

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For quarter ended April 2, 1994

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 (I.R.S. Employer  
incorporation or organization) Identification No.)

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

(903) 855-1000  
(Telephone number of principle executive offices)

Not Applicable  
Former name, former address and former fiscal year, if changed since last report.

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 periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock \$.01 Par Value---27,589,250 shares as of May 16, 1994

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PART I. FINANCIAL INFORMATION  
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 CONDENSED CONSOLIDATED BALANCE SHEETS

Item 1: Financial Statements (Unaudited):  
 April 2, 1994  
 (Unaudited) Oct 2, 1993

ASSETS

Current Assets:

Cash and cash equivalents	\$ 4,856,000	\$ 4,526,000
Trade accounts and notes receivable, net	57,191,000	59,608,000
Inventories	104,156,000	91,794,000
Deferred income taxes	9,831,000	--
Prepaid expenses	1,256,000	1,260,000
Other current assets	9,948,000	9,843,000
Total Current Assets	187,238,000	167,031,000

Other Assets 12,400,000 13,114,000

Property, Plant and Equipment	379,699,000	366,221,000
Less accumulated depreciation and amortization	134,017,000	123,520,000
	245,682,000	242,701,000
	\$ 445,320,000	\$ 422,846,000

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Notes payable - banks	\$ 7,000,000	\$ 12,000,000
Accounts payable	44,711,000	38,330,000
Accrued expenses	27,472,000	30,370,000
Current portion of long-term debt	12,452,000	13,643,000
Total Current Liabilities	91,635,000	94,343,000

Long-Term Debt, less current portion 156,702,000 159,554,000

Deferred Income Taxes 49,177,000 36,656,000

Stockholders' Equity:

Common stock; \$.01 par value	276,000	276,000
Additional paid-in capital	79,763,000	79,763,000
Retained earnings	67,767,000	52,254,000

Total Stockholders' Equity 147,806,000 132,293,000

\$ 445,320,000 \$ 422,846,000

See notes to condensed consolidated financial statements.

PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF INCOME  
 (UNAUDITED)

Three Months Ended Six Months Ended

April 2, April 3, April 2, April 3,  
 1994 1993 1994 1993  
 (13 weeks) (13 weeks) (26 weeks) (27 weeks)

Net sales \$223,167,000 \$227,670,000 \$445,018,000 \$448,123,000

Costs and expenses:				
Cost of sales	196,762,000	195,114,000	387,476,000	387,232,000
Selling, general and administrative	14,351,000	13,645,000	29,330,000	27,837,000
	211,113,000	208,759,000	416,806,000	415,069,000
Operating Income	12,054,000	18,911,000	28,212,000	33,054,000
Other expense (income):				
Interest expense	4,967,000	8,038,000	9,917,000	14,516,000
Miscellaneous	(822,000)	(282,000)	(1,644,000)	(784,000)
Total other expense, net	4,145,000	7,756,000	8,273,000	13,732,000
Income before income taxes	7,909,000	11,155,000	19,939,000	19,322,000
Income tax expense (benefit)	(11,000)	3,348,000	3,598,000	4,687,000
Net Income	\$ 7,920,000	\$ 7,807,000	\$ 16,341,000	\$ 14,635,000
Net income per share	\$ .29	\$ 0.28	\$ 0.59	\$ 0.53
Dividends per common share	\$ .015	--	\$ .03	--
Weighted average shares outstanding	27,589,250	27,589,250	27,589,250	27,589,250

See Notes to condensed consolidated financial statements.

PILGRIM'S PRIDE CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	Six Months Ended	
	April 2, 1994	April 3, 1993
	(26 weeks)	(27 weeks)
Cash Flow From Operating Activities:		
Net income	\$16,341,000	\$14,635,000
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	12,599,000	13,585,000
Provision for losses on accounts receivable	1,414,000	476,000
Deferred income tax liability	2,690,000	3,376,000
Changes in operating assets and liabilities:		
Accounts and notes receivable	1,002,000	(2,377,000)
Inventories	(12,330,000)	(350,000)
Prepaid expenses and other current assets	(106,000)	2,000,000
Accounts payable and accrued expenses	3,898,000	(11,718,000)
(Gain) loss on property disposals	(278,000)	(265,000)
Other	(114,000)	(111,000)
Cash Provided By Operating Activities:	25,116,000	19,251,000
Investing Activities:		
Acquisitions of property and equipment	(14,975,000)	(3,172,000)
Proceeds from property disposals	605,000	559,000
Net change in other assets	1,000	134,000
Net Cash Used In Investing Activities	(14,369,000)	(2,479,000)
Financing Activities:		
Proceeds from notes payable to banks	6,000,000	--
Re-payments of notes payable to banks	(11,000,000)	(11,900,000)
Proceeds from long-term debt	31,000	--
Payments on long-term debt	(4,149,000)	(8,162,000)
Cash dividends paid	(1,242,000)	(414,000)
Cash Used In Financing Activities	(10,360,000)	(20,476,000)
Effect of exchange rate changes on cash and cash equivalents	(57,000)	(60,000)
Increase (decrease) in cash and cash equivalents	330,000	(3,764,000)
Cash and cash equivalents at beginning of year	4,526,000	11,550,000
Cash and cash equivalents at end of period	\$ 4,856,000	\$ 7,786,000

Supplemental disclosure information:

Cash paid during the period for		
Interest (net of amount capitalized)	\$10,076,000	\$14,642,000
Income Taxes	\$ 1,455,000	\$ 255,000

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT (Unaudited)

NOTE A--BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the period ended April 2, 1994 are not necessarily indicative of the results that may be expected for the year ended October 1, 1994. For further information, refer to the consolidated financial statements and footnotes thereto included in Pilgrim's annual report on Form 10-K for the year ended October 2, 1993.

The consolidated financial statements include the accounts of Pilgrim's and its wholly owned subsidiaries. Significant intercompany accounts and transactions have been eliminated.

The assets and liabilities of the foreign subsidiaries are translated at end-of-period exchange rates, except for non-current assets which are translated at equivalent dollar costs at dates of acquisition using historical rates. Operations of foreign subsidiaries are translated at average exchange rates in effect during the period. The translation adjustments are included in the statements of operations.

NOTE B--NET INCOME PER COMMON SHARE

Earnings per share for the periods ended April 2, 1994 and April 3, 1993 are based on the weighted average shares outstanding for the periods.

NOTE C--INVENTORIES

Inventories consist of the following:

	April 2, 1994	Oct 2, 1993
Live broilers and hens	\$ 47,637,000	\$ 44,417,000
Feed, eggs and other	27,684,000	25,473,000
Finished poultry product	28,835,000	21,904,000
	\$ 104,156,000	\$91,794,000

NOTE D--INCOME TAXES

Effective October 3, 1993, the Company adopted the provisions of FAS Statement No. 109, "Accounting for Income Taxes." As permitted under the new rules, prior years' financial statements have not been restated.

The cumulative effect of adopting Statement 109 as of October 3, 1993 resulted in no change to the reported net income amounts for the six months ended April 2, 1994.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's United States deferred tax liabilities and assets as of October 3, 1993 are as follows (no significant foreign deferred tax assets or liabilities exist):

Deferred tax liabilities:	
Tax over book depreciation	\$ 23,004,000
Prior use of cash accounting	32,758,000
Total deferred tax liabilities	55,762,000

Deferred tax assets:	
AMT credit carryforward	3,967,000
General business carryforward	2,462,000
Net operating loss carryforwards	6,589,000
Other	6,088,000
Total deferred tax assets	19,106,000
Net deferred tax liabilities \$	36,656,000

During the second quarter of fiscal 1994, pursuant to an organizational restructuring of activities completed by the Company's Mexican subsidiaries which significantly reduced Mexican taxes, the Company changed to computing its income tax provision on a separate jurisdiction versus consolidated basis. These changes, accompanied by strong Mexican operating results during the quarter, resulted in no significant income tax provisions being provided during the second quarter.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

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

	Percentage of Net Sales Three Months Ended		Percentage of Net Sales Six Months Ended	
	April 2, 1994 (13 weeks)	April 3, 1993 (14 weeks)	April 2, 1994 (26 weeks)	April 3, 1993 (27 weeks)
Net sales	100.0%	100.0%	100.0%	100.0%
Costs and expenses:				
Cost of sales	88.2%	85.7%	87.1%	86.4%
Gross profit	11.8%	14.3%	12.9%	13.6%
Selling, general and administrative	6.4%	6.0%	6.6%	6.2%
Operating Income	5.4%	8.3%	6.3%	7.4%
Interest expense	2.2%	3.5%	2.2%	3.2%
Income before income taxes	3.5%	4.9%	4.5%	4.3%
Net Income	3.5%	3.4%	3.7%	3.3%

Second Quarter 1994, Compared to  
Second Quarter 1993

Consolidated net sales were \$223.2 million for the second quarter of fiscal 1994, a decrease of \$4.5 million, or 2.0%, over the second quarter of fiscal 1993. The decrease in consolidated net sales resulted from a \$7.3 million decrease in Mexican chicken sales to \$44.7 million, partially offset by a \$1.6 million increase in sales of other domestic products to \$26.9 million and a \$1.2 million increase in domestic chicken sales to \$151.6. The decrease in Mexican chicken sales was primarily due to a 22.7% decrease in total revenue per dressed pound produced due to lower prices for poultry products and the effects of a change in Mexican operations sales mix offset partially by a 11.1% increase in dressed pounds produced. The increase in sales of other domestic products was primarily due to increased sales of Pilgrim's retail feed products offset partially by lower sales of poultry by-products and commercial eggs. The increase in domestic chicken sales was primarily due to a .6% increase in dressed pounds produced offset partially by a .2% decrease in the total revenue per dressed pound produced.

Consolidated cost of sales was \$196.8 million in the second quarter of fiscal 1994, an increase of \$1.6 million, or .8%, over the second quarter of fiscal 1993. The increase resulted from a \$5.4 million increase in the cost of sales from domestic operations offset partially by a \$3.8 million decrease in cost of sales of Mexican operations.

The cost of sales increase in domestic operations of \$5.4 million was primarily due to a 11.1% increase in feed ingredient costs, increased cost of sales in the Company's sales of other domestic products and a .6% increase in dressed pounds produced.

The cost of sales decrease in Mexican operations of \$3.8 million was primarily due to lower live production costs due to increased efficiency's occurring while feed ingredient costs increased 10.4% and total dressed pounds produced increased 11.1%.

Gross profit as a percentage of sales decreased to 11.8% in the second quarter of fiscal 1994 from 14.3% in the second quarter of fiscal 1993. The decreased gross profit of the Company's Mexican operation was primarily the result of a 22.7% decrease in total revenue per dressed pound partially offset by a decrease in average cost of sales per dressed pound. The decreased gross profit in domestic chicken operations was a result of increased cost of sales per dressed pound partially offset by an increase in total revenues per dressed pound.

Consolidated selling general and administrative expenses were \$14.4 million for the second quarter of fiscal 1994, an increase of \$.7 million or 5.2%, when compared to the second quarter of fiscal 1993. Consolidated selling, general and administrative expenses as a percentage of sales increased to 6.4% compared to 6.0% in the second quarter of fiscal 1993; these increases were primarily due to increased selling expenses and provisions for losses on accounts receivable in the Company's Mexican operation offset partially by reduced selling and administrative costs in the Company's domestic operation and reduced accrued retirement and bonuses costs due to lower operating profits.

Consolidated operating income was \$12.1 million for the second quarter of fiscal 1994 a decrease of \$6.9 million, or 36.3%, when compared to the second quarter of 1993. The decrease was due primarily to lower margins.

Consolidated net interest expense was \$5.0 million in the second quarter of fiscal 1994 a decrease of \$3.1 million, or 38.2%, when compared to the second quarter of fiscal 1993. This decrease was due to a reduction of amortization of fees and expenses incurred for refinancing, lower outstanding debt and lower interest rates when compared to the second quarter of fiscal 1993.

Consolidated income tax expense as a percentage of income before income taxes decreased in the second quarter of fiscal 1994 to a benefit of \$11,000 compared to an expense of \$3.3 million in the second quarter of fiscal 1993. This reduction resulted from a restructuring of activities in Mexico and a change in the method of computing the income tax provision. See Note D to the Consolidated Financial Statements.

Six Months Ended April 2, 1994, Compared to  
Six Months Ended April 3, 1993

The accounting cycle of Pilgrim's Pride Corporation, (the "Company"), consisted of 26 weeks of operations during the first six months of fiscal 1994 compared to 27 weeks during the first six months of fiscal 1993, an operating cycle reduction of 3.7%.

Consolidated net sales were \$445.0 million for the first six months of fiscal 1994, a decrease of \$3.1 million, or .7%, over the first six months of fiscal 1993. The decrease in consolidated net sales resulted from a \$5.8 million decrease in Mexican chicken sales to \$93.6 million offset partially by a \$1.4 million increase in domestic chicken sales to \$298.7 million and a \$1.3 million increase in sales of other domestic products to \$52.7 million. The decrease in Mexican chicken sales was primarily due to a 7.0% decrease in total revenue per dressed pound produced due to lower prices for poultry products and the effects of change in Mexican operations sales mix partially offset by a 1.2% increase in dressed pounds produced. The increase in domestic chicken sales was primarily due to a 3.7% increase in the total revenue per dressed pound produced offset partially by a 3.1% decrease in dressed pounds produced. The increase in sales of other domestic products was primarily due to increased sales of Pilgrim's retail feed products offset partially by lower sales of poultry by-products and commercial eggs.

Consolidated cost of sales was \$387.5 million in the first six months of fiscal 1994, an increase of \$.2 million, or less than .1% over the first six months of fiscal 1993. The increase resulted from an \$11.0 million increase in the cost of sales in domestic operations offset by a \$10.8 million decrease in cost of sales of Mexican operations.

The cost of sales increase in domestic operations of \$11.0 million occurring while dressed pounds decreased 3.1% was primarily due to a 9.2% increase in feed ingredient costs, higher production costs and increased costs of sales in the Company's sales of other domestic products.

The \$10.8 million cost of sales decrease in Mexican operations was primarily due to lower live production costs due to increased efficiency's occurring while feed ingredient costs increased 6.0% and total dressed pounds produced increased 1.2%.

Gross profit as a percentage of sales decreased to 12.9% in the first six months of fiscal 1994 from 13.6% in the first six months of fiscal 1993. The decreased gross profit of the Company's domestic chicken operation was a result of increased average cost of sales per dressed pound offset partially by an increase in total revenues per dressed pound. The increased gross profit of the Mexican operation was primarily a result of decrease in average cost of sales per dressed pound offset partially by a decrease of total revenues per dressed pound.

Consolidated selling, general and administrative expenses were \$29.3 million for the first six months of fiscal 1994, an increase of \$1.5 million or 5.4%, when compared to the first six months of fiscal 1993. Consolidated selling, general and administrative expenses as a percentage of sales increased in the first six months of fiscal 1994 to 6.6% compared to 6.2% in the first six months of fiscal 1993; these increases are primarily due to increased selling expenses and provisions for losses on accounts receivable in the Company's Mexican operation offset partially by reduced selling, general and administrative costs in the Company's domestic operation.

Consolidated operating income was \$28.2 million for the first six months of fiscal 1994 a decrease of \$4.8 million, or 14.6%, when compared to the first six months of 1993. The decrease was due primarily to lower margins in domestic operations described previously.

Consolidated net interest expense was \$9.9 million a decrease of \$4.6 million, or 31.7%, when compared to the first six months of fiscal 1993. This decrease was due to a reduction of amortization of fees and expenses incurred for refinancing, lower outstanding debt and lower interest rates when compared to the first six months of fiscal 1993.

Consolidated income tax expense as a percentage of income before income taxes decreased in the first six months of fiscal 1994 to 18.0% compared to 24.3% in the first six months of 1993. This decrease was due primarily to the restructuring of Mexico activities and the change in computation of the tax provision as discussed above. See Note D to the Consolidated Financial Statements.

#### Liquidity and Capital Resources

The Company's liquidity in the first six months of fiscal 1994 continued showing marked improvement from the previous year end due to record first six months net income. The Company's working capital at April 2, 1994 increased to \$95.6 million (\$85.8 million excluding current deferred income taxes recorded in connection with the adoption of FAS 109) from \$72.7 million at October 2, 1993.

The current ratio at April 2, 1994 increased to 2.04 to 1 (1.94 to 1 excluding current deferred income taxes recorded in connection with the adoption of FAS 109) from 1.77 at 1 at October 2, 1993 and the Company's stockholder's equity increased to \$147.8 million at April 2, 1994 from \$132.3 million at October 2, 1993. The Company reduced its ratio of total debt to capitalization to 54.4% at April 2, 1994 from 58.3% at October 2, 1993. The Company maintains a \$75 million revolving credit facility with available unused lines of credit of \$60 million at May 13, 1994.

Trade accounts and other accounts receivable were \$57.2 million at April 2, 1994, a \$2.4 million decrease from October 2, 1993. This 4.0% decrease was due primarily to a decrease in the amounts of property insurance claims receivable at April 2, 1994 and improved collections experienced in the second quarter of fiscal 1994.

Inventories were \$104.2 million at April 2, 1994, a \$12.4 million increase from October 2, 1993. This 13.5% increase was primarily due to an increased production which require higher inventories and higher feed costs which are included in live broiler and hens and feed, eggs and other inventories until such time as they are sold.

Accounts payable were \$44.7 million at April 2, 1994, a 16.7% increase from October 2, 1993, primarily due to increases in feed ingredient costs.

Deferred tax assets recorded in accordance with FAS 109 were \$19.1 million as of October 3, 1993. The company believes that all of these deferred tax assets will be realized through the reversal of existing temporary differences and anticipated future taxable earnings.

Capital expenditures for the first six months of fiscal 1994 were \$15.0 million and were primarily incurred to improve efficiencies and for the routine replacement of equipment. The Company anticipates that it will spend \$25.0 million or less for capital expenditures in fiscal year 1994 and expects to finance such expenditures with available operating cash flow and leases.

PART  
II  
Other Information

Item 6. Exhibits and Reports on Form 8-K

The Company did not file any reports on Form 8-K during the six months ended April 2, 1994.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PILGRIM'S PRIDE CORPORATION

Date May 17, 1994 /s/ Clifford E. Butler  
Clifford E. Butler  
Vice Chairman of the Board,  
Chief Financial Officer and  
Secretary and Treasurer  
in his respective capacity  
as such