment of debt of $15.8 million, share-based compensation of $13.2 million, and foreign currency transaction loss related to borrowing arrangements of $5.3 million.

Cash used in investing activities was $338.9 million during 2018. Cash used to acquire property, plant and equipment totaled $348.7 million. Capital expenditures were primarily incurred to improve operational efficiencies and reduce costs. Capital expenditures for 2018 could not exceed $500.0 million under the terms of our U.S. credit facility. Cash proceeds generated from property disposals for the period totaled $9.8 million.

Cash used in financing activities was $384.2 million during 2018. Cash proceeds from long-term debt totaled $748.4 million, cash proceeds from equity contributions under a tax sharing agreement with JBS USA Food Company Holdings totaled $5.6 million and capital contributions to subsidiary by noncontrolling stockholders totaled $1.4 million. These sources of cash were offset by $1.1 billion in cash used for payments on revolving lines of credit, long-term borrowings and capital lease obligations, $12.6 million in cash used to pay capitalized loan costs, $9.8 million in cash used for payments relating to early extinguishment of debt and $0.2 million in cash used to purchase common stock under the share repurchase program.

Calendar Year 2017

Cash provided by operating activities was $801.3 million during 2017. The cash flows provided by operating activities were primarily from net income of $718.2 million, net noncash expenses of $233.9 million and changes in income taxes of $188.1 million. These cash flows were partially offset by the use of $207.4 million in cash related to inventories, the use of $82.2 million in cash related to trade accounts and other receivables, deferred income tax benefit of $50.0 million and the use of $22.8 million in cash related to accounts payable, accrued expenses and other current liabilities.

The change in trade accounts and other receivables, including accounts receivable from related parties, represented an $82.2 million use of cash related to operating activities for 2017. This change is primarily due to customer payment timing.

The change in inventories represented a $207.4 million use of cash related to operating activities for 2017. This change in cash related to inventories was primarily due to increases in our live chicken and finished chicken products and inventories related to the GNP acquisition.

The change in prepaid expenses and other current assets represented a $14.8 million use of cash related to operating activities for 2017. This change resulted primarily from a net increase in value-added tax receivables, as well as increases in prepaid expenses and other current assets related to the GNP acquisition.

The change in accounts payable, revenue contract liabilities, accrued expenses and other current liabilities, including accounts payable to related parties, represented a $22.8 million use of cash related to operating activities for 2017. This change resulted primarily from the timing of payments.

The change in income taxes, which includes income taxes receivable, income taxes payable, deferred tax assets, deferred tax liabilities reserves for uncertain tax positions, and the tax components within accumulated other comprehensive loss, represented a $188.1 million source of cash related to operating activities for 2017. This change resulted primarily from the timing of estimated tax payments.

Net non-cash expenses provided $233.9 million in cash related to operating activities for 2017. Net non-cash expense items included depreciation and amortization of $277.8 million, partially offset by a deferred income tax benefit of $50.0 million.

Cash used in investing activities totaled $992.1 million during 2017. Cash used to acquire GNP, net of cash acquired, totaled $658.5 million and cash used to acquire property, plant and equipment totaled $339.9 million. Capital expenditures were primarily incurred to improve operational efficiencies, reduce costs and tailor processes to meet specific customer needs in order to further solidify our competitive advantages. Capital expenditures for 2017 could not exceed $500.0 million under the terms of our U.S. credit facility. Cash proceeds from property disposals and from settlement of life insurance totaled $4.5 million and $1.8 million, respectively.

Cash proceeds from financing activities totaled $466.4 million during 2017. Cash proceeds from long-term debt totaled $1.9 billion and cash proceeds from equity contributions under the Tax Sharing Agreement with JBS USA Food Company Holdings totaled $5.0 million. These sources of cash were offset by the $753.5 million in cash used for the payment of note payable to affiliate, the $628.7 million repayment of long-term debt, $14.6 million used for the purchase of common stock under a share repurchase program and for the payment of capitalized loan costs totaling $13.6 million.

Recent Accounting Pronouncements Adopted in 2018

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, 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. We adopted this standard as of January 1, 2018, the beginning of our 2018 fiscal year, using the cumulative effect adjustment, often referred to as modified retrospective approach. Under this method, we did not restate the prior financial statements presented, and would record any adjustments in the opening balance sheet for January 2018. There was no cumulative effect to be recorded as an adjustment to the opening balance of retained earnings. The comparative information was not restated and continues to be presented under the accounting standards in effect for those periods. Additional disclosures will include the amount by which each financial statement line item is affected in the current reporting period during 2018, as compared to the prior guidance. We expect minimal impact from the adoption of the new standard to the financial statements on a go forward basis, except for expanded disclosures. Revenue is currently recognized at destination and will continue to be recognized at point in time under the new guidance. Additional information regarding revenue recognition is included in "Note 13. Revenue Recognition."

In March 2017, the FASB issued ASU 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which, in an effort to improve consistency and transparency, requires the service cost component of defined benefit pension cost and postretirement benefit cost ("net benefit cost") to be reported in the same line of the income statement as other compensation costs earned by the employee and the other components of net benefit cost to be reported below income from operations. We adopted this standard as of January 1, 2018, the beginning of our 2018 fiscal year. The initial adoption of this guidance did not have a material impact on our financial statements.

Recent Accounting Pronouncements Not Yet Adopted as of December 30, 2018

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, along with several updates, which, in an effort to increase transparency and comparability among organizations utilizing leasing, requires an entity that is a lessee to recognize the assets and liabilities arising from operating leases on the balance sheet. This guidance also requires disclosures about the amount, timing and uncertainty of cash flows arising from leases. In transition, the entity may elect to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach or the beginning of the period of adoption using a cumulative-effect adjustment approach. The provisions of the new guidance will be effective as of the beginning of our 2019 fiscal year. We will adopt the new standard as of December 31, 2018, the beginning of our 2019 fiscal year and recognize and measure leases at the beginning of the period of adoption. We will elect the package of practical expedients available under the transition guidance which, among other things, allows the carry-forward of historical lease classification. We will make an accounting policy election to not apply the new guidance to leases with a term of 12 months or less and will recognize those payments in the Consolidated Statement of Income on a straight-line basis over the lease term. We have implemented a system solution for administering our leases and facilitating compliance with the new guidance. Adoption of the standard will have a material impact on our Consolidated Balance Sheet as a result of the increase in assets and liabilities from recognition of right-of-use assets and lease liabilities. However, we do not believe the standard will have a material impact on our Consolidated Statement of Income.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which, in an effort to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments, replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, reinsurance receivables and any other financial assets not excluded from the scope that have the contractual right to receive cash. The provisions of the new guidance will be effective as of the beginning of our 2020 fiscal year. Early adoption is permitted after our 2018 fiscal year. We are currently evaluating the impact of the new guidance on our financial statements and have not yet selected an adoption date.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, an accounting standard update that simplifies the application of hedge accounting guidance in current GAAP and improves the reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. Among the simplification updates, the standard eliminates the requirement in current GAAP to separately recognize periodic hedge ineffectiveness. Mismatches between the changes in value of the hedged item and hedging instrument may still occur but they will no longer be separately reported. The standard requires the presentation of the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. The standard is effective for annual and interim reporting periods beginning after December 15, 2018, but early adoption is permitted. We have elected to adopt this standard as of December 31, 2018, the beginning of our 2019 fiscal year. We do not expect the initial adoption of this guidance did not have a material impact on our financial statements.

In February 2018, the FASB issued ASU 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, an accounting standard update that allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the U.S. Tax Cuts and Jobs Act. We will need to decide whether to reclassify the stranded tax effects associated with the U.S. Tax Cuts and Jobs Act from accumulated other comprehensive income to retained earnings. If we choose to reclassify we will need to calculate the amount of the reclassification and prepare the related disclosures. We have elected to adopt this standard as of December 31, 2018, the beginning of our 2019 fiscal year. We do not expect the initial adoption of this guidance did not have a material impact on our financial statements.

In July 2018, the FASB issued ASU 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, an accounting standard update to improve non-employee share-based payment accounting. The accounting standard update more closely aligns the accounting for employee and non-employee share based payments. The accounting standards update is effective as of the beginning of our 2019 calendar year with early adoption permitted. We have elected to adopt this standard as of December 31, 2018, the beginning of our 2019 fiscal year. We do not expect the initial adoption of this guidance did not have a material impact on our financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, new accounting guidance to improve the effectiveness of disclosures related to fair value measurements. The new guidance removes certain disclosure requirements related to transfers between Level 1 and Level 2 of the fair value hierarchy along with the policy for timing of transfers between levels and the valuation processes for Level 3 fair value measurements. Additions to the disclosure requirements include more quantitative information related to significant unobservable inputs used in Level 3 fair value measurements and gains and losses included in other comprehensive income. The new guidance will be effective as of our 2020 fiscal year with early adoption permitted. We are currently evaluating the impact of the new guidance on our financial statements and have not yet selected an adoption date.

In August 2018, the FASB issued ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, new accounting guidance to improve the effectiveness of disclosures related to defined benefit plans by eliminating certain required disclosures, clarifying existing disclosures, and adding new disclosures. Changes include removing disclosures related to the amounts in accumulated other comprehensive income expected to be recognized in the next fiscal year, adding narrative disclosure of the reasons for significant gains and losses related to changes in the defined benefit obligation, and clarifying the disclosures required for plans with projected and accumulated benefit obligations in excess of plan assets. The new guidance will be effective as of our 2020 fiscal year with early adoption permitted. We are currently evaluating the impact of the new guidance on our financial statements and have not yet selected an adoption date.

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, inventory, goodwill and other intangible assets, litigation and income taxes. 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. The vast majority of our revenue is derived from contracts which are based upon a customer ordering our products. While there may be master agreements, the contract is only established when the customer's order is accepted by us. We account for a contract, which may be verbal or written, when it is approved and committed by both parties, the rights of the parties are identified along with payment terms, the contract has commercial substance and collectability is probable.

We evaluate the transaction for distinct performance obligations, which are the sale of our products to customers. Since our products are commodity market-priced, the sales price is representative of the observable, standalone selling price. Each performance obligation is recognized based upon a pattern of recognition that reflects the transfer of control to the customer at a point in time, which is upon destination (customer location or port of destination) and faithfully depicts the transfer of control and recognition of revenue. There are instances of customer pick-up at our facilities, in which case control transfers to the customer at that point and we recognize revenue. Our performance obligations are typically fulfilled within days to weeks of the acceptance of the order.

We make judgments regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from revenue and cash flows with customers. Determination of a contract requires evaluation and judgment along with the estimation of the total contract value and if any of the contract value is constrained. Due to the nature of our business, there is minimal variable consideration, as the contract is established at the acceptance of the order from the customer. When applicable, variable consideration is estimated at contract inception and updated on a regular basis until the contract is completed. Allocating the transaction price to a specific performance obligation based upon the relative standalone selling prices includes estimating the standalone selling prices including discounts and variable consideration.

Inventory. Live chicken inventories are stated at the lower of cost or market and breeder hen inventories at the lower of cost, less accumulated amortization, or market. The costs associated with breeder hen inventories 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 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, 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.

Goodwill and Other Intangibles, net. Goodwill represents the excess of the aggregate purchase price over the fair value of the net identifiable assets acquired in a business combination. Identified intangible assets represent trade names, customer relationships and non-compete agreements arising from acquisitions that are recorded at fair value as of the date acquired less accumulated amortization, if any. We use various market valuation techniques to determine the fair value of its identified intangible assets.

Goodwill and other intangible assets with indefinite lives are not amortized but are tested for impairment on an annual basis in the fourth quarter of each fiscal year or more frequently if impairment indicators arise. For goodwill, an impairment loss is recognized for any excess of the carrying amount of a reporting unit's goodwill over the implied fair value of that goodwill. Management first reviews relevant qualitative factors to determine if an indication of impairment exists for a reporting unit. If management determines there is an indication that the carrying amount of reporting unit goodwill might be impaired, a quantitative analysis is performed. Management performed a qualitative analysis noting no indications of goodwill impairment in any of its reporting units as of December 30, 2018. For indefinite-lived intangible assets, an impairment loss is recognized if the carrying amount of an indefinite-lived intangible asset exceeds the estimated fair value of that intangible asset. Management first reviews relevant qualitative factors to determine if an indication of impairment exists. If management determines there is an indication that the carrying amount of the intangible asset might be impaired, and quantitative analysis is performed. Management performed a qualitative analysis noting no indications of impairment for any of its indefinite-lived intangible assets as of December 30, 2018.

Identifiable intangible assets with definite lives, such as customer relationships, non-compete agreements and trade names that we expect to use for a limited amount of time, are amortized over their estimated useful lives on a straight-line basis. The useful lives range from three to 20 years for trade names and non-compete agreements and 5 to 16 years for customer relationships. Identified intangible assets with definite lives are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Management assessed if events or changes in circumstances indicated that the aggregate carrying amount of its identified intangible assets with definite lives might not be recoverable and determined that there were no impairment indicators during the fifty-two weeks ended December 30, 2018 and fifty-three weeks ended December 31, 2017.

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.

Income Taxes. We follow provisions under ASC No. 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 unitary returns with JBS USA Holdings. Our income tax expense 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. For the unitary states, we have an obligation to make tax payments to JBS USA Holdings for our share of the unitary taxable income, which is included in taxes payable in our Consolidated Balance Sheets. 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.

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 commodity prices, 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 wheat, 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.

For this sensitivity analysis, market risk is estimated as a hypothetical 10.0% change in the weighted-average cost of our primary feed ingredients as of December 30, 2018 and December 31, 2017. However, fluctuations greater than 10.0% could occur. Based on our feed consumption during 2018 and 2017, such a change would have resulted in a change to cost of sales of approximately $304.0 million and $279.7 million, respectively, excluding the impact of any feed ingredients derivative financial instruments in that period. A 10.0% change in ending feed ingredients inventories at December 30, 2018 and December 31, 2017 would be $11.6 million and $14.6 million, respectively, 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 soybean oil prices on December 30, 2018 and December 31, 2017 would have resulted in an increase of approximately $2.1 million and $0.5 million, respectively, in the fair value of our net commodity derivative position, including margin cash, as of that date.

Interest Rates

Our variable-rate debt instruments represent approximately 21.3% and 34.7% of our total debt at December 30, 2018 and December 31, 2017, respectively. Holding other variables constant, including levels of indebtedness, an increase in interest rates of 25 basis points would have increased our interest expense by $0.1 million and $0.6 million in 2018 and 2017, respectively.

Market risk for fixed-rate debt is estimated as the potential increase in fair value resulting from a hypothetical decrease in interest rates of 10.0%. Using a discounted cash flow analysis, a hypothetical 10.0% decrease in interest rates would have decreased the fair value of our fixed-rate debt by approximately $12.9 million and $10.2 million as of December 30, 2018 and December 31, 2017, respectively.

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.

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. Foreign currency exchange losses, representing the change in the U.S. dollar value of the net monetary assets in 2018 and net monetary liability in 2016 of our Mexican subsidiaries denominated in Mexican pesos, were $15.9 million and $3.9 million, respectively. Foreign currency exchange gains, representing the change in the U.S. dollar value of the net monetary assets in 2017 of our Mexican subsidiaries was $2.7 million in 2017. The average exchange rates for 2018, 2017, and 2016 were 19.22 Mexican pesos to 1 U.S. dollar, 18.93 Mexican pesos to 1 U.S. dollar, and 18.64 Mexican pesos to 1 U.S. dollar, respectively. For this sensitivity analysis, market risk is estimated as a hypothetical 10.0% deterioration in the current exchange rate used to convert Mexican pesos to U.S. dollars as of December 30, 2018 and December 31, 2017. However, fluctuations greater than 10.0% could occur. Based on the net monetary asset position of our Mexico operations at December 30, 2018 and December 31, 2017, such a change would have resulted in an increase in foreign currency transaction loss recognized in 2018 and 2017 of approximately $2.1 million and $3.7 million, 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.

Additionally, we are exposed to foreign exchange-related variability of investments and earnings from our foreign investments in Europe (including the U.K.). Foreign currency market risk is the possibility that our financial results or financial position could be better or worse than planned because of changes in foreign currency exchange rates. At December 30, 2018 and December 31, 2017, our U.K. and Europe segment had net assets of approximately $2.0 billion and $2.2 billion, respectively, denominated in British pounds, after consideration of our derivative and nonderivative financial instruments. Based on our sensitivity analysis, a 10% adverse change in exchange rates would have caused a reduction of $198.7 million and $222.8 million to our net assets for December 30, 2018 and December 31, 2017, respectively.

At December 30, 2018 and December 31, 2017, we had foreign currency forward contracts, which were designated and qualify as cash flow hedges, with an aggregate notional amount of $35.0 million and $38.0 million, respectively, to hedge a portion of our investments in Europe (including the U.K.). On the basis of our sensitivity analysis, a weakening of the U.S. dollar against the British pound by 10% would have resulted in a $2.6 million and $3.0 million negative change in our cash flow on settlement for December 30, 2018 and December 31, 2017, respectively. A weakening of the U.S. dollar against the euro by 10% would result in a $0.9 million and $0.8 million negative change in our cash flows on settlement for December 30, 2018 and December 31, 2017, respectively. No assurance can be given as to how future movements in currency rates could affect our future financial condition or results of operations.

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., U.K. and Europe, 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.

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

The Stockholders and Board of Directors

Pilgrim's Pride Corporation:

Opinion on the Consolidated and Combined Financial Statements

We have audited the accompanying consolidated balance sheets of Pilgrim's Pride Corporation (the Company) as of December 30, 2018 and December 31, 2017, the related consolidated and combined statements of income, comprehensive income, stockholders' equity, and cash flows for the fifty-two weeks ended December 30, 2018, the fifty-three weeks ended December 31, 2017, and the fifty-two weeks ended December 25, 2016, and the related notes and financial statement schedule II (collectively, the consolidated and combined financial statements). In our opinion, the consolidated and combined financial statements present fairly, in all material respects, the financial position of the Company as of December 30, 2018 and December 31, 2017, and the results of its operations and its cash flows for the fifty-two weeks ended December 30, 2018, the fifty-three weeks ended December 31, 2017, and the fifty-two weeks ended December 25, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 30, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 13, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 1 to the consolidated and combined financial statements, the Company has changed its method of accounting for revenue in the fifty-two weeks ended December 30, 2018 due to the adoption of ASU 2014-09, *Revenue from Contracts with Customers.*

Basis for Opinion

These consolidated and combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated and combined financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated and combined financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated and combined financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated and combined financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated and combined financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2012.

Denver, Colorado

February 13, 2019

PILGRIM'S PRIDE CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 30, 2018	December 31, 2017
	(In thousands, except share and par value data)	
Cash and cash equivalents	$ 338,386	$ 581,510
Restricted cash and cash equivalents	23,192	8,021
Trade accounts and other receivables, less allowance for doubtful accounts	561,549	565,478
Accounts receivable from related parties	1,331	2,951
Inventories	1,159,519	1,255,070
Income taxes receivable	38,479	—
Prepaid expenses and other current assets	112,023	102,550
Assets held for sale	178	708
Total current assets	2,234,657	2,516,288
Deferred tax assets	4,248	—
Other long-lived assets	16,717	18,165
Identified intangible assets, net	564,128	617,163
Goodwill	949,750	1,001,889
Property, plant and equipment, net	2,161,702	2,095,147
Total assets	$ 5,931,202	$ 6,248,652
Accounts payable	$ 830,059	$ 733,027
Accounts payable to related parties	7,269	2,889
Revenue contract liability	33,328	36,607
Accrued expenses and other current liabilities	386,941	410,152
Income taxes payable	8,221	222,073
Current maturities of long-term debt	30,405	47,775
Total current liabilities	1,296,223	1,452,523
Long-term debt, less current maturities	2,295,190	2,635,617
Noncurrent income taxes payable	7,731	—
Deferred tax liabilities	237,422	208,492
Other long-term liabilities	75,051	96,359
Total liabilities	3,911,617	4,392,991
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; 260,396,032 and 260,167,881 shares issued at year-end 2018 and year-end 2017, respectively; 248,965,081 and 248,752,508 shares outstanding at year-end 2018 and year-end 2017, respectively	2,604	2,602
Treasury stock, at cost, 11,430,951 shares and 11,415,373 shares at year-end 2018 and year-end 2017, respectively	(231,994)	(231,758)
Additional paid-in capital	1,945,136	1,932,509
Retained earnings	421,888	173,943
Accumulated other comprehensive loss	(127,834)	(31,140)
Total Pilgrim's Pride Corporation stockholders' equity	2,009,800	1,846,156
Noncontrolling interest	9,785	9,505
Total stockholders' equity	2,019,585	1,855,661
Total liabilities and stockholders' equity	$ 5,931,202	$ 6,248,652

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

PILGRIM'S PRIDE CORPORATION
CONSOLIDATED AND COMBINED STATEMENTS OF INCOME

	Fifty-Two Weeks Ended December 30, 2018	Fifty-Three Weeks Ended December 31, 2017	Fifty-Two Weeks Ended December 25, 2016
	(In thousands, except per share data)		
Net sales	$ 10,937,784	$ 10,767,863	$ 9,878,564
Cost of sales	10,094,308	9,296,249	8,774,581
Gross profit	843,476	1,471,614	1,103,983
Selling, general and administrative expense	343,025	389,517	310,832
Administrative restructuring charges	4,765	9,775	1,069
Operating income	495,686	1,072,322	792,082
Interest expense, net of capitalized interest	162,812	107,183	75,636
Interest income	(13,811)	(7,730)	(2,301)
Foreign currency transaction losses (gains)	17,160	(2,659)	4,055
Miscellaneous, net	(2,702)	(6,538)	(9,344)
Income before income taxes	332,227	982,066	724,036
Income tax expense	85,423	263,899	243,919
Net income	246,804	718,167	480,117
Less: Net income from Granite Holdings Sàrl prior to acquisition by Pilgrim's Pride Corporation	—	23,486	40,388
Less: Net income (loss) attributable to noncontrolling interest	(1,141)	102	(803)
Net income attributable to Pilgrim's Pride Corporation	$ 247,945	$ 694,579	$ 440,532
Weighted average shares of common stock outstanding:			
Basic	248,945	248,738	253,669
Effect of dilutive common stock equivalents	204	233	457
Diluted	249,149	248,971	254,126
Net income attributable to Pilgrim's Pride Corporation per share of common stock outstanding:			
Basic	$ 1.00	$ 2.79	$ 1.74
Diluted	$ 1.00	$ 2.79	$ 1.73

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

PILGRIM'S PRIDE CORPORATION
CONSOLIDATED AND COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Fifty-Two Weeks Ended December 30, 2018	Fifty-Three Weeks Ended December 31, 2017	Fifty-Two Weeks Ended December 25, 2016
		(In thousands)	
Net income	$ 246,804	$ 718,167	$ 480,117
Other comprehensive loss:			
Foreign currency translation adjustment			
Gains (losses) arising during the period	(99,475)	100,081	(233,232)
Income tax effect	1,624	3,137	—
Derivative financial instruments designated as cash flow hedges			
Gains (losses) arising during the period	817	60	(151)
Reclassification to net earnings for losses (gains) realized	348	(639)	311
Available-for-sale securities			
Gains arising during the period	1,146	132	443
Income tax effect	(279)	(50)	(167)
Reclassification to net earnings for gains realized	(1,118)	(34)	(552)
Income tax effect	272	13	209
Defined benefit plans			
Losses realized during the period	(1,242)	(8,738)	(9,085)
Income tax effect	303	968	3,429
Reclassification to net earnings of losses realized	1,203	932	659
Income tax effect	(293)	(353)	(249)
Total other comprehensive income (loss), net of tax	(96,694)	95,509	(238,385)
Comprehensive income	150,110	813,676	241,732
Less: Comprehensive income (loss) for Granite Holdings Sàrl prior to acquisition by Pilgrim's Pride Corporation	—	88,050	(192,684)
Less: Comprehensive income (loss) attributable to noncontrolling interests	(1,141)	102	(803)
Comprehensive income attributable to Pilgrim's Pride Corporation	$ 151,251	$ 725,524	$ 435,219

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

PILGRIM'S PRIDE CORPORATION
CONSOLIDATED AND COMBINED STATEMENTS OF STOCKHOLDERS' EQUITY

	Pilgrim's Pride Corporation Stockholders								
	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
	Shares	Amount	Shares	Amount					
	(In thousands)								
Balance at December 27, 2015	272,685	$ 307,288	(4,862)	$ (99,233)	$ 3,090,390	$ (548,920)	$ (91,473)	$ 1,823	$ 2,659,875
Comprehensive income:									
Net income (loss)	—	—	—	—	—	480,920	—	(803)	480,117
Other comprehensive loss, net of tax expense of $3,222	—	—	—	—	—	—	(238,385)	—	(238,385)
Capital contribution under Tax Sharing Agreement between JBS USA Food Company Holdings and Pilgrim's Pride Corporation (the "TSA")	—	—	—	—	5,039	—	—	—	5,039
Share-based compensation plans:									
Requisite Service Period Recognition	—	—	—	—	6,102	—	—	—	6,102
Common stock purchased under share repurchase program	—	—	(5,774)	(117,884)	—	—	—	—	(117,884)
Capital contributions to subsidiary by noncontrolling participants	—	—	—	—	—	—	—	7,252	7,252
Common stock purchased from retirement plan participants	(3)	—	—	—	(73)	—	—	—	(73)
Dividend paid by Granite Holdings Sàrl to JBS S.A.	—	—	—	—	—	(14,870)	—	—	(14,870)
Special cash dividend	—	—	—	—	—	(699,915)	—	—	(699,915)
Other	—	—	—	—	(1,126)	—	—	—	(1,126)
Balance at December 25, 2016	272,682	$ 307,288	(10,636)	$ (217,117)	$ 3,100,332	$ (782,785)	$ (329,858)	$ 8,272	$ 2,086,132
Comprehensive income:									
Net income	—	—	—	—	—	718,065	—	102	718,167
Other comprehensive income, net of tax expense of $3,715	—	—	—	—	—	—	95,509	—	95,509
Capital contribution under TSA	—	—	—	—	5,558	—	—	—	5,558
Share-based compensation plans:									
Common stock issued under compensation plans	486	5	—	—	(5)	—	—	—	—
Requisite service period recognition	—	—	—	—	3,019	—	—	—	3,019
Common stock purchased under share repurchase program	—	—	(780)	(14,641)	—	—	—	—	(14,641)
Deemed equity contribution resulting from the transfer of Granite Holdings Sàrl net assets from JBS S.A. to Pilgrim's Pride Corporation in a common-control transaction	—	—	—	—	237,195	—	—	—	237,195
Transfer of Granite Holdings Sàrl to Pilgrim's from JBS S.A.	(13,000)	(304,691)	—	—	(1,413,590)	238,663	203,209	1,131	(1,275,278)
Balance at December 31, 2017	260,168	$ 2,602	(11,416)	$ (231,758)	$ 1,932,509	$ 173,943	$ (31,140)	$ 9,505	$ 1,855,661
Comprehensive income:									
Net income (loss)	—	—	—	—	—	247,945	—	(1,141)	246,804
Other comprehensive loss, net of tax benefit of $1,627	—	—	—	—	—	—	(96,694)	—	(96,694)
Capital distribution under the TSA	—	—	—	—	(524)	—	—	—	(524)
Share-based compensation plans:									
Common stock issued under compensation plans	228	2	—	—	(2)	—	—	—	—
Requisite service period recognition	—	—	—	—	13,153	—	—	—	13,153
Common stock purchased under share repurchase program	—	—	(15)	(236)	—	—	—	—	(236)
Capital contribution to subsidiary by noncontrolling interest	—	—	—	—	—	—	—	1,421	1,421
Balance at December 30, 2018	260,396	$ 2,604	(11,431)	$ (231,994)	$ 1,945,136	$ 421,888	$ (127,834)	$ 9,785	$ 2,019,585

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

PILGRIM'S PRIDE CORPORATION
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS

	Fifty-Two Weeks Ended December 30, 2018	Fifty-Three Weeks Ended December 31, 2017	Fifty-Two Weeks Ended December 25, 2016
		(In thousands)	
Cash flows from operating activities:			
Net income	$ 246,804	$ 718,167	$ 480,117
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	279,657	277,792	231,708
Asset impairment	3,504	5,156	790
Foreign currency transaction losses (gains) related to borrowing arrangements	5,267	(1,387)	—
Loss on early extinguishment of debt recognized as a component of interest expense	15,818	—	—
Amortization of bond premium	(668)	(180)	—
Accretion of bond discount	812	—	—
Gain on property disposals	(1,889)	(506)	(8,914)
Loss (gain) on equity method investments	(63)	(59)	452
Share-based compensation	13,153	3,020	6,102
Deferred income tax expense (benefit)	32,540	(49,963)	(5,034)
Changes in operating assets and liabilities:			
Trade accounts and other receivables	(10,918)	(82,169)	(32,428)
Inventories	83,174	(207,399)	(33,083)
Prepaid expenses and other current assets	(11,612)	(14,827)	19,270
Accounts payable and accrued expenses	86,834	(22,827)	75,893
Income taxes	(248,470)	188,120	75,238
Long-term pension and other postretirement obligations	(6,751)	(10,864)	(10,165)
Other	4,458	(753)	(4,584)
Cash provided by operating activities	491,650	801,321	795,362
Cash flows from investing activities:			
Acquisitions of property, plant and equipment	(348,666)	(339,872)	(340,960)
Proceeds from property disposals	9,775	4,475	13,375
Purchase of acquired business, net of cash acquired	—	(658,520)	—
Proceeds from settlement of life insurance contract	—	1,845	—
Cash used in investing activities	(338,891)	(992,072)	(327,585)
Cash flows from financing activities:			
Payments on revolving line of credit, long-term borrowings and capital lease obligations	(1,117,009)	(628,677)	(570,015)
Proceeds from revolving line of credit and long-term borrowings	748,382	1,871,818	593,015
Payment of capitalized loan costs	(12,581)	(13,631)	(693)
Payment on early extinguishment of debt	(9,781)	—	—
Proceeds from capital contribution under Tax Sharing Agreement between JBS USA Food Company Holdings and Pilgrim's Pride Corporation	5,558	5,038	3,690
Capital contributions to subsidiary by noncontrolling stockholders	1,421	—	7,252
Purchase of common stock under share repurchase program	(236)	(14,641)	(117,884)
Payment of note payable to affiliate	—	(753,512)	—
Payment of cash dividend	—	—	(714,785)
Payments on notes payable to bank	—	—	(65,564)
Proceeds from notes payable to bank	—	—	36,838
Purchase of common stock from retirement plan participants	—	—	(73)
Cash provided by (used in) financing activities	(384,246)	466,395	(828,219)
Effect of exchange rate changes on cash and cash equivalents	3,534	16,364	(38,587)
Increase (decrease) in cash and cash equivalents	(227,953)	292,008	(399,029)
Cash and cash equivalents, beginning of period	589,531	297,523	696,552
Cash and cash equivalents, end of period	$ 361,578	$ 589,531	$ 297,523
Supplemental Disclosure Information:			
Interest paid (net of amount capitalized)	$ 154,627	$ 81,260	$ 69,857
Income taxes paid	253,932	122,956	161,026

The accompanying notes are an integral part of these Consolidated and Combined 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) is one of the largest chicken producers in the world, with operations in the United States ("U.S."), the United Kingdom ("U.K."), Mexico, France, Puerto Rico and the Netherlands. 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 countries listed above. Additionally, the Company exports chicken products to approximately 100 countries. Pilgrim's fresh chicken products consist of refrigerated (nonfrozen) whole chickens, whole cut-up chickens and selected chicken parts that are either marinated or non-marinated. The Company's prepared chicken products include fully cooked, ready-to-cook and individually frozen chicken parts, strips, nuggets and patties, some of which are either breaded or non-breaded and either marinated or non-marinated. The Company's other products include ready-to-eat meals, multi-protein frozen foods, vegetarian foods and desserts. 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 14 U.S. states, the U.K., Mexico, France, Puerto Rico and the Netherlands. As of December 30, 2018, Pilgrim's had approximately 52,100 employees and the capacity to process more than 45.3 million birds per week for a total of more than 13.4 billion pounds of live chicken annually. Approximately 5,300 contract growers supply poultry for the Company's operations. As of December 30, 2018, JBS S.A., through its indirect wholly-owned subsidiaries (together, "JBS") beneficially owned 78.5% of the Company's outstanding common stock.

Consolidated and Combined 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. Any reference we make to a particular year (for example, 2018) in the notes to these Consolidated and Combined Financial Statements applies to our fiscal year and not the calendar year.

On September 8, 2017, a subsidiary of the Company acquired 100% of the issued and outstanding shares of Granite Holdings Sàrl and its subsidiaries (together, "Moy Park") from JBS S.A. in a common-control transaction. Moy Park was acquired by JBS S.A. from an unrelated third party on September 30, 2015. For the period from September 30, 2015 through September 7, 2017, the Consolidated and Combined Financial Statements include the accounts of the Company and its majority-owned subsidiaries combined with the accounts of Moy Park. For the periods subsequent to September 8, 2017, the Consolidated and Combined Financial Statements include the accounts of the Company and its majority-owned subsidiaries, including Moy Park. We eliminate all significant affiliate accounts and transactions upon consolidation.

The Consolidated and Combined Financial Statements have been prepared in conformity with U.S. GAAP using management's best estimates and judgments. These estimates and judgments affect the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements. The estimates and judgments will also affect the reported amounts for certain revenues and expenses during the reporting period. Actual results could differ materially from these estimates and judgments. Significant estimates made by the Company include the allowance for doubtful accounts, reserves related to inventory obsolescence or valuation, useful lives of long-lived assets, goodwill, valuation of deferred tax assets, insurance accruals, valuation of pension and other postretirement benefits obligations, income tax accruals, certain derivative positions and valuations of acquired businesses.

The functional currency of the Company's U.S. and Mexico operations and certain holding-company subsidiaries in Luxembourg, the U.K. and Ireland is the U.S. dollar. The functional currency of its U.K. operations is the British pound. The functional currency of the Company's operations in France and the Netherlands is the euro. For foreign currency-denominated entities other than the Company's Mexico operations, translation from local currencies into U.S. dollars is performed for most assets and liabilities using the exchange rates in effect as of the balance sheet date. Income and expense accounts are remeasured using average exchange rates for the period. Adjustments resulting from translation of these financial records are reflected as a separate component of *Accumulated other comprehensive loss* in the Consolidated Balance Sheets. For the Company's Mexico operations, remeasurement from the Mexican peso to U.S. dollars is performed for monetary assets and liabilities using the exchange rate in effect as of the balance sheet date. Remeasurement is performed for non-monetary assets using the historical exchange rate in effect on the date of each asset's acquisition. Income and expense accounts are remeasured using average exchange rates for the period. Net adjustments resulting from remeasurement of these financial records are reflected in *Foreign currency transaction losses (gains)* in the Consolidated and Combined Statements of Income.

The Company or its subsidiaries may use derivatives for the purpose of mitigating exposure to changes in foreign currency exchange rates. Foreign currency transaction gains or losses are reported in the Consolidated and Combined Statements of Income.

During 2017, the Company reported an adjustment resulting from the translation of a British pound-denominated note payable owed to JBS as a component of *Accumulated other comprehensive loss* in the Consolidated Balance Sheet. The Company designated this note payable as a hedge of its net investment in Moy Park. This adjustment remains in *Accumulated other comprehensive loss* as of December 30, 2018 and will be reclassified if the Company disposes of its investment in Moy Park.

We made the following reclassification to the Consolidated Balance Sheet presented as of December 31, 2017 in order to conform to the Consolidated Balance Sheet presented as of December 30, 2018:

	December 31, 2017		
	As Presented in 2017 Annual Report on Form 10-K	**Adjustment Resulting from Adoption of FASB Guidance**	**As Presented in the Consolidated Balance Sheet**
		(In thousands)	
Accounts payable	$ 762,444	$ (29,417)	$ 733,027
Accrued expense and other current liabilities	417,342	(7,190)	410,152
Revenue contract liability	—	36,607	36,607

Revenue Recognition

The vast majority of the Company's revenue is derived from contracts which are based upon a customer ordering its products. While there may be master agreements, the contract is only established when the customer’s order is accepted by the Company. The Company accounts for a contract, which may be verbal or written, when it is approved and committed by both parties, the rights of the parties are identified along with payment terms, the contract has commercial substance and collectability is probable.

The Company evaluates the transaction for distinct performance obligations, which are the sale of its products to customers. Since its products are commodity market-priced, the sales price is representative of the observable, standalone selling price. Each performance obligation is recognized based upon a pattern of recognition that reflects the transfer of control to the customer at a point in time, which is upon destination (customer location or port of destination), and faithfully depicts the transfer of control and recognition of revenue. There are instances of customer pick-up at the Company's facilities, in which case control transfers to the customer at that point and the Company recognizes revenue. The Company's performance obligations are typically fulfilled within days to weeks of the acceptance of the order.

The Company makes judgments regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from revenue and cash flows with customers. Determination of a contract requires evaluation and judgment along with the estimation of the total contract value and if any of the contract value is constrained. Due to the nature of our business, there is minimal variable consideration, as the contract is established at the acceptance of the order from the customer. When applicable, variable consideration is estimated at contract inception and updated on a regular basis until the contract is completed. Allocating the transaction price to a specific performance obligation based upon the relative standalone selling prices includes estimating the standalone selling prices including discounts and variable consideration.

Shipping and Handling Costs

In the rare case when shipping and handling activities are performed after a customer obtains control of the good, the Company has elected to account for shipping and handling as activities to fulfill the promise to transfer the good. When revenue is recognized for the related good before the shipping and handling activities occur, the related costs of those shipping and handling activities are accrued. Shipping and handling costs are recorded within cost of sales.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising costs are included in selling, general and administrative (“SG&A”) expense and totaled $20.8 million, $18.5 million and $12.3 million for 2018, 2017 and 2016, respectively.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development costs totaled $4.0 million, $3.7 million and $3.5 million for 2018, 2017 and 2016, respectively.

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 and Combined Statements of Cash Flows.

Restricted Cash

The Company is required to maintain cash balances with a broker as collateral for exchange traded futures contracts. These balances are classified as restricted cash as they are not available for use by the Company to fund daily operations. The balance of restricted cash may also include investments in U.S. Treasury Bills that qualify as cash equivalents, as required by the broker, to offset the obligation to return cash collateral.

The following table reconciles cash, cash equivalents and restricted cash as reported in the Consolidated Balance Sheets to the total of the same amounts shown in the Consolidated and Combined Statements of Cash Flows:

	December 30, 2018	December 31, 2017
	(In thousands)	
Cash and cash equivalents	$ 338,386	$ 581,510
Restricted cash	23,192	8,021
Total cash, cash equivalents and restricted cash shown in the Consolidated and Combined Statements of Cash Flows	$ 361,578	$ 589,531

Investments

The Company's current investments are all highly liquid investments with a maturity of three months or less when acquired and are, therefore, considered cash equivalents. The Company's current investments are comprised of fixed income securities, primarily commercial paper and a money market fund. 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 settlement 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 and Combined 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.

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 net realizable value and breeder hen inventories at the lower of cost, less accumulated amortization, or net realizable value. The costs associated with breeder hen inventories 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 net realizable value.

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 net realizable value 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

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.

Goodwill and Other Intangibles, net

Goodwill represents the excess of the aggregate purchase price over the fair value of the net identifiable assets acquired in a business combination. Identified intangible assets represent trade names, customer relationships and non-compete agreements arising from acquisitions that are recorded at fair value as of the date acquired less accumulated amortization, if any. The Company uses various market valuation techniques to determine the fair value of its identified intangible assets.

Goodwill and other intangible assets with indefinite lives are not amortized but are tested for impairment on an annual basis in the fourth quarter of each fiscal year or more frequently if impairment indicators arise. For goodwill, an impairment loss is recognized for any excess of the carrying amount of a reporting unit's goodwill over the implied fair value of that goodwill. Management first reviews relevant qualitative factors to determine if an indication of impairment exists for a reporting unit. If management determines there is an indication that the carrying amount of reporting unit goodwill might be impaired, a quantitative analysis is performed. Management performed a qualitative analysis noting no indications of goodwill impairment in any of its reporting units as of December 30, 2018. For indefinite-lived intangible assets, an impairment loss is recognized if the carrying amount of an indefinite-lived intangible asset exceeds the estimated fair value of that intangible asset. Management first reviews relevant qualitative factors to determine if an indication of impairment exists. If management determines there is an indication that the carrying amount of the intangible asset might be impaired, a quantitative analysis is performed. Management performed a qualitative analysis noting no indications of impairment for any of its indefinite-lived intangible assets as of December 30, 2018.

Identifiable intangible assets with definite lives, such as customer relationships, non-compete agreements and trade names that the Company expects to use for a limited amount of time, are amortized over their estimated useful lives on a straight-line basis. The useful lives range from three to 20 years for trade names and non-compete agreements and 5 to 16 years for customer relationships. Identified intangible assets with definite lives are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Management assessed if events or changes in circumstances indicated that the aggregate carrying amount of its identified intangible assets with definite lives might not be recoverable and determined that there were no impairment indicators during the fifty-two weeks ended December 30, 2018 and fifty-three weeks ended December 31, 2017.

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 and Combined 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 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.

Asset Retirement Obligations

The Company monitors certain asset retirement obligations in connection with its operations. These obligations relate to clean-up, removal or replacement activities and related costs for "in-place" exposures only when those exposures are moved or modified, such as during renovations of our facilities. These in-place exposures include asbestos, refrigerants, wastewater, oil, lubricants and other contaminants common in manufacturing environments. Under existing regulations, the Company is not required to remove these exposures and there are no plans to undertake a renovation that would require removal of the asbestos or the remediation of the other in-place exposures at this time. The facilities are expected to be maintained and repaired by activities that will not result in the removal or disruption of these in-place exposures at this time. As a result, there is an indeterminate settlement date for these asset retirement obligations because the range of time over which the Company may incur these liabilities is unknown and cannot be reasonably estimated. Therefore, the Company has not recorded the fair value of any potential liability.

Income Taxes

The Company follows provisions under ASC No. 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 unitary returns with JBS USA Food Company Holdings ("JBS USA Holdings"). 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. For the unitary states, we have an obligation to make tax payments to JBS USA Holdings for our share of the unitary taxable income, which is included in taxes payable in our Consolidated Balance Sheets. 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 12. Income Taxes" to the Consolidated and Combined Financial Statements.

The Company deems its earnings from Mexico, Puerto Rico and the United Kingdom as of December 30, 2018 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. See "Note 12. Income Taxes" to the Consolidated and Combined Financial Statements.

The Company follows provisions under ASC No. 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 50.0% 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 12. Income Taxes" to the Consolidated and Combined 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.

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.

Derivative Financial Instruments

The Company uses derivative financial instruments (e.g., futures, forwards and options) for the purpose of mitigating exposure to changes in commodity prices and foreign currency exchange rates.

- *Commodity Price Risk* - The Company utilizes various raw materials, which are all considered commodities, in its operations, including corn, soybean meal, soybean oil, wheat, natural gas, electricity and diesel fuel. The Company considers these raw materials to be 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 enters into derivative contracts such as physical forward contracts and exchange-traded futures or option contracts in an attempt to mitigate price risk related to its anticipated consumption of commodity inputs for periods up to 12 months. The Company may enter into longer-term derivatives on particular commodities if deemed appropriate.

- *Foreign Currency Risk* - The Company has foreign operations and, therefore, has exposure to foreign exchange risk when the financial results of those operations are translated to US dollars. The Company will occasionally purchase derivative financial instruments such as foreign currency forward contracts 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 Moy Park operation also attempts to mitigate foreign currency exposure on certain euro- and U.S. dollar-denominated transactions through the use of derivative financial instruments.

Pilgrim's recognizes all commodity derivative instruments that qualify for derivative accounting treatment as either assets or liabilities and measures those instruments at fair value unless they qualify for, and we elect, the normal purchases and normal sales scope exception ("NPNS"). The permitted accounting treatments include: cash flow hedge; fair value hedge; and undesignated contracts. Undesignated contract accounting is the default accounting treatment for all derivatives unless they qualify, and we specifically designate them, for one of the other accounting treatments. Derivatives designated for any of the elective accounting treatments must meet specific, restrictive criteria both at the time of designation and on an ongoing basis.

The Company has generally applied the NPNS exception to its forward physical grain purchase contracts. NPNS contracts are accounted for using the accrual method of accounting; therefore, there were no amounts recorded in the Consolidated and Combined Financial Statements at December 30, 2018 and December 31, 2017.

Undesignated contracts may include contracts not designated as a hedge or for which the NPNS exception was not elected, contracts that do not qualify for hedge accounting and derivatives that do not or no longer qualify for the NPNS scope exception. The fair value of these derivatives is recognized in the Consolidated Balance Sheets within *Prepaid expenses and other current assets* or *Accrued expenses and other current liabilities*. Changes in fair value of these derivatives are recognized immediately in the Consolidated and Combined Statements of Income within *Net sales*, *Cost of sales* or *Selling, general and administrative expense*, depending on the risk they are intended to mitigate. While management believes these instruments help mitigate various market risks, they are not designated nor accounted for as hedges as a result of the extensive record keeping requirements.

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 Adopted in 2018

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, 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. We adopted this standard as of January 1, 2018, the beginning of our 2018 fiscal year, using the cumulative effect adjustment, often referred to as modified retrospective approach. Under this method, we did not restate the prior financial statements presented, and would record any adjustments in the opening balance sheet for January 2018. There was no cumulative effect to be recorded as an adjustment to the opening balance of retained earnings. The comparative information was not restated and continues to be presented under the accounting standards in effect for those periods. Additional disclosures will include the amount by which each financial statement line item is affected in the current reporting period during 2018, as compared to the prior guidance. We expect minimal impact from the adoption of the new standard to the financial statements on a go forward basis, except for expanded disclosures. Revenue is currently recognized at destination and will continue to be recognized at point in time under the new guidance. Additional information regarding revenue recognition is included in "Note 13. Revenue Recognition."

In March 2017, the FASB issued ASU 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which, in an effort to improve consistency and transparency, requires the service cost component of defined benefit pension cost and postretirement benefit cost ("net benefit cost") to be reported in the same line of the income statement as other compensation costs earned by the employee and the other components of net benefit cost to be reported below income from operations. We adopted this standard as of January 1, 2018, the beginning of our 2018 fiscal year. The initial adoption of this guidance did not have a material impact on our financial statements.

Recent Accounting Pronouncements Not Yet Adopted as of December 30, 2018

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, along with several updates, which, in an effort to increase transparency and comparability among organizations utilizing leasing, requires an entity that is a lessee to recognize the assets and liabilities arising from operating leases on the balance sheet. This guidance also requires disclosures about the amount, timing and uncertainty of cash flows arising from leases. In transition, the entity may elect to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach or the beginning of the period of adoption using a cumulative-effect adjustment approach. The provisions of the new guidance will be effective as of the beginning of our 2019 fiscal year. We will adopt the new standard as of December 31, 2018, the beginning of our 2019 fiscal year and recognize and measure leases at the beginning of the period of adoption. We will elect the package of practical expedients available under the transition guidance which, among other things, allows the carry-forward of historical lease classification. We will make an accounting policy election to not apply the new guidance to leases with a term of 12 months or less and will recognize those payments in the Consolidated Statement of Income on a straight-line basis over the lease term. We have implemented a system solution for administering our leases and facilitating compliance with the new guidance. Adoption of the standard will have a material impact on our Consolidated Balance Sheet as a result of the increase in assets and liabilities from recognition of right-of-use assets and lease liabilities. However, we do not believe the standard will have a material impact on our Consolidated Statement of Income.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which, in an effort to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments, replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, reinsurance receivables and any other financial assets not excluded from the scope that have the contractual right to receive cash. The provisions of the new guidance will be effective as of the beginning of our 2020 fiscal year. Early adoption is permitted after our 2018 fiscal year. We are currently evaluating the impact of the new guidance on our financial statements and have not yet selected an adoption date.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, an accounting standard update that simplifies the application of hedge accounting guidance in current GAAP and improves the reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. Among the simplification updates, the standard eliminates the requirement in current GAAP to separately recognize periodic hedge ineffectiveness. Mismatches between the changes in value of the hedged item and hedging instrument may still occur but they will no longer be separately reported. The standard requires the presentation of the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. The standard is effective for annual and interim reporting periods beginning after December 15, 2018, but early adoption is permitted. We have elected to adopt this standard as of December 31, 2018, the beginning of our 2019 fiscal year. We do not expect the initial adoption of this guidance did not have a material impact on our financial statements.

In February 2018, the FASB issued ASU 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, an accounting standard update that allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the U.S. Tax Cuts and Jobs Act. The Company will need to decide whether to reclassify the stranded tax effects associated with the U.S. Tax Cuts and Jobs Act from accumulated other comprehensive income to retained earnings. If the Company chooses to reclassify we will need to calculate the amount of the reclassification and prepare the related disclosures. We have elected to adopt this standard as of December 31, 2018, the beginning of our 2019 fiscal year. We do not expect the initial adoption of this guidance did not have a material impact on our financial statements.

In July 2018, the FASB issued ASU 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, an accounting standard update to improve non-employee share-based payment accounting. The accounting standard update more closely aligns the accounting for employee and non-employee share based payments. The accounting standards update is effective as of the beginning of our 2019 calendar year with early adoption permitted.

We have elected to adopt this standard as of December 31, 2018, the beginning of our 2019 fiscal year. We do not expect the initial adoption of this guidance did not have a material impact on our financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, new accounting guidance to improve the effectiveness of disclosures related to fair value measurements. The new guidance removes certain disclosure requirements related to transfers between Level 1 and Level 2 of the fair value hierarchy along with the policy for timing of transfers between levels and the valuation processes for Level 3 fair value measurements. Additions to the disclosure requirements include more quantitative information related to significant unobservable inputs used in Level 3 fair value measurements and gains and losses included in other comprehensive income. The new guidance will be effective as of our 2020 fiscal year with early adoption permitted. We are currently evaluating the impact of the new guidance on our financial statements and have not yet selected an adoption date.

In August 2018, the FASB issued ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, new accounting guidance to improve the effectiveness of disclosures related to defined benefit plans by eliminating certain required disclosures, clarifying existing disclosures, and adding new disclosures. Changes include removing disclosures related to the amounts in accumulated other comprehensive income expected to be recognized in the next fiscal year, adding narrative disclosure of the reasons for significant gains and losses related to changes in the defined benefit obligation, and clarifying the disclosures required for plans with projected and accumulated benefit obligations in excess of plan assets. The new guidance will be effective as of our 2020 fiscal year with early adoption permitted. We are currently evaluating the impact of the new guidance on our financial statements and have not yet selected an adoption date.

2. BUSINESS ACQUISITIONS

Moy Park

On September 8, 2017, the Company purchased 100% of the issued and outstanding shares of Moy Park from JBS S.A. for cash of $301.3 million and a note payable to the seller in the amount of £562.5 million. Moy Park is one of the top-ten food companies in the U.K., Northern Ireland's largest private sector business and one of Europe's leading poultry producers. With 4 fresh processing plants, 10 prepared foods cook plants, 3 feed mills, 6 hatcheries and 1 rendering facility in Northern Ireland, England, France, and the Netherlands, Moy Park processes 6.1 million birds per seven-day work week, in addition to producing around 462.0 million pounds of prepared foods per year. Its product portfolio comprises fresh and added-value poultry, ready-to-eat meals, breaded and multi-protein frozen foods, vegetarian foods and desserts, supplied to major food retailers and restaurant chains in Europe (including the U.K.). Moy Park has approximately 10,300 employees as of December 30, 2018. The Moy Park operations comprise our U.K. and Europe segment.

The acquisition was treated as a common-control transaction under U.S. GAAP. A common-control transaction is a transfer of net assets or an exchange of equity interests between entities under the control of the same parent. The accounting and reporting for a transaction between entities under common control is not to be considered a business combination under U.S. GAAP. Since there is no change in control over the net assets from the parent’s perspective, there is no change in basis in the assets or liabilities. Therefore, Pilgrim's, as the receiving entity, recognized the assets and liabilities received at their historical carrying amounts, as reflected in the parent’s financial statements. The difference between the proceeds transferred and the carrying amounts of the net assets on the date of the acquisition is recognized in equity.

Transaction costs incurred in conjunction with the acquisition were approximately $19.9 million. These costs were expensed as incurred. Beginning September 8, 2017, the results of operations and financial position of Moy Park have been included in the consolidated results of operations and financial position of the Company. The results of operations and financial position of Moy Park have been combined with the results of operations and financial position of Pilgrim's from September 30, 2015, the common control date, through September 7, 2017. The following table summarizes the results of operations of Moy Park since the September 30, 2015 common-control date:

	Net Sales	Net Income
	(In thousands)	
2018	$ 2,148,666	$ 52,072
September 8, 2017 through December 31, 2017	722,387	34,039
December 26, 2016 through September 7, 2017	1,273,932	23,486
2016	1,947,441	40,388
2015	572,568	17,010

GNP

On January 6, 2017, the Company acquired 100% of the membership interests of JFC LLC and its subsidiaries (together, “GNP”) from Maschhoff Family Foods, LLC for $350.0 million, subject to customary working capital adjustments. The purchase was funded through cash on hand and borrowings under the U.S. Credit Agreement. GNP is a vertically integrated poultry business based in St. Cloud, Minnesota. The acquired business has a production capacity of 2.1 million birds per five-day work week in its two plants and employed approximately 1,600 people as of December 30, 2018. This acquisition further strengthened the Company’s strategic position in the U.S. chicken market. The GNP operations are included in our U.S. segment.

The following table summarizes the consideration paid for GNP (in thousands):

Negotiated sales price	$	350,000
Working capital adjustment		7,252
Preliminary purchase price	$	357,252

Transaction costs incurred in conjunction with the purchase were approximately $0.6 million. These costs were expensed as incurred.

The results of operations of the acquired business since January 6, 2017 are included in the Company’s Consolidated and Combined Statements of Income. Net sales generated and net loss incurred by the acquired business during 2018 totaled $398.4 million and $1.4 million, respectively. Net sales and net income generated by the acquired business during 2017 totaled $433.9 million and $30.4 million, respectively.

The assets acquired and liabilities assumed in the GNP acquisition were measured at their fair values at January 6, 2017 as set forth below. The excess of the purchase price over the fair values of the net tangible assets and identifiable intangible assets was recorded as goodwill. The factors contributing to the recognition of the amount of goodwill are based on several strategic and synergistic benefits that are expected to be realized from the acquisition as well the assembled workforce. These benefits include (i) complementary product offerings, (ii) an enhanced footprint in the U.S., (iii) shared knowledge of innovative technologies such as gas stunning, aeroscalding and automated deboning, (iv) enhanced position in the fast-growing antibiotic-free and certified organic chicken segments due to the addition of GNP’s portfolio of Just BARE® Certified Organic and Natural/American Humane CertifiedTM/No-Antibiotics-Ever product lines and (v) attractive cost-reduction synergy opportunities and value creation. The Company has tax basis in the goodwill, and therefore, the goodwill is deductible for tax purposes. The fair values recorded were determined based upon upon various external and internal valuations..

The fair values recorded for the assets acquired and liabilities assumed for GNP are as follows (in thousands):

Cash and cash equivalents	$	10
Trade accounts and other receivables		18,453
Inventories		56,459
Prepaid expenses and other current assets		3,414
Property, plant and equipment		144,138
Identifiable intangible assets		131,120
Other long-lived assets		829
Total assets acquired		354,423
Accounts payable		23,848
Other current liabilities		11,866
Other long-term liabilities		3,393
Total liabilities assumed		39,107
Total identifiable net assets		315,316
Goodwill		41,936
Total net assets	$	357,252

The Company recognized certain identifiable intangible assets as of January 6, 2017 due to this acquisition. The following table presents the fair values and useful lives, where applicable, of these assets:

	Fair Value	Useful Life
	(In thousands)	(In years)
Customer relationships	$ 92,900	13.0
Trade names	38,200	20.0
Non-compete agreement	20	3.0
Total fair value	$ 131,120	
Weighted average useful life		15.2

The Company performed a valuation of the assets and liabilities of GNP as of January 6, 2017. Significant assumptions used in the valuation and the bases for their determination are summarized as follows:

- Property, plant and equipment, net. Property, plant and equipment at fair value gave consideration to the highest and best use of the assets. The valuation of the Company's real property improvements and the majority of its personal property was based on the cost approach. The valuation of the Company's land, as if vacant, and certain personal property assets was based on the market or sales comparison approach.
- Trade names. The Company valued two trade names using the income approach, specifically the relief from royalty method. Under this method, the asset value of each trade name was determined by estimating the hypothetical royalties that would have to be paid if it was not owned. Royalty rates were selected based on consideration of several factors, including (i) prior transactions involving GNP trade names, (ii) incomes derived from license agreements on comparable trade names within the food industry and (iii) the relative profitability and perceived contribution of each trade name. The royalty rate used in the determination of the fair values of the two trade names was 2.0% of expected net sales related to the respective trade names. In estimating the fair value of the trade names, net sales related to the respective trade names were estimated to grow at a rate of 2.5%. Income taxes were estimated at 39.3% of pre-tax income, a tax amortization benefit factor was estimated at 1.2098 and the hypothetical savings generated by avoiding royalty costs were discounted using a rate of 13.8%.
- Customer relationships. The Company valued GNP customer relationships using the income approach, specifically the multi-period excess earnings model. Under this model, the fair value of the customer relationships asset was determined by estimating the net cash inflows from the relationships discounted to present value. In estimating the fair value of the customer relationships, net sales related to existing GNP customers were estimated to grow at a rate of 2.5% annually, but we also anticipate losing existing GNP customers at an attrition rate of 4.0%. Income taxes were estimated at 39.3% of pre-tax income, a tax amortization benefit factor was estimated at 1.2098 and net cash flows attributable to our existing customers were discounted using a rate of 13.8%.

See "Note 8. Goodwill and Identified Intangible Assets" for additional information regarding the goodwill and intangible assets recognized by the Company in the GNP acquisition.

Unaudited Pro Forma Financial Information

The following unaudited pro forma information presents the combined financial results for the Company, Moy Park and GNP as if the acquisitions had been completed at the beginning of 2016.

	2018	2017	2016
	(In thousands, except per share amounts)		
Net sales	$ 10,937,784	$ 10,773,662	$ 10,311,325
Net income attributable to Pilgrim's Pride Corporation	236,026	664,776	388,188
Net income attributable to Pilgrim's Pride Corporation per common share - diluted	0.95	2.67	1.53

The above unaudited pro forma financial information is presented for informational purposes only and does not purport to represent what the Company's results of operations would have been had it completed the acquisitions on the date assumed, nor is it necessarily indicative of the results that may be expected in future periods. Pro forma adjustments exclude cost savings from any synergies resulting from the acquisitions.

3. 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 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. For each class of assets and liabilities not measured at fair value in the Consolidated Balance Sheet but for which fair value is disclosed, the Company is not required to provide the quantitative disclosure about significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy.

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 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 30, 2018 and December 31, 2017, the Company held derivative assets and liabilities that were required to be measured at fair value on a recurring basis. Derivative assets and liabilities consist of long and short positions on exchange-traded commodity futures instruments and foreign currency forward contracts to manage translation and remeasurement risk.

The following items were measured at fair value on a recurring basis:

	December 30, 2018			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Fair value assets:				
Commodity futures instruments	$ 2,244	$ —	$ —	$ 2,244
Commodity options instruments	—	—	—	—
Foreign currency instruments	1,311	—	—	1,311
Fair value liabilities:				
Commodity futures instruments	(1,479)	—	—	(1,479)
Commodity options instruments	(3,312)	—	—	(3,312)
Foreign currency instruments	(6,649)	—	—	(6,649)

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Fair value assets:				
Commodity futures instruments	$ 301	$ —	$ —	$ 301
Commodity options instruments	421	—	—	421
Foreign currency instruments	45	—	—	45
Fair value liabilities:				
Commodity futures instruments	(296)	—	—	(296)
Commodity option instruments	(3,551)	—	—	(3,551)
Foreign currency instruments	(211)	—	—	(211)

See “Note 7. Derivative Financial Instruments” for additional information.

The carrying amounts and estimated fair values of our fixed-rate debt obligation recorded in the Consolidated Balance Sheets consisted of the following:

	December 30, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Fixed-rate senior notes payable at 5.75%, at Level 1 inputs	$ (1,002,497)	$ (937,300)	$ (750,000)	$ (774,375)
Fixed-rate senior notes payable at 5.875%, at Level 1 inputs	(843,717)	(768,188)	(604,820)	(619,080)
Fixed-rate senior notes payable at 6.25%, at Level 1 inputs	—	—	(403,444)	(418,787)
Secured loans, at Level 3 inputs	(319)	(319)	(873)	(855)

See “Note 11. Long-Term Debt and Other Borrowing Arrangements” for additional information.

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. 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 Level 1 fixed-rate debt obligation was based on the quoted market price at December 30, 2018 or December 31, 2017, as applicable. The fair values of the Company’s Level 3 fixed-rate debt obligation was based on discounted cash flows at December 30, 2018 or December 31, 2017, 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. There were no significant fair value measurement losses recognized for such assets and liabilities in the periods reported.

4. 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 30, 2018	December 31, 2017
	(In thousands)	
Trade accounts receivable	$ 533,645	$ 548,472
Notes receivable - current	4,630	5,130
Other receivables	31,331	20,021
Receivables, gross	569,606	573,623
Allowance for doubtful accounts	(8,057)	(8,145)
Receivables, net	$ 561,549	$ 565,478
Accounts receivable from related parties[a]	$ 1,331	$ 2,951

(a) Additional information regarding accounts receivable from related parties is included in "Note 19. Related Party Transactions."

Changes in the allowance for doubtful accounts were as follows:

	Total
	(In thousands)
Balance at December 31, 2017	$ (8,145)
Provision charged to operating results	(1,633)
Account write-offs and recoveries	1,682
Effect of exchange rate	39
Balance at December 30, 2018	$ (8,057)

5. INVENTORIES

Inventories consisted of the following:

	December 30, 2018	December 31, 2017
	(In thousands)	
Raw materials and work-in-process	$ 747,801	$ 722,083
Finished products [a]	317,410	444,796
Operating supplies	43,825	35,442
Maintenance materials and parts	50,483	52,749
Total inventories	$ 1,159,519	$ 1,255,070

(a) *Finished products* contains a $54.4 million reclassification related to both in-transit and non-chicken finished products that were previously presented in *Feed, eggs and other* on our annual report on Form 10-K for the year ended December 31, 2017 to conform to the inventories presented as of December 30, 2018.

6. 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 30, 2018		December 31, 2017	
	Cost	Fair Value	Cost	Fair Value
	(In thousands)			
Cash equivalents:				
Fixed income securities	$ 135,286	$ 135,286	$ 330,456	$ 330,456
Other	67,474	67,474	942	942

Securities classified as cash and cash equivalents mature within 90 days. Securities classified as short-term investments mature between 91 and 365 days. Securities classified as long-term investments mature after 365 days. 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 2018 and 2017 related to the Company's available-for-sale securities totaled $8.0 million and $4.0 million, respectively, while gross realized losses were immaterial. Proceeds received from the sale or maturity of available-for-sale securities during 2018 and 2017 are disclosed in the Consolidated and Combined Statements of Cash Flows. Net unrealized holding gains and losses on the Company's available-for-sale securities recognized during 2018 and 2017 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 2018 and 2017 are disclosed in "Note 15. Stockholders' Equity."

7. DERIVATIVE FINANCIAL INSTRUMENTS

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

The Company has operations in Mexico and Europe (including the U.K.) and, therefore, has exposure to translational foreign exchange risk when the financial results of those operations are remeasured in U.S. dollars. The Company has purchased 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. This cash collateral is reported in the line item *Restricted cash* and *cash equivalents* on the Consolidated Balance Sheets.

We have not designated certain derivative financial instruments that we have purchased to mitigate commodity purchase or foreign currency transaction exposures on our Mexico operations as cash flow hedges. Items designated as cash flow hedges are disclosed and described further below. Therefore, we recognized changes in the fair value of these derivative financial instruments immediately in earnings. Gains or losses related to these derivative financial instruments are included in the line item *Cost of sales* in the Consolidated and Combined Statements of Income.

We have designated certain derivative financial instruments related to our U.K. and Europe segment that we have purchased to mitigate foreign currency transaction exposures as cash flow hedges. Before the settlement date of the financial derivative instruments, we recognize changes in the fair value of the effective portion of the cash flow hedge into accumulated other comprehensive income ("AOCI") while we recognize changes in the fair value of the ineffective portion immediately in earnings. When the derivative financial instruments associated with the effective portion are settled, the amount in AOCI is then reclassified to earnings. Gains or losses related to these derivative financial instruments are included in the line item *Cost of sales* in the Consolidated and Combined Statements of Income.

The Company recognized $27.1 million in net losses and $6.7 million in net gains related to changes in the fair value of its derivative financial instruments during 2018 and 2017, respectively. The Company recognized $4.3 million in net losses during 2016.

Information regarding the Company's outstanding derivative instruments and cash collateral posted with brokers is included in the following table:

	December 30, 2018	December 31, 2017
	(Fair values in thousands)	
Fair values:		
Commodity derivative assets	$ 2,263	$ 722
Commodity derivative liabilities	(4,791)	(3,847)
Foreign currency derivative assets	1,311	45
Foreign currency derivative liabilities	(6,649)	(211)
Cash collateral posted with brokers [(a)]	23,192	8,021
Derivatives Coverage[(b)]:		
Corn	6.0%	3.1%
Soybean meal	6.0%	1.7%
Period through which stated percent of needs are covered:		
Corn	March 2020	March 2019
Soybean meal	December 2019	December 2018

(a) Collateral posted with brokers consists primarily of cash, short term treasury bills, or other cash equivalents.
(b) Derivatives coverage is the percent of anticipated commodity needs covered by outstanding derivative instruments through a specified date.

The following tables present the components of the gain or loss on derivatives that qualify as cash flow hedges:

	Gain (Loss) Recognized in Other Comprehensive Income on Derivative (Effective Portion)		
	December 30, 2018	December 31, 2017	December 25, 2016
	(In thousands)		
Foreign currency derivatives	$ 829	$ 60	$ (152)
Total	$ 829	$ 60	$ (152)

	Net Realized Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)		
	December 30, 2018	December 31, 2017	December 25, 2016
	(In thousands)		
Foreign currency derivatives	$ —	$ —	$ —
Total	$ —	$ —	$ —

	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)		
	December 30, 2018	December 31, 2017	December 25, 2016
	(In thousands)		
Foreign currency derivatives	$ (348)	$ 639	$ (310)
Total	$ (348)	$ 639	$ (310)

At December 30, 2018, the before-tax deferred net gains on derivatives recorded in AOCI that are expected to be reclassified to the Consolidated and Combined Statements of Income during the next twelve months are $0.5 million. This expectation is based on the anticipated settlements on the hedged investments in foreign currencies that will occur over the next twelve months, at which time the Company will recognize the deferred gains (losses) to earnings.

8. GOODWILL AND INTANGIBLE ASSETS

The activity in goodwill by segment for the years ended December 30, 2018 and December 31, 2017 were as follows:

	December 31, 2017	Additions	Other	Currency Translation	December 30, 2018
			(In thousands)		
U.S.	$ 41,936	$ —	$ —	$ —	$ 41,936
U.K. and Europe	834,346	—	(1,156)	(50,983)	782,207
Mexico	125,607	—	—	—	125,607
Total	$ 1,001,889	$ —	$ (1,156)	$ (50,983)	$ 949,750

	December 25, 2016	Additions	Other	Currency Translation	December 31, 2017
			(In thousands)		
U.S.	$ —	$ 41,936	$ —	$ —	$ 41,936
U.K. and Europe	761,614	—	—	72,732	834,346
Mexico	125,607	—	—	—	125,607
Total	$ 887,221	$ 41,936	$ —	$ 72,732	$ 1,001,889

Identified intangible assets consisted of the following:

	December 31, 2017	Additions	Amortization	Currency Translation	Reclassification	December 30, 2018
			(In thousands)			
Carrying amount:						
Trade names	$ 79,686	$ —	$ —	$ —	$ (1,343)	$ 78,343
Customer relationships	251,952	—	—	(5,589)	1,343	247,706
Non-compete agreements	320	—	—	—	—	320
Trade names not subject to amortization	403,594	—	—	(23,527)	—	380,067
Accumulated amortization:						
Trade names	(40,888)	—	(3,287)	—	623	(43,552)
Customer relationships	(77,194)	—	(22,441)	1,817	(623)	(98,441)
Non-compete agreements	(307)	—	(8)	—	—	(315)
Total	$ 617,163	$ —	$ (25,736)	$ (27,299)	$ —	$ 564,128

	December 25, 2016	Additions	Amortization	Currency Translation	Reclassification	December 31, 2017
			(In thousands)			
Carrying amount:						
Trade names	$ 41,369	$ 38,200	$ —	$ 117	$ —	$ 79,686
Customer relationships	151,147	92,900	—	7,905	—	251,952
Non-compete agreements	300	20	—	—	—	320
Trade names not subject to amortization	369,258	—	—	34,336	—	403,594
Accumulated amortization:						
Trade names	(37,128)	—	(3,808)	48	—	(40,888)
Customer relationships	(53,055)	—	(22,571)	(1,568)	—	(77,194)
Non-compete agreements	(300)	—	(7)	—	—	(307)
Total	$ 471,591	$ 131,120	$ (26,386)	$ 40,838	$ —	$ 617,163

Intangible assets are amortized over the estimated useful lives of the assets as follows:

Customer relationships	5-16 years
Trade names	3-20 years
Non-compete agreements	3 years

The Company recognized amortization expense related to identified intangible assets of $25.7 million in 2018, $26.4 million in 2017 and $18.7 million in 2016.

The Company expects to recognize amortization expense associated with identified intangible assets of $23.5 million in 2019, $19.7 million in 2020, $19.7 million in 2021 and $19.7 million in 2022, and $19.7 million in 2023.

At December 30, 2018, the Company assessed qualitative factors to determine if it was necessary to perform either the two-step quantitative impairment test related to the carrying amount of its goodwill or quantitative impairment tests related to the carrying amounts of its identified intangible assets not subject to amortization. Based on these assessments, the Company determined that it was not necessary to perform either the two-step quantitative impairment test related to the carrying amount of its goodwill nor the quantitative impairment tests related to the carrying amounts of its identified intangible assets not subject to amortization at that date.

At December 30, 2018, the Company assessed if events or changes in circumstances indicated that the aggregate carrying amount of its identified intangible assets subject to amortization might not be recoverable. There were no indicators present that required the Company to test the recoverability of the aggregate carrying amount of its identified intangible assets subject to amortization at that date.

9. PROPERTY, PLANT AND EQUIPMENT

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

	December 30, 2018	December 31, 2017
	(In thousands)	
Land	$ 196,769	$ 205,087
Buildings	1,697,703	1,681,610
Machinery and equipment	2,618,213	2,533,522
Autos and trucks	59,195	58,159
Construction-in-progress	269,166	187,094
PP&E, gross	4,841,046	4,665,472
Accumulated depreciation	(2,679,344)	(2,570,325)
PP&E, net	$ 2,161,702	$ 2,095,147

The Company recognized depreciation expense of $248.3 million, $245.4 million and $210.5 million during 2018, 2017 and 2016, respectively.

During 2018, the Company spent $348.7 million on capital projects and transferred $246.5 million of completed projects from construction-in-progress to depreciable assets. Capital expenditures were primarily incurred during 2018 to improve operational efficiencies and reduce costs. During 2017, the Company spent $339.9 million on capital projects and transferred $411.8 million of completed projects from construction-in-progress to depreciable assets.

During 2018, the Company sold certain PP&E for $9.8 million and recognized a gain of $1.9 million. PP&E sold in 2018 included processing plants in Alabama and Minnesota, a residential building in Georgia, vacant land in Georgia and North Carolina, and miscellaneous equipment. During 2017, the Company sold certain PP&E for $4.5 million and recognized a gain of $0.5 million. PP&E sold in 2017 included processing plants in Texas and Ireland, a feed mill in Arkansas, a hatchery in the U.K., poultry farms in Alabama and Texas, vacant land in Texas and miscellaneous equipment.

At December 30, 2018, the Company reported properties and related assets totaling $0.2 million in *Assets held for sale* on its Consolidated Balance Sheets. The fair values of the miscellaneous equipment that were classified as assets held for sale as of December 30, 2018 were based on quoted market prices.

The Company tested the recoverability of its Minnesota processing complex held for sale at various effective dates during 2018. The Company determined that the aggregate carrying amount of this asset group at various times during 2018 was not recoverable over the remaining life of the primary asset in the group and recognized impairment costs of $0.8 million within its U.S. segment, which is reported in the line item *Administrative restructuring charges* on its Consolidated and Combined Statements of Income. The Minnesota processing complex was sold in the fourth quarter of 2018.

The Company tested the recoverability of assets owned by Rose Energy Ltd. at various effective dates during 2018. The Company determined that the aggregate carrying amount of this asset group at December 30, 2018 was not recoverable over the remaining life of the primary asset in the group and recognized impairment costs of $2.6 million within its U.K. and Europe segment, which is reported in the line item *Administrative restructuring charges* on its Consolidated and Combined Statements of Income.

The Company has closed or idled various facilities in the U.S. and in the U.K. Neither the Board of Directors nor JBS 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 30, 2018, the carrying amount of these idled assets was $44.7 million based on depreciable value of $154.4 million and accumulated depreciation of $109.7 million. During 2018, the Company recognized an impairment loss of $0.1 million related to leasehold improvements at an idled administrative office.

At December 30, 2018, the Company assessed if events or changes in circumstances indicated that the aggregate carrying amount of its property, plant and equipment held for use might not be recoverable. There were no indicators present that required the Company to test the recoverability of the aggregate carrying amount of its property, plant and equipment held for use at that date.

10. CURRENT LIABILITIES

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

	December 30, 2018	December 31, 2017
	(In thousands)	
Accounts payable:		
Trade accounts	$ 744,105	$ 661,759
Book overdrafts	69,475	56,022
Other payables	16,479	15,246
Total accounts payable	830,059	733,027
Accounts payable to related parties[(a)]	7,269	2,889
Revenue contract liability [(b)]	33,328	36,607
Accrued expenses and other current liabilities:		
Compensation and benefits	149,507	181,678
Interest and debt-related fees	33,596	29,750
Insurance and self-insured claims	80,990	79,911
Derivative liabilities:		
Commodity futures	1,479	296
Commodity options	3,312	3,551
Foreign currency derivatives	6,649	211
Other accrued expenses	111,408	114,755
Total accrued expenses and other current liabilities	386,941	410,152
Total current liabilities	$ 1,257,597	$ 1,182,675

(a) Additional information regarding accounts payable to related parties is included in "Note 19. Related Party Transactions."

(b) Additional information regarding revenue contract liabilities is included in "Note 13. Revenue Recognition."

11. LONG-TERM DEBT AND OTHER BORROWING ARRANGEMENTS

Long-term debt consisted of the following components:

	Maturity	December 30, 2018	December 31, 2017
Long-term debt and other long-term borrowing arrangements:		(In thousands)	
Senior notes payable, net of premium and discount at 5.75%	2025	$ 1,002,497	$ 754,820
Senior notes payable, net of discount at 5.875%	2027	843,717	600,000
Senior notes payable at 6.25%	2021	—	403,444
U.S. Credit Facility (defined below):			
Term note payable at 3.65%	2023	500,000	780,000
Revolving note payable at 5.25%	2023	—	73,262
2016 Mexico Credit Facility (defined below) with notes payable at TIIE plus 0.95%	2019	—	76,307
Moy Park France Invoice Discounting Revolver with payables at EURIBOR plus 0.8%	2019	2,277	1,815
Moy Park Credit Agricole Bank Overdraft with notes payable at EURIBOR plus 1.50%	On Demand	88	—
Moy Park Multicurrency Revolving Facility with notes payable at LIBOR rate plus 2.5%	2018	—	9,590
Moy Park Bank of Ireland Revolving Facility with notes payable at LIBOR or EURIBOR plus 1.25% to 2.00%	2023	—	—
Secured loans with payables at weighted average of 3.73%	Various	319	873
Capital lease obligations	Various	3,707	9,239
Long-term debt		2,352,605	2,709,350
Less: Current maturities of long-term debt		(30,405)	(47,775)
Long-term debt, less current maturities		2,322,200	2,661,575
Less: Capitalized financing costs		(27,010)	(25,958)
Long-term debt, less current maturities, net of capitalized financing costs:		$ 2,295,190	$ 2,635,617

U.S. Senior Notes

On March 11, 2015, the Company completed a sale of $500.0 million aggregate principal amount of its 5.75% senior notes due 2025. On September 29, 2017, the Company completed an add-on offering of $250.0 million of these senior notes. The issuance price of this add-on offering was 102.0%, which created gross proceeds of $255.0 million. The additional $5.0 million will be amortized over the remaining life of the senior notes. On March 7, 2018, the Company completed another add-on offering of $250.0 million of these senior notes (together with the senior notes issued in March 2015 and September 2017, the "Senior Notes due 2025"). The issuance price of this add-on offering was 99.25%, which created gross proceeds of $248.1 million. The $1.9 million discount will be amortized over the remaining life of the senior notes. Each issuance of the Senior Notes due 2025 is treated as a single class for all purposes under the 2015 Indenture (defined below) and have the same terms.

The Senior Notes due 2025 are governed by, and were issued pursuant to, an indenture dated as of March 11, 2015 by and among the Company, its guarantor subsidiary and Wells Fargo Bank, National Association, as trustee (the "2015 Indenture"). The 2015 Indenture provides, among other things, that the Senior Notes due 2025 bear interest at a rate of 5.75% per annum from the date of issuance until maturity, payable semi-annually in cash in arrears, beginning on September 15, 2015 for the Senior Notes due 2025 that were issued in March 2015 and beginning on March 15, 2018 for the Senior Notes due 2025 that were issued in September 2017 and March 2018.

On September 29, 2017, the Company completed a sale of $600.0 million aggregate principal amount of its 5.875% senior notes due 2027. On March 7, 2018, the Company completed an add-on offering of $250.0 million of these senior notes (together with the senior notes issued in September 2017, the "Senior Notes due 2027"). The issuance price of this add-on offering was 97.25%, which created gross proceeds of $243.1 million. The $6.9 million discount will be amortized over the remaining life of the Senior Notes due 2027. Each issuance of the Senior Notes due 2027 is treated as a single class for all purposes under the 2017 Indenture (defined below) and have the same terms.

The Senior Notes due 2027 are governed by, and were issued pursuant to, an indenture dated as of September 29, 2017 by and among the Company, its guarantor subsidiary and U.S. Bank National Association, as trustee (the "2017 Indenture"). The 2017 Indenture provides, among other things, that the Senior Notes due 2027 bear interest at a rate of 5.875% per annum from the date of issuance until maturity, payable semi-annually in cash in arrears, beginning on March 30, 2018 for the Senior Notes due 2027 that were issued in September 2017 and beginning on March 15, 2018 for the Senior Notes due 2027 that were issued in March 2018.

The Senior Notes due 2025 and the Senior Notes due 2027 are each guaranteed on a senior unsecured basis by the Company's guarantor subsidiary. In addition, any of the Company's other existing or future domestic restricted subsidiaries that incur or guarantee any other indebtedness (with limited exceptions) must also guarantee the Senior Notes due 2025 and the Senior Notes due 2027. The Senior Notes due 2025 and the Senior Notes due 2027 and related guarantees are unsecured senior obligations of the Company and its guarantor subsidiary and rank equally with all of the Company's and its guarantor subsidiary's other unsubordinated indebtedness. The Senior Notes due 2025, the 2015 Indenture, the Senior Notes due 2027 and the 2017 Indenture also contain customary covenants and events of default, including failure to pay principal or interest on the Senior Notes due 2025 and the Senior Notes due 2027, respectively, when due, among others.

The Company used the net proceeds from the sale of the Senior Notes due 2025 and the Senior Notes due 2027 that were issued in September 2017 to repay in full the JBS S.A. Promissory Note issued as part of the Moy Park acquisition and for general corporate purposes. The Company used the net proceeds from the sale of the Senior Notes due 2025 and the Senior Notes due 2027 that were issued in March 2018 to pay the second tender price of Moy Park Notes (as described below), repay a portion of outstanding secured debt, and for general corporate purposes. The Senior Notes due 2025 and the Senior Notes due 2027 were sold to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act.

Moy Park Senior Notes

Between May 29, 2014 and April 17, 2015, Moy Park (Bondco) plc completed the sale of £300.0 million aggregate principal amount of its 6.25% senior notes due 2021 (the "Moy Park Senior Notes"). Between November 3, 2017 and March 8, 2018, Moy Park (Bondco) plc completed the purchase for cash of the Moy Park Senior Notes through a tender offer. As of March 8, 2018, £234.3 million principal amount of Moy Park Senior Notes had been validly tendered and purchased by Moy Park (Bondco) plc.

On May 29, 2018, Moy Park (Bondco) plc redeemed all remaining Moy Park Senior Notes outstanding at the redemption price equal to 101.56% of the principal amount, plus accrued and unpaid interest. The aggregate principal amount of the Moy Park Senior Notes redeemed on May 29, 2018 was £65.7 million. As of December 30, 2018, there are no Moy Park Senior Notes outstanding.

U.S. Credit Facility

On July 20, 2018, the Company, and certain of the Company's subsidiaries entered into a Fourth Amended and Restated Credit Agreement (the "U.S. Credit Facility") with CoBank, ACB, as administrative agent and collateral agent, and the other lenders party thereto. The U.S. Credit Facility provides for a $750.0 million revolving credit commitment and a term loan commitment of up to $500.0 million (the "Term Loans"). The Company used the proceeds from the term loan commitment under the U.S. Credit Facility, together with cash on hand, to repay the outstanding loans under the Company's previous credit agreement with Coöperatieve Rabobank U.A., New York Branch, as administrative agent, and the other lenders and financial institutions party thereto.

The U.S. Credit Facility includes an accordion feature that allows the Company, at any time, to increase the aggregate revolving loan and term loan commitments by up to an additional $1.25 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 July 20, 2023. All principal on the Term Loans is due at maturity on July 20, 2023. Installments of principal are required to be made, in an amount equal to 1.25% of the original principal amount of the Term Loans, on a quarterly basis prior to the maturity date of the Term Loans. Covenants in the 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 U.S. Credit Facility. As of December 30, 2018, the Company had Term Loans outstanding totaling $500.0 million and the amount available for borrowing under the revolving loan commitment was $708.4 million. The Company had letters of credit of $41.6 million and no borrowings outstanding under the revolving loan commitment as of December 30, 2018.

The U.S. Credit Facility includes a $75.0 million sub-limit for swingline loans and a $125.0 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 1.25% through August 2, 2018 and, thereafter, based on the Company's 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 0.25% through August 2, 2018 and, based on the Company's net senior secured leverage ratio, between the base rate plus 0.25% and base rate plus 1.75% thereafter.

The U.S. Credit Facility contains customary financial and other various covenants for transactions of this type, including restrictions on the Company's ability to incur additional indebtedness, incur liens, pay dividends, make certain restricted payments, consummate certain asset sales, enter into certain transactions with the Company's affiliates, or merge, consolidate and/or sell or dispose of all or substantially all of its assets, among other things. The U.S. Credit Facility requires the Company to comply with a minimum level of tangible net worth covenant. The U.S. Credit Facility also provides that the Company may not incur capital expenditures in excess of $500.0 million in any fiscal year.

All obligations under the U.S. Credit Facility continue to be unconditionally guaranteed by certain of the Company's subsidiaries and continue to be secured by a first priority lien on (i) the accounts receivable and inventory of the Company and its non-Mexico subsidiaries, (ii) 100% of the equity interests in the Company's domestic subsidiaries, To-Ricos, Ltd. and To-Ricos Distribution, Ltd., and 65% of the equity interests in its direct foreign subsidiaries and (iii) substantially all of the assets of the Company and the guarantors under the U.S. Credit Facility. The Company is currently in compliance with the covenants under the U.S. Credit Facility.

Mexico Credit Facility

On December 14, 2018, certain of the Company's Mexican subsidiaries entered into an unsecured credit agreement (the "2018 Mexico Credit Facility") with Banco del Bajio, Sociedad Anónima, Institución de Banca Múltiple, as lender. The loan commitment under the 2018 Mexico Credit Facility is $1.5 billion Mexican pesos and can be borrowed on a revolving basis. The U.S. dollar-equivalent of the loan commitment under the 2018 Mexico Credit Facility is $76.3 million. Outstanding borrowings under the 2018 Mexico Credit Facility accrue interest at a rate equal to the 28-Day Interbank Equilibrium Interest Rate plus 1.50%. The 2018 Mexico Credit Facility contains covenants and defaults that the Company believes are customary for transactions of this type. The 2018 Mexico Credit Facility will be used for general corporate and working capital purposes. The 2018 Mexico Credit Facility will mature on December 14, 2023.

The 2018 Mexico Credit Facility replaced the unsecured credit agreement (the "2016 Mexico Credit Facility") between certain of the Company's Mexican subsidiaries and BBVA Bancomer, S.A. Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, as lender, dated September 27, 2016. The 2016 Mexico Credit Facility was terminated on December 19, 2018.

Moy Park Bank of Ireland Revolving Facility Agreement

On June 2, 2018, Moy Park Holdings (Europe) Ltd. and its subsidiaries entered into an unsecured multicurrency revolving facility agreement (the "Bank of Ireland Facility Agreement") with the Governor and Company of the Bank of Ireland, as agent, and the other lenders party thereto. The Bank of Ireland Facility Agreement provides for a multicurrency revolving loan commitment of up to £100.0 million. The multicurrency revolving loan commitments under the Bank of Ireland Facility Agreement mature on June 2, 2023. Outstanding borrowings under the Bank of Ireland Facility Agreement bear interest at a rate per annum equal to the sum of (i) LIBOR or, in relation to any loan in euros, EURIBOR, plus (ii) a margin, ranging from 1.25% to 2.00% based on Leverage (as defined in the Bank of Ireland Facility Agreement). All obligations under the Bank of Ireland Facility Agreement are guaranteed by certain of Moy Park's subsidiaries. As of December 30, 2018, the U.S. dollar-equivalent loan commitment and borrowing availability were both $127.0 million. There were no outstanding borrowings under the Bank of Ireland Facility Agreement as of December 30, 2018.

The Bank of Ireland Facility Agreement contains representations and warranties, covenants, indemnities and conditions that the Company believes are customary for transactions of this type. Pursuant to the terms of the Bank of Ireland Facility Agreement, Moy Park is required to meet certain financial and other restrictive covenants. Additionally, Moy Park is prohibited from taking certain actions without consent of the lenders, including, without limitation, incurring additional indebtedness, entering into certain mergers or other business combination transactions, permitting liens or other encumbrances on its assets and making restricted payments, including dividends, in each case except as expressly permitted under the Bank of Ireland Facility Agreement. The Bank of Ireland Facility Agreement contains events of default that the Company believes are customary for transactions of this type. If a default occurs, any outstanding obligations under the Bank of Ireland Facility Agreement may be accelerated.

Moy Park France Invoice Discounting Facility

In June 2009, Moy Park France Sàrl entered into a €20.0 million invoice discounting facility with GE De Facto (the "Invoice Discounting Facility"). The facility limit was decreased by 50 percent in June 2018. The Invoice Discounting Facility is payable on demand and the term is extended on an annual basis. The agreement can be terminated by either party with three months' notice. Outstanding borrowings under the Invoice Discounting Facility bear interest at a per annum rate equal to EURIBOR plus 0.80%. As of December 30, 2018, the U.S. dollar-equivalent loan commitment, borrowing availability, and outstanding borrowings under the Invoice Discounting Facility were $11.4 million, $9.2 million and $2.2 million, respectively.

The Invoice Discounting Facility contains financial covenants and various other covenants that may adversely affect Moy Park's ability to, among other things, incur additional indebtedness, consummate certain asset sales, enter into certain transactions with JBS and the Company's other affiliates, merge, consolidate and/or sell or dispose of all or substantially all of Moy Park's assets.

Moy Park Credit Agricole Bank Overdraft

On December 3, 2018, Moy Park entered into an unsecured €0.5 million bank overdraft agreement (the "Overdraft Agreement") with Credit Agricole. The Overdraft Agreement is payable on demand and can be cancelled anytime by the Company or Credit Agricole. Outstanding borrowings under the Overdraft Agreement bears interest at a per annum rate equal to EURIBOR plus 1.50%. As of December 30, 2018, the U.S. dollar-equivalent outstanding borrowing under the Overdraft Agreement was less than $0.1 million.

Moy Park Multicurrency Revolving Facility Agreement

On March 19, 2015, Moy Park Holdings (Europe) Ltd. and its subsidiaries, entered into an agreement with Barclays Bank plc, which expired on March 19, 2018. The agreement provided for a multicurrency revolving loan commitment of up to £20.0 million.

Moy Park Receivables Finance Agreement

Moy Park Ltd., entered into a £45.0 million receivables finance agreement on January 29, 2016 (the "Receivables Finance Agreement"), with Barclays Bank plc. Moy Park Holdings (Europe) Ltd. repaid the Receivables Finance Agreement in full using available cash and proceeds from the Bank of Ireland Facility Agreement and terminated the Receivables Finance Agreement with Barclays Bank plc on June 4, 2018.

12. INCOME TAXES

Income before income taxes by jurisdiction is as follows:

	2018	2017	2016
		(In thousands)	
U.S.	$ 175,805	$ 773,160	$ 532,853
Foreign	156,422	208,906	191,183
Total	$ 332,227	$ 982,066	$ 724,036

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

	2018	2017	2016
		(In thousands)	
Current:			
Federal	$ 8,835	$ 213,146	$ 165,989
Foreign	45,311	65,100	62,753
State and other	(1,263)	35,614	20,211
Total current	52,883	313,860	248,953
Deferred:			
Federal	41,104	(19,434)	(3,529)
Foreign	(17,160)	(34,264)	(2,490)
State and other	8,596	3,737	985
Total deferred	32,540	(49,961)	(5,034)
	$ 85,423	$ 263,899	$ 243,919

The effective tax rate for 2018 was 25.7% compared to 26.9% for 2017 and 33.7% for 2016.

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

	2018	2017	2016
Federal income tax rate	21.0 %	35.0 %	35.0 %
State tax rate, net	3.6	2.6	2.2
One-time transition tax	7.9	—	—
Permanent items	1.4	—	0.8
Domestic production activity	—	(1.6)	(1.2)
Difference in U.S. statutory tax rate and foreign country effective tax rate	2.3	(1.4)	(2.8)
Rate change	(2.5)	(5.3)	—
Tax credits	(7.9)	(0.5)	(0.6)
Change in reserve for unrecognized tax benefits	(1.7)	(0.7)	(0.2)
Change in valuation allowance	2.7	(1.2)	(0.1)
Other	(1.1)	—	0.6
Total	25.7 %	26.9 %	33.7 %

On December 22, 2017, the U.S. government enacted comprehensive tax legislation (the "Tax Act"), which significantly revises the ongoing U.S. corporate income tax law by lowering the U.S. federal corporate income tax rate from 35.0% to 21.0%, implementing a territorial tax system, imposing one-time tax on foreign unremitted earnings and setting limitations on deductibility of certain costs (e.g., interest expense), among other things.

The Company applied the guidance in Staff Accounting Bulletin ("SAB") 118 when accounting for the enactment date effects of the Tax Act. As of December 30, 2018, the Company has completed its accounting for all of the tax effects of the Tax Act. As further discussed below, during 2018, the Company recognized adjustments of $18.2 million to the provisional amounts recorded at December 31, 2017 and included these adjustments as a component of income tax expense.

As of December 31, 2017, the Company estimated no tax liability on foreign unremitted earnings due to a net earnings and profits ("E&P") deficit on accumulated post-1986 deferred foreign income. Therefore, the Company did not accrue any amount of tax expense for the Tax Act's one-time transition tax on the foreign subsidiaries' accumulated, unremitted earnings going back to 1986 for the year ended December 31, 2017. Upon further analysis of certain aspects of the Tax Act and a refinement of the historical calculation of E&P on accumulated post-1986 deferred foreign income during 2018, the Company finalized the E&P analysis of its foreign subsidiaries and recalculated significant overall positive E&P. Therefore, due to this recalculation, the Company recorded a $26.4 million tax liability for the one-time transition tax. This one-time transition tax adjustment increased the 2018 effective tax rate by approximately 7.9%. The Company has elected to pay this liability over the eight-year period provided in the Tax Act. As of December 30, 2018, the remaining balance of the Company's transition tax obligation is $7.7 million, which will be paid over the next seven years. No additional income taxes have been provided for any remaining undistributed foreign earnings not subject to the one-time transition tax or any additional outside basis difference inherent in these foreign subsidiaries, as these amounts continue to be permanently reinvested in foreign operations. The undistributed earnings of our Mexico, Puerto Rico and U.K. subsidiaries totaled $683.0 million, $13.2 million and $2.2 million, respectively, at December 30, 2018.

As of December 31, 2017, the Company accrued $41.5 million in provisional tax benefit related to the net change in deferred tax liabilities stemming from the Tax Act's reduction of the U.S. federal tax rate from 35% to 21% for the year ended December 31, 2017. Due to return to provision adjustments which resulted from the filing of the Company's 2017 federal income tax return, the Company recorded an additional $8.2 million tax benefit resulting from the Tax Act's rate reduction. This benefit reduced the 2018 effective tax rate by approximately 2.5%.

The Tax Act subjects a U.S. shareholder to tax on global intangible low-taxed income ("GILTI") earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, *Accounting for GILTI*, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred as a period expense only. The Company has elected to account for GILTI in the year the tax is incurred. As of December 30, 2018, the Company recorded a $5.4 million federal GILTI tax liability, which increased the 2018 effective tax rate by approximately 1.6%.

The Tax Act provides for a foreign-derived intangible income ("FDII") deduction, which is available to domestic C corporations that derive income from the export of property and services. As of December 30, 2018, the Company recorded a $0.1 million federal FDII benefit, which decreased the 2018 effective tax rate by an immaterial amount.

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

	December 30, 2018	December 31, 2017
	(In thousands)	
Deferred tax liabilities:		
PP&E and identified intangible assets	$ 217,353	$ 213,500
Inventories	69,464	57,641
Insurance claims and losses	29,964	29,253
Business combinations	46,779	50,695
Other	23,434	18,519
Total deferred tax liabilities	386,994	369,608
Deferred tax assets:		
Net operating losses	2,923	3,276
Foreign net operating losses	38,531	26,934
Credit carry forwards	14,461	2,425
Allowance for doubtful accounts	6,788	1,767
Deferred revenue	1,860	—
Accrued liabilities	52,181	50,389
Workers compensation	—	26,119
Pension and other postretirement benefits	—	13,379
Other	63,227	51,306
Total deferred tax assets	179,971	175,595
Valuation allowance	(26,150)	(14,479)
Net deferred tax assets	153,821	161,116
Net deferred tax liabilities	$ 233,173	$ 208,492

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 30, 2018, the Company believes it has sufficient positive evidence to conclude that realization of its federal, state and foreign net deferred tax assets are more likely than not to be realized. The increase in valuation allowance of $11.7 million during 2018 was primarily due to U.S. foreign tax credits. As of December 30, 2018, the Company's valuation allowance is $26.1 million, of which $13.9 million relates to U.K. operations, $11.8 million relates to U.S. foreign tax credits and $0.5 million relates to state net operating losses.

As of December 30, 2018, the Company had state net operating loss carry forwards of approximately $87.5 million that begin to expire in 2019. The Company also had Mexico net operating loss carry forwards at December 30, 2018 of approximately $17.2 million that begin to expire in 2019.

As of December 30, 2018, the Company had approximately $2.6 million of state tax credit carry forwards that begin to expire in 2019.

For the fifty-two weeks ended December 30, 2018 and fifty-three weeks ended December 31, 2017, there is a tax effect of $1.6 million and $4.0 million, respectively, reflected in other comprehensive income.

For the fifty-two weeks ended December 30, 2018, there is a tax effect of ($0.8) million reflected in income tax expense due to excess tax benefits related to share-based compensation. For the fifty-three weeks ended December 31, 2017, there is a tax effect of $1.1 million reflected in income tax expense due to excess tax benefits related to share-based compensation. See “Note 1. Business and Summary of Significant Accounting Policies” for additional information.

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

	December 30, 2018	December 31, 2017
	(In thousands)	
Unrecognized tax benefits, beginning of year	$ 11,866	$ 16,813
Increase as a result of tax positions taken during the current year	261	1,163
Increase as a result of tax positions taken during prior years	1,152	60
Decrease as a result of tax positions taken during prior years	—	(892)
Decrease for lapse in statute of limitations	(867)	(4,123)
Decrease relating to settlements with taxing authorities	—	(1,155)
Unrecognized tax benefits, end of year	$ 12,412	$ 11,866

Included in unrecognized tax benefits of $12.4 million at December 30, 2018, was $1.4 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 30, 2018, the Company had recorded a liability of $1.5 million for interest and penalties. During 2018, accrued interest and penalty amounts related to uncertain tax positions decreased by $5.6 million.

The Company operates in the U.S. (including multiple state jurisdictions), Puerto Rico and several foreign locations including Mexico and the U.K. With few exceptions, the Company is no longer subject to examinations by taxing authorities for years prior to 2014 in U.S. federal, state and local jurisdictions, for years prior to 2011 in Mexico, and for years prior to 2016 in the U.K.

The Company has a tax sharing agreement with JBS USA Company Holdings effective for tax years beginning 2010. The net tax payable for tax year 2018 of $0.5 million was accrued in 2018 as a capital distribution and an account payable to a related party in our Consolidated Balance Sheet.

13. REVENUE RECOGNITION

The vast majority of the Company's revenue is derived from contracts which are based upon a customer ordering our products. While there may be master agreements, the contract is only established when the customer’s order is accepted by the Company. The Company accounts for a contract, which may be verbal or written, when it is approved and committed by both parties, the rights of the parties are identified along with payment terms, the contract has commercial substance and collectability is probable.

The Company evaluates the transaction for distinct performance obligations, which are the sale of its products to customers. Since its products are commodity market-priced, the sales price is representative of the observable, standalone selling price. Each performance obligation is recognized based upon a pattern of recognition that reflects the transfer of control to the customer at a point in time, which is upon destination (customer location or port of destination), and faithfully depicts the transfer of control and recognition of revenue. There are instances of customer pick-up at the Company's facilities, in which case control transfers to the customer at that point and the Company recognizes revenue. The Company's performance obligations are typically fulfilled within days to weeks of the acceptance of the order.

The Company makes judgments regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from revenue and cash flows with customers. Determination of a contract requires evaluation and judgment along with the estimation of the total contract value and if any of the contract value is constrained. Due to the nature of our business, there is minimal variable consideration, as the contract is established at the acceptance of the order from the customer. When applicable, variable consideration is estimated at contract inception and updated on a regular basis until the contract is completed. Allocating the transaction price to a specific performance obligation based upon the relative standalone selling prices includes estimating the standalone selling prices including discounts and variable consideration.

Disaggregated Revenue

Revenue has been disaggregated into the categories below to show how economic factors affect the nature, amount, timing and uncertainty of revenue and cash flows.

	Fifty-Two Weeks Ended December 30, 2018		
	Domestic	Export	Net Sales
		(In thousands)	
U.S.	$ 7,166,929	$ 258,732	$ 7,425,661
U.K. and Europe	1,844,745	303,921	2,148,666
Mexico	1,363,457	—	1,363,457
Net Sales	$ 10,375,131	$ 562,653	$ 10,937,784

Shipping and Handling Costs

In the rare case when shipping and handling activities are performed after a customer obtains control of the good, the Company has elected to account for shipping and handling as activities to fulfill the promise to transfer the good. When revenue is recognized for the related good before the shipping and handling activities occur, the related costs of those shipping and handling activities are accrued. Shipping and handling costs are recorded within *Cost of sales*.

Contract Costs

The Company can incur incremental costs to obtain or fulfill a contract such as broker expenses that are not expected to be recovered. The amortization period for such expenses is less than one year; therefore, the costs are expensed as incurred.

Taxes

There is no change in accounting for taxes due to the adoption of the new revenue standard, as there is no material change to the timing of revenue recognition. We exclude all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the entity from a customer (for example, sales, use, value added, and some excise taxes) from the transaction price.

Contract Balances

The Company receives payment from customers based on terms established with the customer. Payments are typically due within two weeks of delivery. There are rarely contract assets related to costs incurred to perform in advance of scheduled billings. Revenue contract liabilities relate to payments received in advance of satisfying the performance under the customer contract. The revenue contract liability relates to customer prepayments and the advanced consideration received from governmental agency contracts for which performance obligations to the end customer have not been satisfied.

Changes in the revenue contract liability balances during the fifty-two weeks ended December 30, 2018 are as follows (in thousands):

Balance, beginning of period	$ 36,607
Revenue recognized	(59,332)
Cash received, excluding amounts recognized as revenue during the period	56,053
Balance, end of period	$ 33,328

Accounts Receivable

The Company records accounts receivable when revenue is recognized. The Company records an allowance for doubtful accounts to reduce the receivables balance to an amount it estimates is collectible from 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 customers' financial condition. The Company writes 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.

14. PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company sponsors programs that provide retirement benefits to most of its employees. These programs include qualified defined benefit pension plans, nonqualified defined benefit retirement plans, a defined benefit postretirement life insurance plan, and defined contribution retirement savings plans. Expenses recognized under all these retirement plans were as follows: Under all of our retirement plans, the Company's expenses were $12.1 million, $10.8 million and $11.2 million in 2018, 2017 and 2016, respectively.

The Company used a year-end measurement date of December 30, 2018 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 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	
	2018	2017	2018	2017
Change in projected benefit obligation:	(In thousands)			
Projected benefit obligation, beginning of year	$ 178,247	$ 167,159	$ 1,603	$ 1,648
Interest cost	5,463	5,571	46	51
Actuarial losses (gains)	(15,635)	15,745	(72)	68
Benefits paid	(10,456)	(10,228)	—	—
Settlements[(a)]	—	—	(115)	(164)
Projected benefit obligation, end of year	$ 157,619	$ 178,247	$ 1,462	$ 1,603

(a) A settlement is a transaction that is an irrevocable action, relieves the employer or the plan of primary responsibility for a pension or postretirement obligation and eliminates significant risks related to the obligation and the assets used to affect the settlement. A settlement can be triggered when a plan pays lump sums totaling more than the sum of the plan's interest cost and service cost. The Retiree Life Plan met this threshold in 2018 and 2017.

	Pension Benefits		Other Benefits	
	2018	2017	2018	2017
Change in plan assets:	(In thousands)			
Fair value of plan assets, beginning of year	$ 112,570	$ 97,526	$ —	$ —
Actual return on plan assets	(10,881)	12,325	—	—
Contributions by employer	11,181	12,947	115	164
Benefits paid	(10,456)	(10,228)	—	—
Settlements	—	—	(115)	(164)
Fair value of plan assets, end of year	$ 102,414	$ 112,570	$ —	$ —

	Pension Benefits		Other Benefits	
	2018	2017	2018	2017
Funded status:	(In thousands)			
Unfunded benefit obligation, end of year	$ (55,205)	$ (65,677)	$ (1,462)	$ (1,603)

	Pension Benefits		Other Benefits	
	2018	2017	2018	2017
Amounts recognized in the Consolidated Balance Sheets at end of year:	(In thousands)			
Current liability	$ (8,267)	$ (12,168)	$ (149)	$ (149)
Long-term liability	(46,938)	(53,509)	(1,313)	(1,454)
Recognized liability	$ (55,205)	$ (65,677)	$ (1,462)	$ (1,603)

	Pension Benefits		Other Benefits	
	2018	2017	2018	2017
Amounts recognized in accumulated other comprehensive loss at end of year:	(In thousands)			
Net actuarial loss (gain)	$ 54,343	$ 54,235	$ (34)	$ 35

The accumulated benefit obligation for our defined benefit pension plans was $157.6 million and $178.2 million at December 30, 2018 and December 31, 2017, respectively. Each of our defined benefit pension plans had accumulated benefit obligations that exceeded the fair value of plan assets at December 30, 2018 and December 31, 2017. As of December 30, 2018, the weighted average duration of our defined benefit obligation is 29.95 years.

Net Benefit Costs

Net benefit costs include the following components:

	Pension Benefits			Other Benefits		
	2018	2017	2016	2018	2017	2016
	(In thousands)					
Interest cost	$ 5,463	$ 5,571	$ 5,585	$ 46	$ 51	$ 51
Estimated return on plan assets	(6,065)	(5,254)	(5,256)	—	—	—
Settlement loss (gain)	—	—	2,064	(3)	2	(2)
Amortization of net loss	1,203	932	659	—	—	—
Net cost	$ 601	$ 1,249	$ 3,052	$ 43	$ 53	$ 49

For 2018, the Company reported net benefit costs in the line item *Miscellaneous, net* on its Consolidated and Combined Statements of Income. For 2017 and 2016, the Company reported net benefit costs in the line items *Cost of sales* and *Selling, general and administrative expense* on its Consolidated and Combined Statements of Income.

Economic Assumptions

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

	Pension Benefits			Other Benefits		
	2018	2017	2016	2018	2017	2016
Benefit obligation:						
Discount rate	4.40%	3.69%	4.31%	4.07%	3.39%	3.81%
Net pension and other postretirement cost:						
Discount rate	3.69%	4.32%	4.47%	3.39%	3.81%	4.47%
Expected return on plan assets	5.50%	5.50%	5.50%	NA	NA	NA

The discount rate represents the interest rate used to determine the present value of future cash flows currently expected to be required to settle the Company's pension and other benefit obligations. The weighted average discount rate for each plan was established by comparing the projection of expected benefit payments to the AA Above Median yield curve. The expected benefit payments were discounted by each corresponding discount rate on the yield curve. For payments beyond 30 years, the Company extended the curve assuming the discount rate derived in year 30 is extended to the end of the plan's payment expectations. Once the present value of the string of benefit payments was established, the Company determined the single rate on the yield curve, that when applied to all obligations of the plan, would exactly match the previously determined present value. As part of the evaluation of pension and other postretirement assumptions, the Company applied assumptions for mortality that incorporate generational white and blue collar mortality trends. In determining its benefit obligations, the Company used generational tables that take into consideration increases in plan participant longevity. As of December 30, 2018 and December 31, 2017, all defined benefit pension and other postretirement benefit plans used variations of the RP-2014 mortality table and the MP-2015 mortality improvement scale.

The sensitivity of the projected benefit obligation for pension benefits to changes in the discount rate is set out below. The impact of a change in the discount rate of 0.25% on the projected benefit obligation for other benefits is less than $1,000. This sensitivity analysis is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as that for calculating the liability recognized in the Consolidated Balance Sheet.

	Increase in Discount Rate of 0.25%	Decrease in Discount Rate of 0.25%
	(In thousands)	
Impact on projected benefit obligation for pension benefits	$ (3,924)	$ 4,122

The expected rate of return on plan assets was primarily based on the determination of an expected return and behaviors for each plan's current asset portfolio that the Company believes are likely to prevail over long periods. This determination was made using assumptions for return and volatility of the portfolio. Asset class assumptions were set using a combination of empirical and forward-looking analysis. To the extent historical results were affected by unsustainable trends or events, the effects of those trends or events were quantified and removed. The Company also considered 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:

	2018	2017
Cash and cash equivalents	—%	5%
Pooled separate accounts[(a)]:		
Equity securities	4%	5%
Fixed income securities	5%	4%
Common collective trust funds[(a)]:		
Equity securities	45%	56%
Fixed income securities	41%	30%
Real estate	5%	—%
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 30, 2018 and December 31, 2017:

	2018				2017			
	Level 1[(a)]	Level 2[(b)]	Level 3[(c)]	Total	Level 1[(a)]	Level 2[(b)]	Level 3[(c)]	Total
	(In thousands)							
Cash and cash equivalents	$ 110	$ —	$ —	$ 110	$ 6,128	$ —	$ —	$ 6,128
Pooled separate accounts:								
Large U.S. equity funds[(d)]	—	2,491	—	2,491	—	3,483	—	3,483
Small/Mid U.S. equity funds[(e)]	—	292	—	292	—	420	—	420
International equity funds[(f)]	—	1,489	—	1,489	—	1,665	—	1,665
Fixed income funds[(g)]	—	4,763	—	4,763	—	4,799	—	4,799
Common collective trusts funds:								
Large U.S. equity funds[(d)]	—	17,351	—	17,351	—	22,695	—	22,695
Small/Mid U.S. equity funds[(e)]	—	5,880	—	5,880	—	20,592	—	20,592
International equity funds[(f)]	—	22,516	—	22,516	—	19,923	—	19,923
Fixed income funds[(g)]	—	42,217	—	42,217	—	32,865	—	32,865
Real estate[(h)]	—	5,305	—	5,305	—	—	—	—
Total assets	$ 110	$ 102,304	$ —	$ 102,414	$ 6,128	$ 106,442	$ —	$ 112,570

(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.

(h) This category is comprised of investment options that invest in real estate investment trusts or private equity pools that own real estate. These long-term investments are primarily in office buildings, industrial parks, apartments or retail complexes. These investment options typically carry more risk, including liquidity risk, than fixed income investment options.

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 30, 2018 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)	
2019	$ 17,972	$ 149
2020	11,526	147
2021	11,200	145
2022	10,891	141
2023	10,627	137
2024-2028	48,429	589
Total	$ 110,645	$ 1,308

We anticipate contributing $8.3 million and $0.1 million, as required by funding regulations or laws, to our pension and other postretirement plans, respectively, during 2019.

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		
	2018	2017	2016	2018	2017	2016
	(In thousands)					
Net actuarial loss (gain), beginning of year	$ 54,235	$ 46,494	$ 38,115	$ 35	$ (31)	$ (79)
Amortization	(1,203)	(932)	(659)	—	—	—
Settlement adjustments	—	—	(2,064)	3	(2)	2
Actuarial loss (gain)	(15,635)	15,745	10,305	(72)	68	46
Asset loss (gain)	16,946	(7,072)	797	—	—	—
Net actuarial loss (gain), end of year	$ 54,343	$ 54,235	$ 46,494	$ (34)	$ 35	$ (31)

The Company expects to recognize in net pension cost throughout 2019 an actuarial loss of $1.3 million that was recorded in accumulated other comprehensive income at December 30, 2018.

Risk Management

Through its defined benefit plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility. The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets under perform this yield, this will create a deficit. The pension plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while contributing volatility and risk in the short-term. The Company monitors the level of investment risk but has no current plan to significantly modify the mixture of investments. The investment position is discussed more below.

Changes in bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

The investment position is managed and monitored by a committee of individuals from various departments. This group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The group has not changed the processes used to manage its risks from previous periods. The group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The majority of equities are in U.S. large and small cap companies with some global diversification into international entities. The plans are not exposed to significant foreign currency risk.

Remeasurement

The Company remeasures both plan assets and obligations on a quarterly basis.

Defined Contribution Plans

The Company sponsors two defined contribution retirement savings plans in the U.S. segment named the Pilgrim's Pride Retirement Savings Plan (the "RS Plan") and the To-Ricos Employee Savings, Retirement Plan (the "To-Ricos Plan"). The RS Plan is an IRC Section 401(k) salary deferral plan maintained for certain eligible U.S. 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 2.00% 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 Rico 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 maintains three postretirement plans for eligible Mexico employees, as required by Mexico law, which primarily cover termination benefits. The Company maintains two defined contribution retirement savings plans in the U.K. and Europe for eligible U.K. and Europe employees, as required by U.K. and Europe law. Salaried employees can contribute up to 3.0% of salary and the Company matches between 4.0% and 5.5%. Weekly employees can contribute up to 1.0% of wages with a 1.0% Company match.

The Company's expenses related to its defined contribution plans totaled $11.4 million, $9.5 million and $8.1 million in 2018, 2017 and 2016, respectively.

15. STOCKHOLDERS' EQUITY

Accumulated Other Comprehensive Loss

The following tables provide information regarding the changes in accumulated other comprehensive loss during 2018 and 2017:

	2018[(a)]				
	Losses Related to Foreign Currency Translation	Unrealized Gains (Losses) on Derivative Financial Instruments Classified as Cash Flow Hedges	Losses Related to Pension and Other Postretirement Benefits	Unrealized Holding Gains on Available-for-Sale Securities	Total
			(In thousands)		
Balance, beginning of year	$ 42,081	$ (1,848)	$ (71,434)	$ 61	$ (31,140)
Other comprehensive income (loss) before reclassifications	(97,851)	829	(939)	867	(97,094)
Amounts reclassified from accumulated other comprehensive loss to net income	—	348	910	(846)	412
Impact of currency translation	—	(12)	—	—	(12)
Net current year other comprehensive income (loss)	(97,851)	1,165	(29)	21	(96,694)
Balance, end of year	$ (55,770)	$ (683)	$ (71,463)	$ 82	$ (127,834)

	2017[(a)]				
	Losses Related to Foreign Currency Translation	Unrealized Gains (Losses) on Derivative Financial Instruments Classified as Cash Flow Hedges	Losses Related to Pension and Other Postretirement Benefits	Unrealized Holding Gains on Available-for-Sale Securities	Total
			(In thousands)		
Balance, beginning of year	$ (265,714)	$ 99	$ (64,243)	$ —	$ (329,858)
Granite-Holdings Sarl common-control transaction	204,577	(1,368)	—	—	203,209
Other comprehensive income (loss) before reclassifications	103,218	60	(7,770)	82	95,590
Amounts reclassified from accumulated other comprehensive loss to net income	—	(639)	579	(21)	(81)
Net current year other comprehensive income (loss)	103,218	(579)	(7,191)	61	95,509
Balance, end of year	$ 42,081	$ (1,848)	$ (71,434)	$ 61	$ (31,140)

(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) 2018	2017	Affected Line Item in the Consolidated and Combined Statements of Income
	(In thousands)		
Realized gain (loss) on settlement of derivative financial instruments classified as cash flow hedges	$ (348)	$ 639	Cost of sales
Realized gain on sale of securities	1,118	34	Interest income
Amortization of pension and other postretirement plan actuarial losses:			
Union employees pension plan(b)(d)	(49)	(24)	2018-Miscellaneous, net; 2017-Cost of sales
Legacy Gold Kist plans(c)(d)	(360)	(283)	2018-Miscellaneous, net; 2017-Cost of sales
Legacy Gold Kist plans(c)(d)	(794)	(625)	2018-Miscellaneous, net; 2017-SG&A expense
Total before tax	(433)	(259)	
Tax expense	21	340	
Total reclassification for the period	$ (412)	$ 81	

(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 14. Pension and Other Postretirement Benefits" to the Consolidated and Combined Financial Statements.

Share Repurchase Program and Treasury Stock

On July 28, 2015, the Company's Board of Directors approved a $150.0 million share repurchase authorization. The share repurchase program was originally scheduled to expire on July 27, 2016. On February 10, 2016, the Company's Board of Directors approved an increase of the share repurchase authorization to $300.0 million that expired on February 9, 2017.

On October 31, 2018, the Company's Board of Directors approved a $200.0 million share repurchase authorization. The Company plans to repurchase shares through various means, which may include but are not limited to open market purchases, privately negotiated transactions, the use of derivative instruments and/or accelerated share repurchase programs. The extent to which the Company repurchases its shares and the timing of such repurchases will vary and depend upon market conditions and other corporate considerations, as determined by the Company's management team. The Company reserves the right to limit or terminate the repurchase program at any time without notice. As of December 30, 2018, the Company had repurchased approximately 15,600 shares under this program with a market value of approximately $0.2 million. The Company accounted for the shares repurchased using the cost method. The Company currently plans to maintain these shares as treasury stock.

Special Cash Dividends

On May 18, 2016, the Company paid a special cash dividend from retained earnings of approximately $700.0 million, or $2.75 per share, to stockholders of record on May 10, 2016. The Company used proceeds from the U.S. Credit Facility, along with cash on hand, to fund the special cash dividend.

Capital Contributions to a Subsidiary

In December 2018, the stockholders of Gallina Pesada, S.A.P.I. de C.V. ("GAPESA"), a subsidiary that is controlled, but not wholly owned, by the Company, contributed additional capital to fund a capacity expansion project in southern Mexico. The Company Contributed $0.6 million of additional capital. This capital contribution was eliminated upon consolidation. The noncontrolling stockholders contributed $1.4 million of additional capital.

In July 2016, the stockholders of GAPESA contributed additional capital to fund a capacity expansion project in southern Mexico. The Company contributed $2.7 million of additional capital. This contribution was eliminated upon consolidation. The noncontrolling stockholders contributed $7.3 million of additional capital. The respective contributions did not impact either the Company or noncontrolling stockholders' ownership percentages in GAPESA.

Restrictions on Dividends

Both the U.S. Credit Facility and the indentures governing the Company's senior notes restrict, but do not prohibit, the Company from declaring dividends.

The Moy Park Multicurrency Revolving Facility Agreement restrict Moy Park's ability and the ability of certain of Moy Park's subsidiaries to, among other things, make payments and distributions to the Company.

16. 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. Certain full-time, salaried employees of the Company's Mexico operations are eligible to participate in the Pilgrim's Mexico Incentive Plan ("PMIP"). At December 30, 2018, the Company has accrued $11.1 million in costs related to cash bonus awards that could potentially be awarded under the STIP and the PMIP during 2019. The Company assumed responsibility for the JFC LLC Long-Term Equity Incentive Plan dated January 1, 2014, as amended (the "JFC LTIP") through its acquisition of GNP on January 6, 2017. The Company has accrued $2.2 million in costs related to the JFC LTIP at December 30, 2018. The Company assumed responsibility for the Moy Park Incentive Plan dated January 1, 2013, as amended (the "MPIP") through its acquisition of Moy Park on September 8, 2017. The Company has accrued $6.2 million in costs related to the MPIP at December 30, 2018.

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 30, 2018, we have reserved approximately 4.1 million shares of common stock for future issuance under the LTIP.

The following awards were outstanding during 2018:

Award Type	Benefit Plan	Awards Granted	Grant Date	Grant Date Fair Value per Award[a]	Vesting Condition	Vesting Date	Awards Forfeited to Date	Settlement Method
RSU	LTIP	389,424	01/19/2017	18.38	Performance / Service	(b)	389,424 (b)	Stock
RSU	LTIP	410,000	02/14/2018	25.59	Service	01/01/2019	—	Stock
RSU	LTIP	163,764	03/01/2018	24.93	Service	(c)	12,107	Stock
RSU	LTIP	266,478	03/01/2018	24.93	Performance / Service	(d)	32,452	Stock
RSU	LTIP	11,144	05/10/2018	21.54	(e)	(e)	—	Stock
RSU	LTIP	262,500	12/18/2018	16.06	Service	07/01/2019	—	Stock

(a) The fair value of each RSU granted or vested represents the closing price of the Company's common stock on the respective grant date or vesting date.
(b) Performance conditions associated with these awards were not satisfied. Therefore, 100% of the awards were forfeited during 2018.
(c) These restricted stock units vest in ratable tranches on December 31, 2018, December 31, 2019 and December 31, 2020. Expected compensation cost related to these units totals $4.1 million based on a closing stock price for the Company's common stock of $24.93 per share on March 1, 2018. Compensation cost will be amortized to profit/loss over the remaining vesting period.
(d) If performance conditions related to the Company's 2018 operating results are satisfied, these restricted stock units vest in ratable tranches on December 31, 2019, December 31, 2020 and December 31, 2021. Expected compensation cost related to these units before considering the impact of individual participant forfeitures totals $6.6 million based on a closing stock price for the Company's common stock of $24.93 per share on March 1, 2018. Compensation cost will be amortized to profit/loss upon satisfaction of the performance conditions over the remaining vesting period.
(e) These restricted stock units were granted to the four non-employees who currently serve on the Company's Board of Directors. Each participating director's units will vest upon his departure from the Company's Board of Directors. Compensation cost was recognized in profit/loss upon the grant date.

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

	2018	2017	2016
		(In thousands)	
Share-based compensation cost:			
Cost of sales	$ 389	$ 256	$ 770
Selling, general and administrative expenses	12,764	2,763	5,332
Total	$ 13,153	$ 3,019	$ 6,102
Income tax benefit	$ 3,202	$ 1,006	$ 1,858

The Company's RSU activity is included below:

	2018		2017		2016	
	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)					
Outstanding at beginning of year	389	$ 18.39	906	$ 20.00	774	$ 18.78
Granted	1,114	23.05	461	18.72	325	24.35
Vested	—	—	(714)	18.09	—	—
Forfeited	(434)	19.06	(264)	25.33	(193)	24.51
Outstanding at end of year	1,069	$ 22.97	389	$ 18.39	906	$ 20.00

The total fair value of awards vested in 2017 was $16.3 million. No awards vested in 2018 or 2016.

At December 30, 2018, the total unrecognized compensation cost related to all nonvested awards was $11.4 million. That cost is expected to be recognized over a weighted average period of 1.42 years.

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

17. RESTRUCTURING-RELATED ACTIVITIES

In 2018, the Company elected to close its 40 North Foods product incubator operation located in Boulder, Colorado. Implementation of this restructuring initiative is expected to result in total pre-tax charges of approximately $0.7 million, and approximately $0.6 million of these charges are estimated to result in cash outlays. These activities were initiated in the second quarter of 2018 and are expected to be substantially completed by the third quarter of 2019.

In 2017, the Company initiated a restructuring initiative to capitalize on cost-saving opportunities within its GNP operations located in Luverne, Minnesota and St. Cloud, Minnesota. Implementation of the initiative is expected to result in total pre-tax charges of approximately $7.0 million, and approximately $5.4 million of these charges are estimated to result in cash outlays. These activities initiated in the first quarter of 2017 and are expected to be substantially completed by the second quarter of 2020.

The following table provides a summary of our estimates of costs associated with these restructuring initiatives by major type of cost:

Type of Cost	**GNP**	**40 North Foods**	**Total Estimated Amount Expected to be Incurred**
		(In thousands)	
Employee termination benefits	$ 4,074	$ 449	$ 4,523
Inventory impairments	472	—	472
Asset impairments	470	103	573
Other charges[(a)]	1,983	150	2,133
	$ 6,999	$ 702	$ 7,701

(a) Comprised of other costs directly related to the restructuring initiatives, including prepaid software impairment, St. Cloud, Minnesota office lease costs, Luverne, Minnesota plant closure costs, and Boulder, Colorado office lease costs.

During 2018, the Company recognized the following costs and incurred the following cash outlays related to these restructuring initiatives:

	Expenses	**Cash Outlays**
	(In thousands)	
GNP Initiative:		
Employee termination benefits	$ 936	$ 1,500
Inventory impairments	(227)	—
Asset impairments	781	—
Other charges	(17)	65
	1,473	1,565
40 North Foods Initiative:		
Employee termination benefits	$ 449	$ 449
Asset impairments	103	—
Other	115	29
	$ 2,140	$ 2,043

During 2017, the Company recognized the following costs and incurred the following cash outlays related to the GNP restructuring initiative:

	Expenses	**Cash Outlays**
	(In thousands)	
Employee termination benefits	$ 3,381	$ 2,581
Inventory impairments	699	—
Other charges	752	—
	$ 4,832	$ 2,581

These expenses are reported in the line item *Administrative restructuring charges* on the Consolidated and Combined Statements of Income and are recognized in the U.S. segment.

The following table reconciles liabilities and reserves associated with each restructuring initiative from initiative inception to December 30, 2018. Ending liability balances for employee termination benefits and other charges are reported in the line item *Accrued expenses and other current liabilities* in our Consolidated Balance Sheets. The ending reserve balance for inventory impairments is reported in the line item *Inventories* in our Consolidated Balance Sheets.

	GNP Initiative				40 North Foods Initiative		
	Employee Termination Benefits	Inventory Impairments	Other Charges	Total	Employee Termination Benefits	Other Charges	Total
	(In thousands)						
Restructuring charges incurred	$ 3,381	$ 699	$ 752	$ 4,832	$ —	$ —	$ —
Payments and disposals	(2,581)	—	—	(2,581)	—	—	—
Liability or reserve at December 31, 2017	800	699	752	2,251	—	—	—
Restructuring charges incurred	936	(227)	(17)	692	449	115	564
Payments and disposals	(1,500)	(472)	(735)	(2,707)	(449)	(29)	(478)
Liability or reserve at December 30, 2018	$ 236	$ —	$ —	$ 236	$ —	$ 86	$ 86

In 2018, the Company also reported impairment costs of $2.6 million related to tangible assets of its Rose Energy Ltd. subsidiary in the line item *Administrative restructuring charges* on the Consolidated and Combined Statements of Income. This impairment cost was recognized in the U.K. and Europe segment.

In 2017, the Company also reported impairment costs of $3.5 million and $1.5 million related to its Athens, Alabama and Dublin, Ireland plants, respectively, in the line item *Administrative restructuring charges* on the Consolidated and Combined Statements of Income. The impairment cost related the Athens, Alabama plant was recognized in the U.S. segment, while the impairment cost related to the Dublin, Ireland plant was recognized in the U.K. and Europe segment.

18. PUERTO RICO HURRICANE IMPACT

Hurricane Maria became the strongest storm to make landfall in Puerto Rico in 85 years when it came ashore on September 20, 2017. The Company suffered significant damage because of the storm. Pilgrim's lost 2.1 million birds on the island, many of the Company's contract growers lost their poultry houses, and the Company incurred damage at its processing plant, feed mill and hatchery.

Estimated damages incurred by the Company through December 30, 2018 included property and casualty losses related to its facilities totaling $5.2 million and a business interruption loss, resulting primarily from damages suffered by its contract growers and damage to the island's roadways and power grid, totaling $15.1 million. Pilgrim's expected to receive insurance proceeds in the amount of $11.9 million related to the business interruption loss and had recorded a receivable from its insurance provider for that amount. The Company learned in the fourth quarter of 2018 that it was not eligible for the recovery because the actual damage to its facilities was not significant. The Company eliminated the receivable and recognized the business interruption loss in *Cost of sales* in the Consolidated and Combined Statements of Income. This loss was recognized in the U.S. segment.

19. RELATED PARTY TRANSACTIONS

Pilgrim's has been and, in some cases, continues to be a party to certain transactions with affiliated companies.

	2018	2017	2016
		(In thousands)	
Sales to related parties:			
JBS USA Food Company[(c)]	$ 13,843	$ 15,289	$ 16,534
JBS Five Rivers	7,096	31,004	14,126
JBS Global (UK) Ltd.	—	44	122
JBS Chile Ltda.	60	178	615
J&F Investimentos Ltd.	—	104	69
Combo, Mercado de Congelados	159	—	—
Seara International Ltd.	—	104	4
JBS Toledo NV	—	—	143
Rigamonti Salumificio S.P.A.	—	—	3
Total sales to related parties	$ 21,158	$ 46,723	$ 31,616
Cost of goods purchased from related parties:			
JBS USA Food Company[(c)]	$ 117,596	$ 101,685	$ 139,476
Seara Meats B.V.	36,223	13,949	21,038
JBS Aves Ltda.	1,123	—	—
Seara International Ltd.	—	11,236	2,746
JBS Toledo NV	445	231	123
JBS Global (UK) Ltd.	21	—	—
Rigamonti Salumificio S.P.A.	—	—	15
Total cost of goods purchased from related parties	$ 155,408	$ 127,101	$ 163,398
Expenditures paid by related parties:			
JBS USA Food Company[(d)]	$ 62,189	$ 40,313	$ 40,519
JBS S.A.	—	3,777	8,125
JBS Chile Ltda.	33	—	—
Seara Alimentos	—	64	—
Total expenditures paid by related parties	$ 62,222	$ 44,154	$ 48,644
Expenditures paid on behalf of related parties:			
JBS USA Food Company[(d)]	$ 9,192	$ 5,376	$ 10,586
JBS S.A.	170	5	86
Seara International Ltd.	45	—	72
Seara Meats B.V.	—	12	—
Rigamonti Salumificio S.P.A.	—	—	3
Total expenditures paid on behalf of related parties	$ 9,407	$ 5,393	$ 10,747
Other related party transactions:			
Letter of credit fees[(a)]	$ —	$ —	$ 202
Capital contribution (distribution) under tax sharing agreement[(b)]	(525)	5,558	5,038
Total other related party transactions	$ (525)	$ 5,558	$ 5,240

	2018	2017
	(In thousands)	
Accounts receivable from related parties:		
JBS USA Food Company[c]	$ 1,236	$ 2,826
JBS Chile Ltda.	—	108
Combo, Mercado de Congelados	79	—
Seara International Ltd.	16	15
Seara Meats B.V.	—	2
Total accounts receivable from related parties	$ 1,331	$ 2,951
Accounts payable to related parties:		
JBS USA Food Company[c]	$ 5,121	$ 440
Seara Meats B.V.	2,142	2,410
JBS Chile Ltda.	6	—
JBS Toledo	—	39
Total accounts payable to related parties	$ 7,269	$ 2,889

(a) JBS USA Food Company Holdings ("JBS USA Holdings") arranged for letters of credit to be issued on its account in the aggregate 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 workers' compensation, auto liability and general liability claims. In return for providing this letter of credit, the Company has agreed to reimburse JBS USA Holdings for the letter of credit fees the Company would otherwise incur under its U.S. Credit Facility. The letter of credit arrangements for $40.0 million and $16.5 million were terminated on March 7, 2016 and April 1, 2016, respectively. During 2016, the Company paid JBS USA Holdings $0.2 million for letter of credit fees.

(b) The Company entered into a tax sharing agreement during 2014 with JBS USA Holdings effective for tax years starting 2010. The net tax payable for tax year 2018 was accrued in 2018 and was paid in 2019. The net tax receivable for tax year 2017 was accrued in 2017 and was paid in 2018. The net tax receivable for tax year 2016 was accrued in 2016 and paid in January 2017.

(c) We routinely execute transactions to both purchase products from JBS USA Food Company ("JBS USA") and sell products to them. As of December 30, 2018 and December 31, 2017, the outstanding payable to JBS USA was $5.1 million and $0.4 million, respectively. As of December 30, 2018 and December 31, 2017, the outstanding receivable from JBS USA was $1.2 million and $2.8 million, respectively. As of December 30, 2018, approximately $1.1 million of goods from JBS USA were in transit and not reflected on our Consolidated Balance Sheet.

(d) The Company has an agreement with JBS USA to allocate costs associated with JBS USA's procurement of SAP licenses and maintenance services for both companies. Under this agreement, the fees associated with procuring SAP licenses and maintenance services are allocated between the Company and JBS USA 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. The Company also has an agreement with JBS USA 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 on behalf of the Company will be reimbursed by the Company and expenditures paid by the Company on behalf of JBS USA will be reimbursed by JBS USA. This agreement expires on December 31, 2019.

20. COMMITMENTS AND CONTINGENCIES

General

The Company is a party to many routine contracts in which it provide general indemnities in the normal course of business to third parties for various risks. Among other considerations, the Company has not recorded a liability for any of these indemnities because, 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, wheat and electricity. At December 30, 2018, the Company was party to outstanding purchase contracts totaling $433.8 million and $6.7 million payable in 2019 and 2020, respectively. There were no outstanding purchase contracts in 2021.

Operating Leases

The Consolidated and Combined Statements of Income include rental expense for operating leases of approximately $60.3 million, $59.0 million and $56.9 million in 2018, 2017 and 2016, respectively. The Company's future minimum lease commitments under noncancelable operating leases are as follows (in thousands):

2019	$	84,220
2020		63,196
2021		53,908
2022		45,557
2023		36,136
Thereafter		66,637
Total	$	349,654

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 $55.9 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

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

The Company is a party to many routine contracts in which it provides general indemnities in the normal course of business to third parties for various risks. Among other considerations, the Company has not recorded a liability for any of these indemnities because, 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 I, Item 3. "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.

Tax Claims and Proceedings

A Mexico subsidiary of the Company is currently appealing an unfavorable tax adjustment proposed by Mexican Tax Authorities due to an examination of a specific transaction undertaken by the Mexico subsidiary during tax years 2009 and 2010. Amounts under appeal are $24.3 million and $16.1 million for tax years 2009 and 2010, respectively. No loss has been recorded for these amounts at this time.

Other Claims and Proceedings

Between September 2, 2016 and October 13, 2016, a series of purported federal class action lawsuits styled as *In re Broiler Chicken Antitrust Litigation*, Case No. 1:16-cv-08637 were filed with the U.S. District Court for the Northern District of Illinois against PPC and 13 other producers by and on behalf of direct and indirect purchasers of broiler chickens alleging violations of federal and state antitrust and unfair competition laws. The complaints seek, among other relief, treble damages for an alleged conspiracy among defendants to reduce output and increase prices of broiler chickens from the period of January 2008 to the present. The class plaintiffs have filed three consolidated amended complaints: one on behalf of direct purchasers and two on behalf of distinct groups of indirect purchasers. Between December 2017 and January 2019, eighteen individual direct action complaints (*Affiliated Foods, Inc., et al., v. Claxton Poultry Farms, Inc., et al.*, Case No. 1:17-cv-08850; *Sysco Corp. v. Tyson Foods Inc., et al*, Case No. 1:18-cv-00700; *US Foods Inc. v. Tyson Foods Inc., et al*, Case No. 1:18-cv-00702; *Action Meat Distributors, Inc. et al., v. Claxton Poultry Farms, Inc., et al.*, Case No. 1:18-cv-03471; *Holdings, LLC, v. Tyson Foods, Inc. et al.*, Case No. 1:18-cv-04000; *Associated Grocers of the South, Inc. et al., v. Tyson Foods, Inc., et al.*, Case No. 1:18-cv-4616; *The Kroger Co., et al. v. Tyson Foods, Inc., et al.*, Case No. 1:18-cv-04534; *Ahold Delhaize USA, Inc. v. Koch Foods, Inc., et al.*, Case No. 1:18-cv-05351; *Samuels as Trustee In Bankruptcy for Central Grocers, Inc. et al v. Norman W. Fries, Inc., d/b/a Claxton Poultry Farms, Inc. et al.*, Case No. 1:18-cv-05341; *W. Lee Flowers & Company, Inc. v. Norman W. Fries, Inc., d/b/a Claxton Poultry Farms, Inc. et al.*, Case No. 1:18-cv-05345; *BJ's Wholesale Club, Inc. v. Tyson Foods, Inc., et al.*, Case No. 1:18-cv-05877; *United Supermarkets LLC, et al. v. Tyson Foods Inc., et al.*, Case No. 1:18-cv-06693; *Associated Wholesale Grocers, Inc. v. Koch Foods, Inc., et al.*, Case No. 1:18-cv-06316 (transferred from the U.S. District Court for the District of Kansas on September 17, 2018, following Defendants' successful motion to transfer); *Shamrock Foods Company and United Food Service, Inc. v. Tyson Foods, Inc., et al.,* Case No. 18-cv-7284; *Winn-Dixie Stores, Inc., et al. v. Koch Foods, Inc., et al.*, Case No. 1:18-cv-00245; *Quirch Foods, LLC, f/k/a Quirch Foods Co. v. Koch Foods, Inc., et al.,* Case No. 18-cv-08511; *Sherwood Food Distributors, L.L.C., et al. v. Tyson Foods, Inc., et al.,* Case No. 19-cv-00354), and *Hooters of America, LLC v. Tyson Foods, Inc., et al*, Case No. 1:19-cv-00390 (N.D. Ill.) were filed with the U.S. District Court for the Northern District of Illinois by individual direct purchaser entities, the allegations of which largely mirror those in the class action complaints. Substantial completion of document discovery for most Defendants, including PPC, occurred on July 18, 2018. The Court's scheduling order currently requires completion of fact discovery on October 14, 2019; class certification briefing and expert reports proceeding from November 12, 2019 to July 14, 2020; and summary judgment to proceed 60 days after the Court rules on motions for class certification. The Court has ordered the parties to coordinate scheduling of the direct action complaints with the class complaints with any necessary modifications to reflect time of filing. Discovery will be consolidated.

On October 10, 2016, Patrick Hogan, acting on behalf of himself and a putative class of persons who purchased shares of PPC's stock between February 21, 2014 and October 6, 2016, filed a class action complaint in the U.S. District Court for the District of Colorado against PPC and its named executive officers. The complaint alleges, among other things, that PPC's SEC filings contained statements that were rendered materially false and misleading by PPC's failure to disclose that (i) the Company colluded with several of its industry peers to fix prices in the broiler-chicken market as alleged in the *In re Broiler Chicken Antitrust Litigation*, (ii) its conduct constituted a violation of federal antitrust laws, (iii) PPC's revenues during the class period were the result of illegal conduct and (iv) that PPC lacked effective internal control over financial reporting. The complaint also states that PPC's industry was anticompetitive. On April 4, 2017, the Court appointed another stockholder, George James Fuller, as lead plaintiff. On May 11, 2017, the plaintiff filed an amended complaint, which extended the end date of the putative class period to November 17, 2017. PPC and the other defendants moved to dismiss on June 12, 2017, and the plaintiff filed its opposition on July 12, 2017. PPC and the other defendants filed their reply on August 1, 2017. On March 14, 2018, the Court dismissed the plaintiff's complaint without prejudice and issued final judgment in favor of PPC and the other defendants. On April 11, 2018, the plaintiff moved for reconsideration of the Court's decision and for permission to file a Second Amended Complaint. PPC and the other defendants filed a response to the plaintiff's motion on April 25, 2018. On November 19, 2018, the Court denied the plaintiff's motion for reconsideration and granted plaintiff leave to file a Second Amended Complaint. As of January 18, 2019, plaintiff has not yet filed a Second Amended Complaint.

On January 27, 2017, a purported class action on behalf of broiler chicken farmers was brought against PPC and four other producers in the Eastern District of Oklahoma, alleging, among other things, a conspiracy to reduce competition for grower services and depress the price paid to growers. Plaintiffs allege violations of the Sherman Act and the Packers and Stockyards Act and seek, among other relief, treble damages. The complaint was consolidated with a subsequently filed consolidated amended class action complaint styled as *In re Broiler Chicken Grower Litigation*, Case No. CIV-17-033-RJS (the "Grower Litigation"). The defendants (including PPC) jointly moved to dismiss the consolidated amended complaint on September 9, 2017. The Court initially held oral argument on January 19, 2018, during which it considered and granted only motions from certain other defendants who were challenging jurisdiction. Oral argument on the remaining pending motions in the Oklahoma court occurred on April 20, 2018. Rulings on the motion are pending. In addition, on March 12, 2018, the Northern District of Texas, Fort Worth Division ("Bankruptcy Court") enjoined plaintiffs from litigating the Grower Litigation complaint as pled against the Company because allegations in the consolidated complaint violate the confirmation order relating to the Company's 2008-2009 bankruptcy proceedings. Specifically, the 2009 bankruptcy confirmation order bars any claims against the Company based on conduct occurring before December 28, 2009. On March 13, 2018, Pilgrim's notified the trial court of the Bankruptcy Court's injunction. To date, plaintiffs have not amended the consolidated complaint to comply with the Bankruptcy Court's injunction order or the confirmation order.

On March 9, 2017, a stockholder derivative action styled as *DiSalvio v. Lovette, et al.*, No. 2017 cv. 30207, was brought against all of PPC's directors and its Chief Financial Officer, Fabio Sandri, in the District Court for the County of Weld in Colorado. The complaint alleges, among other things, that the named defendants breached their fiduciary duties by failing to prevent PPC and its officers from engaging in an antitrust conspiracy as alleged in the *In re Broiler Chicken Antitrust Litigation*, and issuing false and misleading statements as alleged in the Hogan class action litigation. On April 17, 2017, a related stockholder derivative action styled *Brima v. Lovette, et al.*, No. 2017 cv. 30308, was brought against all of PPC's directors and its Chief Financial Officer in the District Court for the County of Weld in Colorado. The Brima complaint contains largely the same allegations as the DiSalvio complaint. On May 4, 2017, the plaintiffs in both the DiSalvio and Brima actions moved to (i) consolidate the two stockholder derivative cases, (ii) stay the consolidated action until the resolution of the motion to dismiss in the Hogan putative securities class action, and (iii) appoint co-lead counsel. The Court granted the motion on May 8, 2017, staying the proceedings pending resolution of the motion to dismiss in the Hogan action.

In January 2018, a stockholder derivative action entitled *Raul v. Nogueira de Souza, et al.*, was filed in the U.S. District Court for the District of Colorado against the Company, as nominal defendant, as well as the Company's directors, its Chief Financial Officer, and majority stockholder, JBS S.A. The complaint alleges, among other things, that (i) defendants permitted the Company to omit material information from its proxy statements filed in 2014 through 2017 related to the conduct of Wesley Mendonça Batista and Joesley Mendonça Batista, (ii) the individual defendants and JBS S.A. breached their fiduciary duties by failing to prevent the Company and its officers from engaging in an antitrust conspiracy as alleged in the Broiler Litigation and (iii) issuing false and misleading statements as alleged in the Hogan class action litigation. On May 17, 2018, the plaintiffs filed an unopposed motion to stay proceedings pending a final resolution of the Hogan class action litigation. The court-ordered deadline for the defendants to file an answer or otherwise respond to the complaint was originally set for July 30, 2018. This deadline was extended to August 31, 2018, at which time the plaintiffs filed an unopposed motion to voluntarily dismiss the complaint without prejudice. The Court granted the plaintiffs' motion on September 4, 2018.

On January 25, 2018, a stockholder derivative action styled as *Sciabacucchi v. JBS S.A., et al.*, was brought against all of PPC's directors, JBS S.A., JBS USA Holding Lux S.à r.l. ("JBS Holding Lux") and several members of the Batista family, in the Court of Chancery of the State of Delaware (the "Chancery"). The complaint alleges, among other things, that the named defendants breached their fiduciary duties arising out of the Company's acquisition of Moy Park. On March 15, 2018, the members of the Batista family were dismissed from the action without prejudice by stipulation. On March 20, 2018, nominal defendant PPC filed its answer. On March 20, 2018, the remaining defendants, including PPC's directors, JBS S.A., and JBS Holding Lux moved to dismiss the complaint. On April 19, 2018, director defendants Bell, Macaluso, and Cooper filed their opening brief in support of their motion to dismiss. On April 19, 2018, defendants JBS S.A., JBS Holding Lux, and director defendants Lovette, Nogueira de Souza, Tomazoni, Farahat, Molina, and de Vasconcellos, Jr. filed their opening brief in support of their motion to dismiss. On May 24, 2018, Employees Retirement System of the City of St. Louis filed a derivative complaint, which was virtually identical to the Sciabacucchi complaint. On July 2, 2018, the Chancery granted a stipulation consolidating the cases and making the first complaint (Sciabacucchi) the operative complaint. On July 3, 2018, the plaintiffs dismissed the Special Committee defendants—Bell, Macaluso and Cooper. On July 9, 2018, the plaintiffs dismissed de Vasconcellos, Jr. and filed their opposition to the motion to dismiss by the entity and non-Special Committee defendants, who filed their reply on August 9, 2018. On November 15, 2018, the parties argued the dismissal of the remaining defendants (JBS S.A.; JBS Holding Lux; and director defendants Lovette, Nogueira de Souza, Tomazoni, Farahat, and Molina) before the Chancery. After arguments concluded, the Chancery asked the parties to submit supplemental briefing on the viability of an additional ground for dismissal. The parties filed their respective supplemental briefs on December 21, 2018. The Chancery has yet to issue it's decision.

The Company believes it has strong defenses in each of the above litigations and intends to contest them vigorously. The Company cannot predict the outcome of these actions nor when they will be resolved. If the plaintiffs were to prevail in any of these litigations, the Company could be liable for damages, which could be material and could adversely affect its financial condition or results of operations.

J&F Investigation

On May 3, 2017, certain officers of J&F Investimentos S.A. ("J&F," and together with the companies controlled by J&F, the "J&F Group"), a company organized in Brazil and an indirect controlling stockholder of the Company, including a former senior executive and former board members of the Company, entered into plea bargain agreements (collectively, the "Plea Bargain Agreements") with the Brazilian Federal Prosecutor's Office (Ministério Público Federal) (the "MPF") in connection with certain misconduct by J&F and such individuals acting in their capacity as J&F executives. The details of such misconduct are set forth in separate annexes to the Plea Bargain Agreements, and include admissions of payments to politicians and political parties in Brazil during a ten-year period in exchange for receiving, or attempting to receive, favorable treatment for certain J&F Group companies in Brazil.

On June 5, 2017, J&F, for itself and as the controlling shareholder of the J&F Group companies, entered into a leniency agreement (the "Leniency Agreement") with the MPF, whereby J&F assumed responsibility for the conduct that was described in the annexes to the Plea Bargain Agreements. In connection with the Leniency Agreement, J&F has agreed to pay a fine of 10.3 billion Brazilian reais, adjusted for inflation, over a 25-year period. Various proceedings by Brazilian governmental authorities remain pending against J&F and certain of its officers to potentially invalidate the Plea Bargain Agreements and impose more severe penalties for additional alleged misconduct that were not disclosed in the annexes to the Plea Bargain Agreements.

J&F is conducting an internal investigation in accordance with the terms of the Leniency Agreement, and has engaged outside advisors to assist in conducting this investigation, which is ongoing, and with which we are fully cooperating. JBS S.A. and the Company have engaged outside U.S. legal counsel to: (i) conduct an independent investigation in connection with matters disclosed in the Leniency Agreement and the Plea Bargain Agreements; and (ii) communicate with relevant U.S. authorities, including the Department of Justice regarding the factual findings of that investigation. Additionally, JBS S.A. and the Company have taken, and are continuing to take, measures to enhance their compliance programs, including to prevent and detect bribery and corruption. We cannot predict when the J&F and JBS S.A. investigations will be completed or the results of such investigations, including whether any litigation will be brought against us or the outcome or impact of any resulting litigation. We will monitor the results of the investigations. Any proceedings that require us to make substantial payments, affect our reputation or otherwise interfere with our business operations could have a material adverse effect on our business, financial condition and operating results.

Any further developments in these, or other, matters involving the controlling shareholders, directors, or officers of J&F, or other parties affiliated with us, could subject JBS S.A. and its subsidiaries (including the Company) to potential fines or penalties, may materially adversely affect the public perception or reputation of JBS S.A. and its subsidiaries (including the Company) and could have a material adverse effect on JBS S.A. and its subsidiaries (including the Company).

21. 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. The Company does not have a single customer that exceeds the 10% of net sales. For the year ended December 30, 2018, our largest single customer was 6.3% of net sales. The Company does not believe it has significant concentrations of credit risk in its trade accounts receivable.

As of December 30, 2018, we employed approximately 31,100 persons in the U.S., approximately 10,700 persons in Mexico and approximately 10,300 persons in the U.K. and Europe. Approximately 37.1% 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 2019 or later. We have not experienced any labor-related work stoppage at any location in over ten 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. In the absence of an agreement, we may become subject to labor disruption at one or more of these locations, which could have an adverse effect on our financial results.

At December 30, 2018, the aggregate carrying amount of net assets belonging to our Mexico and U.K. and Europe operations was $829.7 million and $1.6 billion, respectively. At December 31, 2017, the aggregate carrying amount of net assets belonging to our Mexico and U.K. and Europe operations was $711.2 million and $1.4 billion, respectively.

22. BUSINESS SEGMENT AND GEOGRAPHIC REPORTING

The Company operates in three reportable business segments, U.S., U.K. and Europe, and Mexico. The Company measures segment profit as operating income. 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.

On September 8, 2017, the Company acquired Moy Park, one of the top-ten food companies in the U.K., Northern Ireland's largest private sector business and one of Europe's leading poultry producers, from JBS S.A. in a common-control transaction. Moy Park's results from operations subsequent to the common-control date of September 30, 2015 comprise the U.K. and Europe segment.

On January 6, 2017, the Company acquired GNP, a vertically integrated poultry business with locations in Minnesota and Wisconsin. GNP's results from operations subsequent to the acquisition date are included in the U.S. segment.

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

	December 30, 2018	December 31, 2017	December 25, 2016
		(In thousands)	
Net sales			
U.S.	$ 7,425,661	$ 7,443,222	$ 6,671,403
U.K. and Europe	2,148,666	1,996,319	1,947,441
Mexico	1,363,457	1,328,322	1,259,720
Total	$ 10,937,784	$ 10,767,863	$ 9,878,564

	December 30, 2018	December 31, 2017	December 25, 2016
		(In thousands)	
Operating income			
U.S.	$ 291,381	$ 841,492	$ 572,558
U.K. and Europe	84,524	77,105	78,572
Mexico	119,649	153,631	140,857
Elimination	132	94	95
Total operating income	$ 495,686	$ 1,072,322	$ 792,082
Interest expense, net of capitalized interest	162,812	107,183	75,636
Interest income	(13,811)	(7,730)	(2,301)
Foreign currency transaction gain	17,160	(2,659)	4,055
Miscellaneous, net	(2,702)	(6,538)	(9,344)
Income before income taxes	$ 332,227	$ 982,066	$ 724,036

	December 30, 2018	December 31, 2017	December 25, 2016
		(In thousands)	
Net sales to customers by customer location:			
U.S.	$ 7,173,280	$ 7,452,758	$ 6,460,787
Mexico	1,411,727	1,019,170	1,180,947
Asia	158,864	136,144	101,209
Canada, Caribbean and Central America	26,450	114,543	152,516
Africa	21,286	29,905	17,117
Europe	2,134,822	2,000,843	1,952,192
South America	10,704	13,279	11,955
Pacific	651	1,221	1,841
Total	$ 10,937,784	$ 10,767,863	$ 9,878,564

	December 30, 2018	December 31, 2017	December 25, 2016
		(In thousands)	
Depreciation and amortization:			
U.S.	$ 201,126	$ 199,749	$ 151,527
U.K. and Europe	51,108	51,040	51,193
Mexico	27,423	27,003	28,988
Total	$ 279,657	$ 277,792	$ 231,708

	December 30, 2018	December 31, 2017
	(In thousands)	
Long-lived assets[(a)]:		
U.S.	$ 1,506,217	$ 1,437,220
U.K. and Europe	359,621	368,521
Mexico	295,864	289,406
Total	$ 2,161,702	$ 2,095,147

(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 2016, 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 products.

	2018	2017	2016
		(In thousands)	
U.S. chicken:			
Fresh chicken	$ 5,959,458	$ 5,700,503	$ 4,627,137
Prepared chicken	773,983	950,378	1,269,010
Export and other chicken	258,732	213,595	313,827
Total U.S. chicken	6,992,173	6,864,476	6,209,974
U.K. and Europe chicken:			
Fresh chicken	925,124	846,575	811,127
Prepared chicken	865,864	792,284	794,880
Export and other chicken	303,921	318,699	283,276
Total U.K. and Europe chicken	2,094,909	1,957,558	1,889,283
Mexico chicken:			
Fresh chicken	1,252,403	1,245,144	1,154,355
Prepared chicken	76,860	58,512	91,289
Total Mexico chicken	1,329,263	1,303,656	1,245,644
Total chicken	10,416,345	10,125,690	9,344,901
Other products:			
U.S.	433,488	578,746	461,429
U.K. and Europe	53,757	38,761	58,158
Mexico	34,194	24,666	14,076
Total other products	521,439	642,173	533,663
Total net sales	$ 10,937,784	$ 10,767,863	$ 9,878,564

23. QUARTERLY RESULTS (UNAUDITED)

2018	First [(a)]	Second[(b)]	Third[(c)]	Fourth[(d)]	Year
	(In thousands, except per share data)				
Net sales	$ 2,746,678	$ 2,836,713	$ 2,697,604	$ 2,656,789	$ 10,937,784
Gross profit	287,665	274,222	169,741	111,848	843,476
Net income (loss) attributable to PPC common stockholders	119,418	106,541	29,310	(7,324)	247,945
Net income per share amounts - basic	0.48	0.43	0.12	(0.03)	1.00
Net income per share amounts - diluted	0.48	0.43	0.12	(0.03)	1.00
Number of days in period	91	91	91	91	364

2017	First[(e)]	Second[(f)]	Third[(g)]	Fourth[(h)]	Year
	(In thousands, except per share data)				
Net sales	$ 2,479,340	$ 2,752,286	$ 2,793,885	$ 2,742,352	$ 10,767,863
Gross profit	256,388	474,838	478,584	261,804	1,471,614
Net income attributable to PPC common stockholders	93,921	233,641	232,680	134,337	694,579
Net income per share amounts - basic	0.38	0.94	0.94	0.54	2.79
Net income per share amounts - diluted	0.38	0.94	0.93	0.54	2.79
Number of days in period	91	91	91	98	371

2016	First	Second	Third	Fourth[(i)]	Year
	(In thousands, except per share data)				
Net sales	$ 2,460,410	$ 2,551,990	$ 2,495,281	$ 2,370,883	$ 9,878,564
Gross profit	284,257	337,796	253,060	228,870	1,103,983
Net income attributable to PPC common stockholders	118,371	152,886	98,657	70,618	440,532
Net income per share amounts - basic	0.46	0.60	0.39	0.29	1.74
Net income per share amounts - diluted	0.46	0.60	0.39	0.28	1.73
Number of days in period	91	91	91	91	364

(a) In the first quarter of 2018, the Company recognized impairment charges of approximately $0.5 million related to the Luverne, Minnesota plant held for sale. Also in the first quarter of 2018, the Company had transaction costs of approximately $0.2 million related to the acquisition of Moy Park and GNP.

(b) In the second quarter of 2018, the Company recognized impairment charges of approximately $0.1 million related to its 40 North Foods leasehold improvements.

(c) In the third quarter of 2018, the Company recognized impairment charges of approximately $0.3 million related to the Luverne, Minnesota plant held for sale.

(d) In the fourth quarter of 2018, the Company recognized impairment charges of approximately $2.6 million related to Rose Energy Ltd. within its U.K. and Europe segment. Also in the fourth quarter of 2018, the Company recognized nonrecurring charges of $3.0 million and $11.9 million related to Hurricane Michael and Hurricane Maria, respectively. Hurricane Michael hit the Company's Live Oak complex in October 2018, causing two days of plant closure. Hurricane Maria hit the Company's Puerto Rico complex in September 2017, causing six months of plant closure.

(e) On January 6, 2017, the Company acquired 100% of the membership interests of GNP from Maschhoff Family Foods, LLC for a cash purchase price of $350 million. In the first quarter, the Company had transaction costs of approximately $0.6 million for the acquisition of GNP.

(f) In the second quarter of 2017, the Company recognized impairment charges of approximately $3.5 million related to its Athens, Alabama plant held for sale.

(g) In the third quarter of 2017, the Company had transaction costs of approximately $15.0 million for the acquisition of Moy Park.

(h) In the fourth quarter of 2017, the Company had transaction costs of approximately $4.5 million for the acquisition of Moy Park.

(i) In the fourth quarter of 2016, the Company recognized impairment charges of $0.8 million and $0.3 million related to its Dallas, Texas and Bossier City, Louisiana plants held for sale.

SCHEDULE II

PILGRIM'S PRIDE CORPORATION

VALUATION AND QUALIFYING ACCOUNTS

	Beginning Balance	Additions: Charged to Operating Results	Additions: Charged to Other Accounts	Deductions		Ending Balance
			(In thousands)			
Trade Accounts and Other Receivables—						
Allowance for Doubtful Accounts:						
2018	$ 8,145	$ 1,633	$ (39)	$ 1,682	(a)	$ 8,057
2017	6,661	2,683	339	1,538	(a)	8,145
2016	9,381	1,172	(452)	3,440	(a)	6,661
Trade Accounts and Other Receivables—						
Allowance for Sales Adjustments:						
2018	$ 9,477	$ 254,135	$ —	$ 250,625	(b)	$ 12,987
2017	4,874	185,198	—	180,595	(b)	9,477
2016	5,662	199,423	—	200,211	(b)	4,874
Deferred Tax Assets—						
Valuation Allowance:						
2018	$ 14,479	$ 11,776	$ —	$ 105	(c)	$ 26,150
2017	25,611	—	—	11,132	(c)	14,479
2016	27,300	—	—	1,689	(c)	25,611

(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

Disclosure Controls and Procedures

Under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"), "disclosure controls and procedures" means controls and other procedures that are designed to ensure that information required to be disclosed by the Company in the reports that it files with the U.S. Securities and Exchange Commission ("SEC") is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by our Company in the reports that it files with the SEC is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

As of December 30, 2018, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that information we are required to disclose in our reports filed with the SEC is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

In connection with the evaluation described above, the Company's management, including the Chief Executive Officer and Chief Financial Officer, identified no change in the Company's internal control over financial reporting that occurred during the fifty-two weeks ended December 30, 2018 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

In connection with the evaluation described above, the Company's management, including the Chief Executive Officer and Chief Financial Officer, identified no changes in the Company's internal control over financial reporting that occurred during the Company's quarter ended December 30, 2018, and that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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 Chief Executive Officer and Chief Financial Officer, PPC's management assessed the design and operating effectiveness of internal control over financial reporting as of December 30, 2018 based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Integrated Framework (2013). Based on this assessment, management concluded that PPC's internal control over financial reporting was effective as of December 30, 2018. KPMG LLP, an independent registered public accounting firm, has issued an unqualified report on the effectiveness of the Company's internal control over financial reporting as of December 30, 2018. That report is included in this Item 9A of this annual report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Stockholders and Board of Directors

Pilgrims Pride Corporation:

Opinion on Internal Control over Financial Reporting

We have audited Pilgrim's Pride Corporation's (the Company) internal control over financial reporting as of December 30, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 30, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 30, 2018 and December 31, 2017, and the related consolidated and combined statements of income, comprehensive income, stockholders' equity, and cash flows for the fifty-two weeks ended December 30, 2018, the fifty-three weeks ended December 31, 2017, the fifty-two weeks ended December 25, 2016, and related notes and financial statement schedule II, and our report dated February 13, 2019 expressed an unqualified opinion on those consolidated and combined financial statements.

Basis for Opinion

The Company'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. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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 of internal control over financial reporting 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.

Definition and Limitations of Internal Control over Financial Reporting

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.

/s/ KPMG LLP

Denver, Colorado

February 13, 2019

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 "Security Ownership," "Election of JBS Directors," "Election of Equity Directors and the Founder Director," "Section 16(a) Beneficial Ownership Reporting Compliance," "Committees of the Board of Directors" and "Related Party Transactions" of the Company's Proxy Statement for its 2019 Annual Meeting of Stockholders, which sections are 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.

Item 11. Executive Compensation

Reference is made to the sections entitled "Security Ownership," "Section 16(a) Beneficial Ownership Reporting Compliance," "2018 Director Compensation Table," "Report of the Compensation Committee," "Compensation Discussion and Analysis," "Executive Compensation," "Compensation Committee Interlocks and Insider Participation" and "Related Party Transactions" of the Company's Proxy Statement for its 2019 Annual Meeting of Stockholders, which sections are incorporated herein by reference.

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

Equity Compensation Plan Information

Plan Category[(a)]	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	—	—	4,145,922
Equity compensation plans not approved by securities holders	—	—	—
Total	—	—	4,145,922

(a) The table provides certain information about our common stock that may be issued under the Long Term Incentive Plan (the "LTIP"), as of December 30, 2018. For additional information concerning terms of the LTIP, see "Note 16. Incentive Compensation" of our Consolidated and Combined Financial Statements included in this annual report.

Reference is made to the section entitled "Security Ownership," of the Company's Proxy Statement for its 2019 Annual Meeting of Stockholders, which section is incorporated herein by reference.

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

Reference is made to the sections entitled "Corporate Governance" and "Related Party Transactions" of the Company's Proxy Statement for its 2019 Annual Meeting of Stockholders, which sections are incorporated herein by reference.

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 2019 Annual Meeting of Stockholders.

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 105.

(b) Exhibits

Exhibit Number

2.1 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).

2.2 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 (No. 005-81998) filed on December 5, 2006).

2.3 Stock Purchase Agreement by and between the Company and JBS USA Holding Lux, S.à.r.l., formerly known as JBS USA Holdings, LLC, dated September 16, 2009 (incorporated by reference from Exhibit 2.1 of the Company's Current Report on Form 8-K (No. 001-09273) filed September 18, 2009).

2.4 Amendment No.1 to the Stock Purchase Agreement by and between the Company and JBS USA Holding Lux, S.à.r.l., formerly known as JBS USA Holdings, LLC, dated December 28, 2009 (incorporated by reference from Exhibit 2.5 of the Company's Annual Report on Form 10-K/A (No. 001-09273) filed January 22, 2010).

2.5 Share Purchase Agreement, dated as of September 8, 2017, among JBS S.A., Granite Holdings S.à r.l., Onix Investments UK Limited and the Company (incorporated by reference from Exhibit 2.1 of the Company's Current Report on Form 8-K (No. 001-09273) filed on September 11, 2017).

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 (No. 001-09273) 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 Quarterly Report on Form 10-Q (No. 001-09273) filed on November 8, 2017).

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 Holding Lux, S.à.r.l., formerly known as JBS USA Holdings, LLC, as amended (incorporated by reference from Exhibit 3.3 to the Company's Form 8-A (No. 001-09273) 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 (No. 001-09273) filed on December 29, 2009).

4.5 Indenture dated as of March 11, 2015 among the Company, Pilgrim's Pride Corporation of West Virginia, Inc. and Wells Fargo Bank, National Association, as Trustee, Form of Senior 5.750% Note due 2025, and Form of Guarantee attached (incorporated by reference from Exhibit 4.1 of the Company's Current Report on Form 8-K (No 001-09273) filed on March 11, 2015).

4.9 Indenture dated as of September 29, 2017 among the Company, Pilgrim's Pride Corporation of West Virginia, Inc., Gold'n Plump Poultry, LLC, Gold'n Plump Farms, LLC, JFC LLC and U.S. Bank National Association, as Trustee (incorporated by reference from Exhibit 4.2 of the Company's Current Report on Form 8-K (No. 001-09273) filed on October 3, 2017).

4.10 Form of Senior 5.750% Note due 2025 (included in Exhibit 4.9).

4.11 Form of Senior 5.875% Note due 2027 (included in Exhibit 4.9).

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 (No. 001-09273) 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 (No. 001-09273) 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 (No. 001-09273) 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 (No. 001-09273) 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 (No. 001-09273) 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 (No. 001-09273) filed on January 18, 2011). †

10.7 Subordinated Loan Agreement dated as of June 23, 2011, between the Company and JBS USA Food Company Holdings, successor by assignment to JBS USA Holdings, LLC, (incorporated by reference from Exhibit 10.2 of the Company's Current Report on Form 8-K (No. 001-09273) filed on June 24, 2011).

10.8 Amendment No. 1 to the Subordinated Loan Agreement dated as of October 26, 2011, between the Company and JBS USA Food Company Holdings, successor by assignment to JBS USA Holdings, LLC, (incorporated by reference from Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q (No. 001-09273) filed on April 27, 2012).

10.9 Amendment No. 2 to the Subordinated Loan Agreement dated as of December 16, 2011, between the Company and JBS USA Food Company Holdings, successor by assignment to JBS USA Holdings, LLC, (incorporated by reference from Exhibit 10.2 of the Company's Current Report on Form 8-K/A (No. 001-09273) filed on December 20, 2011).

10.10 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 (No. 001-09273) filed on September 10, 2012). †

10.11 Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K (No. 001-09273) filed on September 10, 2012). †

10.12 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 (No. 001-09273) filed on February 12, 2015).

10.13 First Amendment to the Second Amended and Restated Credit Agreement dated April 27, 2016 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 Quarterly Report on Form 10-Q (No. 001-09273) filed on July 28, 2016).

10.14 Checking Account Loan Opening Contract dated July 23, 2014 among Avícola Pilgrim's Pride de Mexico, S.A. de C.V., as borrower, Pilgrim's Pride S. de R.L. de C.V. and Comercializadora de Carnes de Mexico, S. de R.L. de C.V., as guarantors, and BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, as borrower (incorporated by reference from Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q (No. 001-09273) filed on July 28, 2016).

10.15 Agreement to Modify Checking Account Loan Opening Contract dated November 3, 2015 among Avícola Pilgrim's Pride de Mexico, S.A. de C.V., as borrower, Pilgrim's Pride S. de R.L. de C.V. and Comercializadora de Carnes de Mexico, S. de R.L. de C.V., as guarantors, and BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, as borrower (incorporated by reference from Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q (No. 001-09273) filed on July 28, 2016).

10.16	Checking Account Loan Opening Contract dated September 27, 2016 among Avícola Pilgrim's Pride de Mexico, S.A. de C.V., as borrower, Pilgrim's Pride S. de R.L. de C.V. and Comercializadora de Carnes de Mexico, S. de R.L. de C.V., as guarantors, and BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, as borrower (incorporated by reference from Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q (No. 001-09273) filed on October 27, 2016).
10.17	Second Amendment to the Second Amended and Restated Credit Agreement dated October 21, 2016 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 10.2 of the Company's Quarterly Report on Form 10-Q (No. 001-09273) filed on October 27, 2016).
10.18	Third Amendment to the Second Amended and Restated Credit Agreement dated March 23, 2017 among the Company, To-Ricos, Ltd. and To-Ricos Distribution, Ltd., Coöperatieve Rabobank U.A., New York Branch, 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 (No. 001-09273) filed on May 4, 2017).
10.19	Third Amended and Restated Credit Agreement dated May 8, 2017 among the Company, the other loan parties thereto, and the lenders party thereto, and Coöperatieve Rabobank U.A., New York Branch, as administrative agent and collateral agent (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K (No. 001-09273) filed on May 11, 2017).
10.20	First Amendment to Third Amended and Restated Credit Agreement dated September 6, 2017 among the Company, the other loan parties thereto, and the lenders party thereto, and Coöperatieve Rabobank U.A., New York Branch, as administrative agent and collateral agent (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K (No. 001-09273) filed on September 11, 2017).
10.21	Seller Note, dated as of September 8, 2017 among the Company, JBS S.A. and Onix Investments UK Limited (incorporated by reference from Exhibit 10.2 of the Company's Current Report on Form 8-K (No. 001-09273) filed on September 11, 2017).
10.22	Multicurrency Revolving Facility Agreement, dated as of June 2, 2018, by and among Moy Park Holdings (Europe) Limited, certain of its subsidiaries, the Governor and Company of the Bank of Ireland, as agent, and the other lenders party thereto (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K (No. 001-09273) filed on June 12, 2018).
10.23	Fourth Amended and Restated Credit Agreement, dated as of July 20, 2018, by and among Pilgrim's Pride Corporation, certain of its subsidiaries, CoBank ACB, as administrative agent and collateral agent, and the other lenders party thereto (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K (No. 001-09273) filed on July 24, 2018).
10.24	Revolving Line of Credit Agreement, dated as of December 14, 2018, by and among Banco del Bajío, Sociedad Anónima, Institución de Banca Múltiple as lender, Avícola Pilgrim's Pride de México, Sociedad Anónima de Capital Variable as borrower, and Comercializadora de Carnes de México, Sociedad de Responsabilidad Limitada de Capital Variable, Pilgrim's Pride, Sociedad de Responsabilidad Limitada de Capital Variable, and Pilgrim's Operaciones Laguna, Sociedad de Responsabilidad Limitada de Capital Variable, as guarantors (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K (No. 001-09273) filed on December 20, 2018).
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**

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 13, 2019.

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
/s/ Gilberto Tomazoni Gilberto Tomazoni	Chairman of the Board	February 13, 2019
/s/ William W. Lovette William W. Lovette	President and Chief Executive Officer (Principal Executive Officer)	February 13, 2019
/s/ Fabio Sandri Fabio Sandri	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 13, 2019
/s/ David E. Bell David E. Bell	Director	February 13, 2019
/s/ Michael L. Cooper Michael L. Cooper	Director	February 13, 2019
/s/ Wallim Cruz de Vasconcellos Junior Wallim Cruz de Vasconcellos Junior	Director	February 13, 2019
/s/ Charles Macaluso Charles Macaluso	Director	February 13, 2019
/s/ Denilson Molina Denilson Molina	Director	February 13, 2019
/s/ Andre Nogueira de Souza Andre Nogueira de Souza	Director	February 13, 2019

This page intentionally left blank.

This page intentionally left blank.

Pilgrim's Pride Corporation • 1770 Promontory Circle • Greeley, CO 80634 • (970) 506-8000