PILGRIMS PRIDE CORP

FORM 10-Q
(Quarterly Report)

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Address	1770 PROMONTORY CIRCLE GREELEY, CO, 80634
Telephone	9705068000
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Industry	Food Processing
Sector	Consumer Non-Cyclicals
Fiscal Year	12/26

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 24, 2017

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, CO	**80634-9038**
(Address of principal executive offices)	**(Zip code)**

Registrant's telephone number, including area code: (970) 506-8000

(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 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-accelerated Filer	☐ (Do not check if a smaller reporting company)	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 ☒

Number of shares outstanding of the issuer's common stock, $0.01 par value per share, as of November 7, 2017 , was 248,752,508.

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PART I. FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

PILGRIM'S PRIDE CORPORATION
CONDENSED CONSOLIDATED AND COMBINED BALANCE SHEETS
(Unaudited)

	September 24, 2017	December 25, 2016
	(In thousands)	
Cash and cash equivalents	$ 401,789	$ 292,544
Restricted cash	4,841	4,979
Trade accounts and other receivables, less allowance for doubtful accounts	624,802	445,553
Accounts receivable from related parties	970	4,010
Inventories	1,196,201	975,608
Income taxes receivable	16,362	—
Prepaid expenses and other current assets	102,914	81,932
Assets held for sale	2,777	5,259
Total current assets	2,350,656	1,809,885
Other long-lived assets	20,007	19,260
Identified intangible assets, net	620,693	471,591
Goodwill	995,582	887,221
Property, plant and equipment, net	2,076,347	1,833,985
Total assets	$ 6,063,285	$ 5,021,942
Accounts payable	$ 743,528	$ 790,378
Accounts payable to related parties	7,091	4,468
Accrued expenses and other current liabilities	416,476	347,021
Income taxes payable	191,432	27,578
Current maturities of long-term debt	61,811	15,712
Total current liabilities	1,420,338	1,185,157
Long-term debt, less current maturities	2,548,575	1,396,124
Deferred tax liabilities	286,038	251,807
Other long-term liabilities	98,098	102,722
Total liabilities	4,353,049	2,935,810
Common stock	2,602	307,288
Treasury stock	(231,758)	(217,117)
Additional paid-in capital	1,926,386	3,100,332
Retained earnings (accumulated deficit)	39,606	(782,785)
Accumulated other comprehensive loss	(36,517)	(329,858)
Total Pilgrim's Pride Corporation stockholders' equity	1,700,319	2,077,860
Noncontrolling interest	9,917	8,272
Total stockholders' equity	1,710,236	2,086,132
Total liabilities and stockholders' equity	$ 6,063,285	$ 5,021,942

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

PILGRIM'S PRIDE CORPORATION

CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF INCOME

(Unaudited)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 24, 2017	September 25, 2016	September 24, 2017	September 25, 2016
	(In thousands, except per share data)			
Net sales	$ 2,793,885	$ 2,495,281	$ 8,025,511	$ 7,507,681
Cost of sales	2,315,301	2,242,221	6,815,701	6,632,568
Gross profit	478,584	253,060	1,209,810	875,113
Selling, general and administrative expense	102,191	75,933	284,009	229,786
Administrative restructuring charges	4,147	279	8,496	279
Operating income	372,246	176,848	917,305	645,048
Interest expense, net of capitalized interest	24,636	19,119	66,315	58,480
Interest income	(2,128)	(253)	(3,600)	(2,000)
Foreign currency transaction loss (gain)	(888)	4,569	(2,500)	(1,769)
Miscellaneous, net	(1,083)	(2,371)	(5,198)	(7,327)
Income before income taxes	351,709	155,784	862,288	597,664
Income tax expense	113,396	53,819	278,046	202,979
Net income	238,313	101,965	584,242	394,685
Less: Net income from Granite Holdings Sàrl prior to acquisition by Pilgrim's Pride Corporation	6,093	3,438	23,486	25,105
Less: Net income (loss) attributable to noncontrolling interests	(460)	(130)	514	(334)
Net income attributable to Pilgrim's Pride Corporation	$ 232,680	$ 98,657	$ 560,242	$ 369,914
Weighted average shares of Pilgrim's Pride Corporation common stock outstanding:				
Basic	248,753	254,460	248,732	254,607
Effect of dilutive common stock equivalents	235	460	230	430
Diluted	248,988	254,920	248,962	255,037
Net income attributable to Pilgrim's Pride Corporation per share of common stock outstanding:				
Basic	$ 0.94	$ 0.39	$ 2.25	$ 1.45
Diluted	$ 0.93	$ 0.39	$ 2.25	$ 1.45

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

PILGRIM’S PRIDE CORPORATION

CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 24, 2017	September 25, 2016	September 24, 2017	September 25, 2016
	(In thousands)			
Net income	$ 238,313	$ 101,965	$ 584,242	$ 394,685
Other comprehensive loss:				
Foreign currency translation adjustment				
Gains (losses) arising during the period	22,378	(43,961)	89,153	(171,509)
Income tax effect	3,211	—	3,211	—
Derivative financial instruments designated as cash flow hedges				
Gains (losses) arising during the period	(779)	65	(137)	167
Reclassification to net earnings for losses (gains) realized	—	(285)	9	(35)
Available-for-sale securities				
Gains (losses) arising during the period	—	—	—	426
Income tax effect	—	—	—	(161)
Reclassification to net earnings for losses (gains) realized	—	—	—	(534)
Income tax effect	—	—	—	202
Defined benefit plans				
Gains (losses) arising during the period	393	2,852	(4,078)	(11,500)
Income tax effect	(148)	(1,077)	1,539	4,342
Reclassification to net earnings of losses realized	233	165	699	494
Income tax effect	(88)	(62)	(264)	(187)
Total other comprehensive income (loss), net of tax	25,200	(42,303)	90,132	(178,295)
Comprehensive income	263,513	59,662	674,374	216,390
Less: Comprehensive income (loss) for Granite Holdings Sàrl prior to acquisition by Pilgrim's Pride Corporation	460	(42,432)	88,050	(152,927)
Less: Comprehensive income (loss) attributable to noncontrolling interests	(460)	(130)	514	(334)
Comprehensive income attributable to Pilgrim's Pride Corporation	$ 263,513	$ 102,224	$ 585,810	$ 369,651

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

PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

	Common Stock		Treasury Stock						
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
					(In thousands)				
Pilgrim's Pride Corporation balance at December 25, 2016	259,682	$ 2,597	(10,636)	$(217,117)	$1,686,742	$ (520,635)	$ (64,243)	$ 9,403	$ 896,747
Granite Holdings Sàrl balance at December 25, 2016	13,000	304,691	—	—	1,413,590	(262,150)	(265,615)	(1,131)	1,189,385
Combined 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
Net income	—	—	—	—	—	583,728	—	514	584,242
Other comprehensive income, net of tax	—	—	—	—	—	—	90,132	—	90,132
Share-based compensation plans:									
Common stock issued under compensation plans	486	5	—	—	(5)	—	—	—	—
Requisite service period recognition	—	—	—	—	2,454	—	—	—	2,454
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 net assets from JBS S.A. to Pilgrim's Pride Corporation in a common-control transaction	(13,000)	(304,691)	—	—	(1,413,590)	238,663	203,209	1,131	(1,275,278)
Balance at September 24, 2017	260,168	$ 2,602	(11,416)	$(231,758)	$1,926,386	$ 39,606	$ (36,517)	$ 9,917	$1,710,236
Pilgrim's Pride Corporation balance at December 27, 2015	259,685	$ 2,597	(4,862)	$ (99,233)	$1,675,674	$ (261,252)	$ (58,930)	$ 2,954	$1,261,810
Granite Holdings Sàrl balance at December 27, 2015	13,000	304,691	—	—	1,414,716	(287,668)	(32,543)	(1,131)	1,398,065
Combined 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
Net income (loss)	—	—	—	—	—	395,019	—	(334)	394,685
Other comprehensive loss, net of tax	—	—	—	—	—	—	(178,295)	—	(178,295)
Requisite service period recognition under share-based compensation plans	—	—	—	—	5,404	—	—	—	5,404
Common stock purchased from retirement plan participants	(3)	—	—	—	(73)	—	—	—	(73)
Common stock purchased under share repurchase program	—	—	(925)	(20,333)	—	—	—	—	(20,333)
Equity contributions to subsidiary by noncontrolling stockholders	—	—	—	—	—	—	—	7,252	7,252
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 September 25, 2016	272,682	$307,288	(5,787)	$(119,566)	$3,094,595	$ (868,686)	$ (269,768)	$ 8,741	$2,152,604

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

PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS

(Unaudited)

	Thirty-Nine Weeks Ended	
	September 24, 2017	September 25, 2016
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 584,242	$ 394,685
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	204,625	174,128
Foreign currency transaction loss related to borrowing arrangements	6,830	—
Asset impairment	4,947	—
Gain on property disposals	(540)	(7,315)
Loss (gain) on equity method investments	(44)	194
Share-based compensation	2,454	5,404
Deferred income tax expense (benefit)	25,768	(6)
Changes in operating assets and liabilities:		
Trade accounts and other receivables	(146,477)	(65,649)
Inventories	(149,806)	(18,099)
Prepaid expenses and other current assets	(15,377)	1,990
Accounts payable, accrued expenses and other current liabilities	(36,105)	35,346
Income taxes	149,063	45,789
Long-term pension and other postretirement obligations	(9,660)	(8,294)
Other operating assets and liabilities	(1,429)	(6,190)
Cash provided by operating activities	618,491	551,983
Cash flows from investing activities:		
Acquisitions of property, plant and equipment	(258,364)	(221,035)
Purchase of acquired businesses, net of cash acquired	(658,520)	—
Proceeds from property disposals	2,585	12,977
Cash used in investing activities	(914,299)	(208,058)
Cash flows from financing activities:		
Proceeds from note payable to bank	—	36,838
Payments on note payable to bank	—	(65,564)
Proceeds from revolving line of credit and long-term borrowings	1,013,662	515,292
Payments on revolving line of credit, long-term borrowings and capital lease obligations	(609,678)	(504,078)
Proceeds from equity contribution under Tax Sharing Agreement between JBS USA Food Company Holdings and Pilgrim's Pride Corporation	5,038	3,691
Capital contributions to subsidiary by noncontrolling stockholders	—	7,252
Payment of capitalized loan costs	(4,550)	(693)
Purchase of common stock under share repurchase program	(14,641)	(20,333)
Purchase of common stock from retirement plan participants	—	(73)
Payment of special cash dividends	—	(715,711)
Cash provided by (used in) financing activities	389,831	(743,379)
Effect of exchange rate changes on cash and cash equivalents	15,084	(28,937)
Increase (decrease) in cash, cash equivalents and restricted cash	109,107	(428,391)
Cash, cash equivalents and restricted cash, beginning of period	297,523	696,553
Cash, cash equivalents and restricted cash, end of period	$ 406,630	$ 268,162

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

NOTES TO CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
(Unaudited)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

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, the Netherlands and Ireland. 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 85 countries. Pilgrim's fresh chicken products consist of refrigerated (nonfrozen) whole chickens, whole cut-up chickens and selected chicken parts that are either marinated or non-marinated. The Company's prepared chicken products include fully cooked, ready-to-cook and individually frozen chicken parts, strips, nuggets and patties, some of which are either breaded or non-breaded and either marinated or non-marinated. As a vertically integrated company, we control every phase of the production of our products. We operate feed mills, hatcheries, processing plants and distribution centers in 14 U.S. states, the U.K., Europe, Mexico and Puerto Rico. As of September 24, 2017 , Pilgrim's had approximately 52,000 employees and the capacity to process approximately 45.2 million birds per five-day work week for a total of approximately 12.8 billion pounds of live chicken annually. Approximately 5,100 contract growers supply poultry for the Company's operations. As of September 24, 2017 , JBS S.A., through its indirect wholly-owned subsidiaries (together, "JBS"), beneficially owned 78.6% of the Company's outstanding common stock.

Consolidated and Combined Financial Statements

The accompanying unaudited consolidated and combined financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the U.S. Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal and recurring adjustments unless otherwise disclosed) considered necessary for a fair presentation have been included. Operating results for the thirty-nine weeks ended September 24, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017 . For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 25, 2016 .

Pilgrim's operates on a 52/53-week fiscal year that ends on the Sunday falling on or before December 31. The reader should assume any reference we make to a particular year (for example, 2017) in the notes to these Condensed 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. For the period from September 30, 2015 through September 7, 2017, the condensed 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 period from September 8, 2017 through September 24, 2017, the Condensed 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 Condensed 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, the Netherlands and Ireland 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 Condensed Consolidated and Combined 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 either *Cost of sales* or *Foreign currency transaction loss,* depending on the nature of the transaction, in the Condensed Consolidated and Combined Statements of Income.

The Company reported an adjustment resulting from the translation of a British pound-denominated note payable owed to JBS S.A. as a component of *Accumulated other comprehensive loss* in the Condensed Consolidated Balance Sheet as of September 24, 2017. The Company designated this note payable as a hedge of its net investment in Moy Park.

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 Condensed Consolidated and Combined Statements of Income.

Revenue Recognition

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

Book Overdraft

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 Condensed 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 Condensed Consolidated and Combined Balance Sheets to the total of the same amounts shown in the Condensed Consolidated and Combined Statements of Cash Flows:

	September 24, 2017	December 25, 2016
	(In thousands)	
Cash and cash equivalents	$ 401,789	$ 292,544
Restricted cash	4,841	4,979
Total cash, cash equivalents and restricted cash shown in the Condensed Consolidated and Combined Statements of Cash Flows	$ 406,630	$ 297,523

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued new accounting guidance on revenue recognition, which provides for a single five-step model to be applied to all revenue contracts with customers. The new standard also requires additional financial statement disclosures that will enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows relating to customer contracts. Companies have an option to use either a retrospective approach or cumulative effect adjustment approach to implement the standard. In June 2015, the FASB agreed to defer by one year the mandatory effective date of this standard, but will also provide entities the option to adopt the new guidance as of the original effective date. The provisions of the new guidance will be effective as of the beginning of our 2018 fiscal year, but we had the option to adopt the guidance as early as the beginning of our 2017 fiscal year. We have elected to adopt this standard as of January 1, 2018, the beginning of our 2018 fiscal year, using the modified retrospective approach. Under this method, we would not restate the prior financial statements presented; however, we would be required to provide additional disclosures of 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 are finalizing our assessment of contracts with customers and evaluating the impact of the new guidance on these contracts. Additionally, our evaluation includes the impact of the new standard on certain common practices currently employed by us, such as slotting fees, discounts, rebates and other pricing allowances, and marketing funds. Although we are still evaluating the impact, we do not currently expect the new guidance to have a material impact on our financial statements beyond additional disclosure requirements.

In July 2015, the FASB issued new accounting guidance on the subsequent measurement of inventory, which, in an effort to simplify unnecessarily complicated accounting guidance that can result in several potential outcomes, requires an entity to measure inventory at the lower of cost or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Current accounting guidance requires an entity to measure inventory at the lower of cost or market. Market could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. The provisions of the new guidance were effective as of the beginning of our 2017 fiscal year. The initial adoption of this guidance did not have a material impact on our financial statements.

In February 2016, the FASB issued new accounting guidance on lease arrangements, 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 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 is required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The provisions of the new guidance will be effective as of the beginning of our 2019 fiscal year. Early adoption is permitted. We are currently evaluating the impact of the new guidance on our financial statements and have not yet selected an adoption date.

In March 2016, the FASB issued new accounting guidance on employee share-based payments, which, in an effort to simplify unnecessarily complicated aspects of accounting and reporting for share-based payment transactions, requires an entity to amend accounting and reporting methodology for areas such as the income tax consequences of share-based payments, classification of share-based awards as either equity or liabilities, and classification of share-based payment transactions in the statement of cash flows. The transition approach will vary depending on the area of accounting and reporting methodology to be amended. The Company adopted this standard on December 26, 2016, the beginning of our 2017 fiscal year, and will prospectively present excess tax benefits or deficiencies in the income statement as a component of “Provision for income taxes” rather than in the “Equity” section of the Balance Sheet. As part of the adoption, the Company did not have a cumulative-effect adjustment, as there were no previous unrecognized excess tax benefits that would impact retained earnings. As a result, there was no retrospective adjustment to the prior period statement of cash flows of excess tax benefits as an operating activity rather than a financing activity.

In June 2016, the FASB issued new accounting guidance on the 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 November 2016, the FASB issued new accounting guidance on the classification and presentation of restricted cash in the statement of cash flows in order to eliminate the diversity that currently exists in how companies present these changes. The new guidance requires restricted cash to be included with cash and cash equivalents when explaining the changes in cash in the statement of cash flows. We elected to early adopt this guidance as of December 26, 2016, the beginning of our 2017 fiscal year. An entity should apply the new guidance on a retrospective basis, wherein the statement of cash flow of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. Upon transition, an entity is required to comply with the applicable disclosures for a change in an accounting principle. These disclosures include the nature of and reason for the change in accounting principle, the transition method, a description of the prior-period information that has been retrospectively adjusted and the effect of the change on the financial statement line items. A description of the prior-period information that has been retrospectively adjusted and the effect of the change on the statement of cash flow line items is not disclosed as it is not material.

In March 2017, the FASB issued new accounting guidance on 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. The new guidance will be effective as of the beginning of our 2019 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 2017, the FASB issued 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 are currently evaluating the impact the adoption of this standard will have on our financial statements.

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 13 processing and manufacturing units in Northern Ireland, the U.K., France, the Netherlands and Ireland, Moy Park processes 6.0 million birds per seven-day work week, in addition to producing around 200,000 tons 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 currently has approximately 10,100 employees. The Moy Park operations will 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 $15.0 million . These costs were expensed as incurred. 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. 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. Net sales generated by Moy Park from the September 8, 2017 acquisition date through September 24, 2017 totaled $199.9 million . Net sales generated by Moy Park from December 26, 2016 through September 7, 2017 totaled $1.3 billion . Net sales generated by Moy Park during the thirty-nine weeks ended September 25, 2016 totaled $1.5 billion . Net income generated by Moy Park from the September 8, 2017 acquisition date through September 24, 2017 totaled $2.1 million . Net income generated by Moy Park from December 26, 2016 through September 7, 2017 totaled $23.5 million . Net income generated by Moy Park during the thirty-nine weeks ended September 25, 2016 totaled $25.1 million .

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 cash. GNP is a vertically integrated poultry business based in Saint Cloud, Minnesota. The acquired business has a production capacity of 2.1 million birds per five-day work week in its three plants and employs approximately 1,700 people.

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 Condensed Consolidated and Combined Statements of Income. Net sales generated by the acquired business during the thirteen and thirty-nine weeks ended September 24, 2017 totaled $108.6 million and $322.3 million , respectively The acquired business generated net income during the thirteen and thirty-nine weeks ended September 24, 2017 totaling $9.8 million and $24.6 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 Certified ™ /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 preliminary fair values recorded were determined based upon a preliminary valuation. The estimates and assumptions used in such valuation are subject to change, which could be significant, within the measurement period (up to one year from the acquisition date). The primary areas of acquisition accounting that are not yet finalized relate to the preliminary nature of the valuation of property, plant and equipment, intangible assets and residual goodwill. We continue to review inputs and assumptions used in the preliminary 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 preliminary 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 Intangible Assets” for additional information regarding the goodwill and intangible assets recognized by the Company in the GNP acquisition.

During the thirty-nine weeks ended September 24, 2017, the Company recognized restructuring charges in the amounts of $0.7 million and $2.6 million related to the elimination of prepaid costs associated with obsolete GNP software and severance costs related to the GNP acquisition, respectively. These charges are reported in the line item *Administrative restructuring charges* on the Condensed Consolidated and Combined Statements of Income. The Company expects to incur additional restructuring costs related to GNP of approximately $1.7 million during the remainder of 2017 and 2018.

The following unaudited pro forma information presents the combined financial results for the Company and GNP as if the acquisition had been completed at the beginning of the Company’s prior year, December 28, 2015.

	Thirty-Nine Weeks Ended September 24, 2017	Thirty-Nine Weeks Ended September 25, 2016
	(In thousands, except per share amount)	
Net sales	$ 8,031,311	$ 7,833,406
Net income attributable to Pilgrim's Pride Corporation	572,063	363,735
Net income attributable to Pilgrim's Pride Corporation per common share - diluted	2.30	1.40

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 acquisition 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 acquisition.

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 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 September 24, 2017 and December 25, 2016 , 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:

	September 24, 2017	
	Level 1	Total
	(In thousands)	
Fair value assets:		
Commodity futures instruments	$ 2,168	$ 2,168
Commodity options instruments	1,200	1,200
Foreign currency instruments	586	586
Fair value liabilities:		
Commodity futures instruments	(1,587)	(1,587)
Commodity options instruments	(2,196)	(2,196)
Foreign currency instruments	(387)	(387)

	December 25, 2016	
	Level 1	Total
	(In thousands)	
Fair value assets:		
Commodity futures instruments	$ 5,341	$ 5,341
Commodity options instruments	98	98
Foreign currency instruments	516	516
Fair value liabilities:		
Commodity futures instruments	(4,063)	(4,063)
Commodity option instruments	(2,764)	(2,764)
Foreign currency instruments	(153)	(153)

See "Note 7. Derivative Financial Instruments" for additional information.

Fair value and carrying value for our fixed-rate debt obligation is as follows:

	September 24, 2017		December 25, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Fixed-rate senior notes payable at 5.75%, at Level 1 inputs	$ (500,000)	$ (521,250)	$ (500,000)	$ (503,395)
Fixed-rate senior notes payable at 6.25%, at Level 1 inputs	(401,983)	(415,622)	(369,736)	(389,709)
Chattels Mortgages, at Level 3 inputs	(1,015)	(989)	(1,432)	(1,379)

See "Note 11. Long-Term Debt and Other Borrowing Arrangements" for additional information.

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 Condensed Consolidated and Combined 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 periodic 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.

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 Condensed Consolidated and Combined Balance Sheets. Derivative liabilities were recorded at fair value based on quoted market prices and are included in the line item *Accrued expenses and other current liabilities* on the Condensed Consolidated and Combined Balance Sheets. The fair value of the Company's Level 1 fixed-rate debt obligations was based on the quoted market price at September 24, 2017 or December 25, 2016 , as applicable. The fair value of the Company's Level 3 fixed-rate debt obligation was based on discounted cash flows at September 24, 2017 or December 25, 2016 , 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, less allowance for doubtful accounts, consisted of the following:

	September 24, 2017	December 25, 2016
	(In thousands)	
Trade accounts receivable	$ 612,983	$ 435,818
Notes receivable - current	5,130	630
Other receivables	14,644	15,766
Receivables, gross	632,757	452,214
Allowance for doubtful accounts	(7,955)	(6,661)
Receivables, net	$ 624,802	$ 445,553
Account receivable from related parties [(a)]	$ 970	$ 4,010

(a) Additional information regarding accounts receivable from related parties is included in "Note 16. Related Party Transactions."

Activity in the allowance for doubtful accounts for the thirty-nine weeks ended September 24, 2017 was as follows (in thousands):

Balance, beginning of period	$ (6,661)
Provision charged to operating results	(1,962)
Account write-offs and recoveries	858
Effect of exchange rate	(190)
Balance, end of period	$ (7,955)

5. INVENTORIES

Inventories consisted of the following:

	September 24, 2017		December 25, 2016	
	(In thousands)			
Live chicken and hens	$	471,394	$	407,475
Feed, eggs and other		263,576		257,049
Finished chicken products		399,085		243,824
Total chicken inventories		1,134,055		908,348
Commercial feed and other		62,146		67,260
Total inventories	$	1,196,201	$	975,608

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:

	September 24, 2017				December 25, 2016			
	Amortized Cost		Fair Value		Amortized Cost		Fair Value	
	(In thousands)							
Cash equivalents:								
Fixed income securities	$	155,216	$	155,216	$	140,480	$	140,480
Other		62		62		61		61

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 and gross realized losses recognized during the thirteen and thirty-nine weeks ended September 24, 2017 and September 25, 2016 related to the Company's available-for-sale securities were immaterial. Proceeds received from the sale or maturity of available-for-sale securities recognized as either short- or long-term investments are historically disclosed in the Condensed Consolidated and Combined Statements of Cash Flows. No proceeds were received from the sale or maturity of available-for-sale securities recognized as either short- or long-term investments during the thirty-nine weeks ended September 24, 2017 and September 25, 2016 . Net unrealized holding gains and losses on the Company's available-for-sale securities recognized during the thirty-nine weeks ended September 24, 2017 and September 25, 2016 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 the thirty-nine weeks ended September 24, 2017 and September 25, 2016 is disclosed in "Note 14. Stockholders' Equity - Accumulated Other Comprehensive Loss."

7. DERIVATIVE FINANCIAL INSTRUMENTS

The Company utilizes various raw materials in its operations, including corn, soybean meal, soybean oil, and energy, such as 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 Condensed Consolidated and Combined Balance Sheets while the fair value of derivative liabilities is included in the line item *Accrued* *expenses and other current liabilities* on the same statements. Our counterparties require that we post cash collateral for changes in the net fair value of the derivative contracts.

We have not designated 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 Condensed 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 Condensed Consolidated and Combined Statements of Income.

The Company recognized net gains of $6.9 million and net losses of $16.7 million related to changes in the fair value of its derivative financial instruments during the thirteen weeks ended September 24, 2017 and September 25, 2016 , respectively. The Company also recognized net gains of $7.3 million and net losses of $10.5 million related to changes in the fair value of its derivative financial instruments during the thirty-nine weeks ended September 24, 2017 and September 25, 2016 , respectively.

Information regarding the Company's outstanding derivative instruments and cash collateral posted with (owed to) brokers is included in the following table:

	September 24, 2017	December 25, 2016
	(Fair values in thousands)	
Fair values:		
Commodity derivative assets	$ 3,368	$ 5,439
Commodity derivative liabilities	(3,782)	(6,827)
Foreign currency derivative assets	586	516
Foreign currency derivative liabilities	(387)	(153)
Cash collateral posted with brokers	4,841	4,979
Derivatives coverage [(a)] :		
Corn	0.7%	2.3%
Soybean meal	0.2%	0.3%
Period through which stated percent of needs are covered:		
Corn	September 2018	September 2018
Soybean meal	August 2018	July 2017

(a) 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)			
	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 24, 2017	September 25, 2016	September 24, 2017	September 25, 2016
	(In thousands)			
Foreign currency derivatives	$ (779)	$ (220)	$ (128)	$ 132
Total	$ (779)	$ (220)	$ (128)	$ 132

	Net Realized Gains (Losses) Recognized in Income on Derivative (Ineffective Portion)			
	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 24, 2017	September 25, 2016	September 24, 2017	September 25, 2016
	(In thousands)			
Foreign currency derivatives	$ —	$ —	$ —	$ —
Total	$ —	$ —	$ —	$ —

	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)			
	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 24, 2017	September 25, 2016	September 24, 2017	September 25, 2016
	(In thousands)			
Foreign currency derivatives	$ —	$ 285	$ (9)	$ 35
Total	$ —	$ 285	$ (9)	$ 35

At September 24, 2017, the before-tax deferred net gains on derivatives recorded in AOCI that are expected to be reclassified to the Condensed Consolidated and Combined Statements of Income during the next twelve months are $1.2 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.

The Company reported a $16.9 million adjustment resulting from the translation of a British pound-denominated note payable owed to JBS S.A. as a component of *Accumulated other comprehensive loss* in the Condensed Consolidated Balance Sheet as of September 24, 2017. The Company designated this note payable as a hedge of its net investment in Moy Park.

8. GOODWILL AND INTANGIBLE ASSETS

The activity in goodwill by segment for the thirty-nine weeks ended September 24, 2017 was as follows:

	December 25, 2016	Additions	Currency Translation	September 24, 2017
	(In thousands)			
United States	$ —	$ 41,936	$ —	$ 41,936
U.K. and Europe	761,613	—	66,425	828,038
Mexico	125,608	—	—	125,608
Total	$ 887,221	$ 41,936	$ 66,425	$ 995,582

Identified intangible assets consisted of the following:

	December 25, 2016			Periodic Activity				September 24, 2017
	Carrying Amount	Accumulated Amortization	Net Carrying Amount	Additions	Amortization	Currency Translation	Impairment	Net Carrying Amount
	(In thousands)							
Identified intangible assets subject to amortization:								
Trade names	$ 41,369	$ (37,029)	$ 4,340	$ 38,200	$ (2,794)	$ 61	$ —	$ 39,807
Customer relationships	171,152	(72,327)	98,825	92,900	(16,418)	5,851		181,158
Non-compete agreements	300	(300)	—	20	(5)	—	—	15
Identified intangible assets not subject to amortization:								
Trademarks	368,426	—	368,426	—	—	31,287	—	399,713
Total identified intangible assets	$ 581,247	$ (109,656)	$ 471,591	$ 131,120	$ (19,217)	$ 37,199	$ —	$ 620,693

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

9. PROPERTY, PLANT AND EQUIPMENT

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

	September 24, 2017	December 25, 2016
	(In thousands)	
Land	$ 204,176	$ 150,127
Buildings	1,650,262	1,487,353
Machinery and equipment	2,442,031	2,268,526
Autos and trucks	56,641	58,454
Construction-in-progress	237,323	255,086
PP&E, gross	4,590,433	4,219,546
Accumulated depreciation	(2,514,086)	(2,385,561)
PP&E, net	$ 2,076,347	$ 1,833,985

The Company recognized depreciation expense of $63.8 million and $53.4 million during the thirteen weeks ended September 24, 2017 and September 25, 2016 , respectively. The Company recognized depreciation expense of $181.1 million and $156.9 million during the thirty-nine weeks ended September 24, 2017 and September 25, 2016 , respectively.

During the thirty-nine weeks ended September 24, 2017 , Pilgrim's spent $ 258.4 million on capital projects and transferred $ 272.5 million of completed projects from construction-in-progress to depreciable assets. During the thirty-nine weeks ended September 25, 2016 , the Company spent $221.0 million on capital projects and transferred $ 176.8 million of completed projects from construction-in-progress to depreciable assets. Capital expenditures were primarily incurred during the thirty-nine weeks ended September 24, 2017 to improve efficiencies and reduce costs.

During the thirty-nine weeks ended September 24, 2017 , the Company sold certain PP&E for cash of $2.6 million and recognized net gains on these sales of $0.5 million . PP&E sold in the thirty-nine weeks ended September 24, 2017 included a processing plant in Texas, a feed mill in Arkansas, poultry farms in Alabama and Texas, vacant land in Texas and miscellaneous equipment. During the thirty-nine weeks ended September 25, 2016 , the Company sold certain PP&E for cash of $13.0 million and recognized net gains on these sales of $7.3 million . PP&E sold in the thirty-nine weeks ended September 25, 2016 included a processing plant in Louisiana, poultry farms in Mexico and Texas, an office building in Texas, vacant land in Alabama and Texas, and miscellaneous equipment.

Management has committed to the sale of certain properties and related assets, including, but not limited to, a processing complex in Alabama, a processing plant in Dublin, Ireland, which no longer fit into the operating plans of the Company. The Company is actively marketing these properties and related assets for immediate sale and believes a sale of each property can be consummated within the next 12 months. At September 24, 2017 and December 25, 2016 , the Company reported properties and related assets totaling $2.8 million and $5.3 million , respectively, in the line item *Assets held for sale* on its Condensed Consolidated and Combined Balance Sheets. The fair values of the Alabama processing complex, which was classified as an asset held for sale as of June 25, 2017, and the Dublin processing plant, which was classified as an asset held for sale as of September 24, 2017, were both based on quoted market prices.

The Company tested the recoverability of its Alabama processing complex held for sale as of June 25, 2017 and September 24, 2017. The Company determined that the aggregate carrying amount at June 25, 2017 of this asset group was not recoverable over the remaining life of the primary asset in the group and recognized impairment cost of $3.5 million related to the U.S. segment, which it reported in the line item *Administrative restructuring charges* on its Condensed Consolidated and Combined Statements of Income. The Company determined that the aggregate carrying amount st September 24, 2017 of this asset group was recoverable over the remaining life of the primary asset in the group.

The Company tested the recoverability of the Dublin processing plant held for sale as of September 24, 2017. The Company determined that the aggregate carrying amount at September 26, 2014 of this asset group was not recoverable over the remaining life of the primary asset in the group and recognized impairment cost of $1.6 million related to the U.K. and Europe segment, which it reported in the line item *Administrative restructuring charges* on its Condensed Consolidated and Combined Statements of Income.

The Company did not recognize impairment cost during the thirteen or thirty-nine weeks ended September 25, 2016.

The Company has closed or idled various processing complexes, processing plants, hatcheries, broiler farms, and feed mills throughout the U.S. 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 September 24, 2017 , the carrying amounts of these idled assets totaled $50.4 million based on depreciable value of $169.4 million and accumulated depreciation of $119.0 million .

The Company last tested the recoverability of its long-lived assets held and used in December 2016 . At that time, the Company determined that the carrying amount of its long-lived assets held and used was recoverable over the remaining life of the primary asset in the group and that long-lived assets held and used passed the Step 1 recoverability test under ASC 360-10-35, *Impairment or Disposal of Long-Lived Assets* . There were no indicators present during the thirty-nine weeks ended September 24, 2017 that required the Company to test its long-lived assets held and used for recoverability.

10. CURRENT LIABILITIES

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

	September 24, 2017	December 25, 2016
	(In thousands)	
Accounts payable:		
Trade accounts	$ 653,248	$ 722,495
Book overdrafts	77,189	63,577
Other payables	13,091	4,306
Total accounts payable	743,528	790,378
Accounts payable to related parties [(a)]	7,091	4,468
Accrued expenses and other current liabilities:		
Compensation and benefits	168,551	160,591
Interest and debt-related fees	16,452	10,907
Insurance and self-insured claims	80,210	82,544
Derivative liabilities:		
Commodity futures	1,587	4,063
Commodity options	2,196	2,764
Foreign currency derivatives	387	153
Other accrued expenses	147,093	85,999
Total accrued expenses and other current liabilities	416,476	347,021
	$ 1,167,095	$ 1,141,867

(a) Additional information regarding accounts payable to related parties is included in “Note 16. Related Party Transactions.”

11. LONG-TERM DEBT AND OTHER BORROWING ARRANGEMENTS

Long-term debt and other borrowing arrangements, including current notes payable to banks, consisted of the following components:

	Maturity	September 24, 2017	December 25, 2016
		(In thousands)	
Long-term debt and other long-term borrowing arrangements:			
Senior notes payable at 5.75%	2025	$ 500,000	$ 500,000
Senior notes payable at 6.25%	2021	401,982	369,736
U.S. Credit Facility (defined below):			
Term note payable at 2.55%	2022	790,000	500,000
Revolving note payable at 2.48%	2022	73,262	—
Mexico Credit Facility (defined below) with notes payable at TIIE Rate plus 0.95%	2019	84,524	23,304
Moy Park Multicurrency Revolving Facility with notes payable at LIBOR rate plus 2.5%	2018	9,953	11,985
Moy Park Receivable with payables at LIBOR plus 1.5%	2020	—	—
Moy Park France Invoice Discounting Revolver with payables at EURIBOR plus 0.8%	2018	3,930	8,918
Chattels mortgages with payables at weighted average of 3.74%	Various	1,015	1,432
JBS S.A. Promissory Note at 0.0%	2018	753,705	—
Term Loan Agence L'eau	2018	6	6
Capital lease obligations	Various	10,703	14,600
Long-term debt		2,629,080	1,429,981
Less: Current maturities of long-term debt		(61,811)	(15,712)
Long-term debt, less current maturities		2,567,269	1,414,269
Less: Capitalized financing costs		(18,694)	(18,145)
Long-term debt, less current maturities, net of capitalized financing costs:		$ 2,548,575	$ 1,396,124

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 (the “Senior Notes due 2025”). The Company used the net proceeds from the sale of the Senior Notes due 2025 to repay $350.0 million and $150.0 million of the term loan indebtedness under the U.S. Credit Facility (defined below) on March 12, 2015 and April 22, 2015, respectively. On September 29, 2017, the Company completed an add-on offering of $250.0 million of the Senior Notes due 2025 (the “Additional Senior Notes due 2025”). The Additional Senior Notes due 2025 will be treated as a single class with the existing Senior Notes due 2025 for all purposes under the 2015 Indenture (defined below) and will have the same terms as those of the existing Senior Notes due 2025. The Additional Senior Notes due 2025 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.

The Senior Notes due 2025 and the Additional 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 and the Additional 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 and March, 15 2018 for the Additional Senior Notes due 2025. The Senior Notes due 2025 and the Additional Senior Notes due 2025 are 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 Additional Senior Notes due 2025. The Senior Notes due 2025 and the Additional Senior Notes due 2025 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 and the Additional Senior Notes due 2025 and the 2015 Indenture also contain customary covenants and events of default, including failure to pay principal or interest on the Senior Notes due 2025 and the Additional Senior Notes due 2025 when due, among others.

On September 29, 2017, the Company completed a sale of $600.0 million aggregate principal amount of its 5.875% senior notes due 2027 (the "Senior Notes due 2027"). The Company used the net proceeds from the sale of the Senior Notes due 2027 to repay in full the JBS S.A. Promissory Note (defined below) issued as part of the Moy Park acquisition. The Senior Notes due 2027 were sold to qualified institutional buyers pursuant to Rule 144A under the Securities Act, and outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act.

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. The Senior Notes due 2027 are 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 2027. 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 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 2027 when due, among others.

Moy Park Senior Notes

On May 29, 2014, Moy Park (Bondco) Plc completed the sale of a £ 200.0 million aggregate principal amount of its 6.25% senior notes due 2021 (the "Moy Park Notes"). On April 17, 2015, an add-on offering of £ 100.0 million of the Moy Park Notes (the "Additional Moy Park Notes") was completed. The Moy Park Notes and the Additional Moy Park Notes were sold to qualified institutional buyers pursuant to Rule 144A under the Securities Act, and outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act .

The Moy Park Notes and the Additional Moy Park Notes are governed by, and were issued pursuant to, an indenture dated as of May 29, 2014 by Moy Park (Bondco) Plc, as issuer, Moy Park Holdings (Europe) Limited, Moy Park (Newco) Limited, Moy Park Limited, O'Kane Poultry Limited, as guarantors, and The Bank of New York Mellon, as trustee (the "Moy Park Indenture"). The Moy Park Indenture provides, among other things, that the Moy Park Notes and the Additional Moy Park Notes bear interest at a rate of 6.25% per annum from the date of issuance until maturity, payable semiannually in cash in arrears, beginning on November 29, 2014 for the Moy Park Notes and May 28, 2015 for the Additional Moy Park Notes. The Moy Park Notes and the Additional Moy Park Notes are guaranteed by each of the subsidiary guarantors described above. The Moy Park Indenture contains customary covenants and events of default that may limit Moy Park (Bondco) Plc's ability and the ability of certain subsidiaries to incur additional debt, declare or pay dividends or make certain investments, among others.

On November 2, 2017, Moy Park (Bondco) Plc announced the final results of its previously announced tender offer to purchase for cash any and all of its issued and outstanding Moy Park Notes and Moy Park Additional Notes. As of November 2, 2017, £1,185,000 principal amount of Moy Park Notes and Moy Park Additional Notes had been validly tendered (and not validly withdrawn). Moy Park (Bondco) Plc has purchased all validly tendered (and not validly withdrawn) Moy Park Notes and Moy Park Additional Notes on or prior to November 2, 2017, with such settlement occurring on November 3, 2017.

U.S. Credit Facility

On May 8, 2017, the Company and certain of its subsidiaries entered into a Third Amended and Restated Credit Agreement (the "U.S. Credit Facility") with Coöperatieve Rabobank U.A., New York Branch ("Rabobank"), as administrative agent and collateral agent, and the other lenders party thereto. The U.S. Credit Facility provides for a revolving loan commitment of up to $750.0 million and a term loan commitment of up to $800.0 million (the "Term Loans"). The U.S. Credit Facility also 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 $1.0 billion , subject to the satisfaction of certain conditions, including obtaining the lenders' agreement to participate in the increase.

The revolving loan commitment under the U.S. Credit Facility matures on May 6, 2022. All principal on the Term Loans is due at maturity on May 6, 2022. 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 September 24, 2017 , the company had Term Loans outstanding totaling $790.0 million and the amount available for borrowing under the revolving loan commitment was $631.9 million . The Company had letters of credit of $44.8 million and borrowings of $73.3 million outstanding under the revolving loan commitment as of September 24, 2017 .

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 1.50% through September 24, 2017 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 0.50% through September 24, 2017 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 financial covenants and various other covenants that may adversely affect the Company's ability to, among other things, incur additional indebtedness, incur liens, pay dividends or make certain restricted payments, consummate certain assets sales, enter into certain transactions with JBS and the Company's other affiliates, merge, consolidate and/or sell or dispose of all or substantially all of our assets. 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 we may not incur capital expenditures in excess of $500.0 million in any fiscal year. The Company is currently in compliance with the covenants under the U.S. Credit Facility.

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 our company and its non-Mexico subsidiaries, (ii) 100% of the equity interests in our domestic subsidiaries, To-Ricos, Ltd. and To-Ricos Distribution, Ltd., and 65% of the equity interests in our direct foreign subsidiaries and (iii) substantially all of the assets of the Company and the guarantors under the U.S. Credit Facility.

Mexico Credit Facility

On September 27, 2016, certain of our Mexican subsidiaries entered into an unsecured credit agreement (the "Mexico Credit Facility") with BBVA Bancomer, S.A. Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, as lender. The loan commitment under the Mexico Credit Facility was $ 1.5 billion Mexican pesos. Outstanding borrowings under the Mexico Credit Facility accrued interest at a rate equal to the Interbank Equilibrium Interest Rate plus 0.95% . The Mexico Credit Facility is scheduled to mature on September 27, 2019. As of September 24, 2017 , the U.S. dollar-equivalent loan commitment under the Mexico Credit Facility was $84.5 million , and there were $84.5 million outstanding borrowings under the Mexico Credit Facility that bear interest at a per annum rate of 8.33% . As of September 24, 2017 , the U.S. dollar-equivalent borrowing availability was less than $0.1 million.

Moy Park Multicurrency Revolving Facility Agreement

On March 19, 2015, Moy Park Holdings (Europe) Limited, a subsidiary of Granite Holdings Sàrl, and its subsidiaries, entered into an agreement with Barclays Bank plc which matures on March 19, 2018. The agreement provides for a multicurrency revolving loan commitment of up to £ 20.0 million . As of September 24, 2017 , the U.S. dollar-equivalent loan commitment under Moy Park multicurrency revolving facility was $26.8 million and there were $10.0 million outstanding borrowings. Outstanding borrowings under the facility bear interest at a per annum rate equal to LIBOR plus a margin determined by Company's Net Debt to EBITDA ratio. The current margin stands at 2.5% . As of September 24, 2017 , the U.S. dollar-equivalent borrowing availability was $16.8 million .

The 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 assets 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 the Moy Park's assets.

Moy Park Receivables Finance Agreement

Moy Park Limited, a subsidiary of Granite Holdings Sàrl, entered into a £45.0 million receivables finance agreement on January 29, 2016 (the "Receivables Finance Agreement"), with Barclays Bank plc, which matures on January 29, 2020. As of September 24, 2017 , the U.S. dollar-equivalent loan commitment under the Receivables Finance Agreement was $60.3 million and there were no outstanding borrowings. Outstanding borrowings under the facility bear interest at a per annum rate equal to LIBOR plus 1.5% . The Receivables Finance Agreement includes an accordion feature that allows us, at any time, to increase the commitments by up to an additional £ 15.0 million (U.S. dollar-equivalent $20.1 million as of September 24, 2017), subject to the satisfaction of certain conditions.

The Receivables Finance Agreement 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 France Invoice Discounting Facility

In June 2009, Moy Park France Sàrl, a subsidiary of Granite Holdings Sàrl, entered into a €20.0 million invoice discounting facility with GE De Facto (the "Invoice Discounting Facility"). The facility limit was increased €10.0 million in September 2016 to €30.0 million . The Invoice Discounting Facility is payable on demand and the term is extended on an annual basis. The agreement can be terminated with three months' notice. As of September 24, 2017 , the U.S. dollar-equivalent loan commitment under the Invoice Discounting Facility was $35.7 million and there were $3.9 million outstanding borrowings. As of September 24, 2017 , the U.S. dollar-equivalent borrowing availability was $31.8 million . Outstanding borrowings under the Invoice Discounting Facility bear interest at a per annum rate equal to EURIBOR plus a margin of 0.80% .

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.

JBS S.A. Promissory Note

On September 8, 2017, Onix Investments UK Ltd., a wholly owned subsidiary of Pilgrim's Pride Corporation, executed a subordinated promissory note payable to JBS S.A. (the "JBS S.A. Promissory Note") for £562.5 million , which had a maturity date of September 6, 2018. Interest on the outstanding principal balance of the JBS S.A. Promissory Note accrued at the rate per annum equal to (i) from and after November 8, 2017 and prior to January 7, 2018, 4.00% , (ii) from and after January 7, 2018 and prior to March 8, 2018, 6.00% and (iii) from and after March 8, 2018, 8.00% . The JBS S.A. Promissory Note was repaid in full on October 2, 2017 using the net proceeds from the sale of Senior Notes due 2027 and the Additional Senior Notes due 2025.

12. INCOME TAXES

The Company recorded income tax expense of $278.0 million , a 32.2% effective tax rate, for the thirty-nine weeks ended September 24, 2017 compared to income tax expense of $203.0 million , a 34.0% effective tax rate, for the thirty-nine weeks ended September 25, 2016 . The increase in income tax expense in 2017 resulted primarily from an increase in pre-tax income.

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 September 24, 2017 , the Company did not believe it had sufficient positive evidence to conclude that realization of its federal capital loss carry forwards and a portion of its foreign net deferred tax assets are more likely than not to be realized.

For the thirty-nine weeks ended September 24, 2017 and September 25, 2016 , there is a tax effect of $4.5 million and $4.2 million , respectively, reflected in other comprehensive income.

Beginning in 2017, as a result of new FASB guidance on share-based payments, excess tax benefits are now required to be reported in income tax expense rather than in additional paid-in capital. For the thirty-nine weeks ended September 24, 2017 , there is an immaterial tax effect reflected in income tax expense due to excess tax benefits related to share-based compensation. For the thirty-nine weeks ended September 25, 2016 , there is no tax effect reflected in additional paid-in capital due to excess tax benefits related to share-based compensation. See "Note 1. Description of Business and Basis of Presentation" for additional information.

The Company and its subsidiaries file a variety of consolidated and standalone income tax returns in various jurisdictions. In the normal course of business, our income tax filings are subject to review by various taxing authorities. In general, tax returns filed by our company and our subsidiaries for years prior to 2010 are no longer subject to examination by tax authorities.

The United States Fifth Circuit Court of Appeals rendered judgment in favor of the Company regarding the IRS' amended proof of claim relating to the tax year ended June 26, 2004 for Gold Kist Inc. ("Gold Kist"). See "Note 17. Commitments and Contingencies" for additional information.

13. 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 of these retirement plans totaled $2.8 million and $2.3 million in the thirteen weeks ended September 24, 2017 and September 25, 2016 , respectively, and $8.0 million and $6.9 million in the thirty-nine weeks ended September 24, 2017 and September 25, 2016 , respectively.

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 Condensed Consolidated and Combined Balance Sheets for these defined benefit plans were as follows:

	Thirty-Nine Weeks Ended September 24, 2017		Thirty-Nine Weeks Ended September 25, 2016	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Change in projected benefit obligation:	(In thousands)			
Projected benefit obligation, beginning of period	$ 167,159	$ 1,648	$ 165,952	$ 1,672
Interest cost	4,178	38	4,189	38
Actuarial losses (gains)	9,433	25	12,233	95
Benefits paid	(7,571)	(111)	(7,274)	(105)
Projected benefit obligation, end of period	$ 173,199	$ 1,600	$ 175,100	$ 1,700

	Thirty-Nine Weeks Ended September 24, 2017		Thirty-Nine Weeks Ended September 25, 2016	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Change in plan assets:	(In thousands)			
Fair value of plan assets, beginning of period	$ 97,526	$ —	$ 96,947	$ —
Actual return on plan assets	9,321	—	4,769	—
Contributions by employer	10,538	111	8,983	105
Benefits paid	(7,571)	(111)	(7,274)	(105)
Fair value of plan assets, end of period	$ 109,814	$ —	$ 103,425	$ —

	September 24, 2017		December 25, 2016	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Funded status:	(In thousands)			
Unfunded benefit obligation, end of period	$ (63,385)	$ (1,600)	$ (69,633)	$ (1,648)

	September 24, 2017		December 25, 2016	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Amounts recognized in the Condensed Consolidated and Combined Balance Sheets at end of period:	(In thousands)			
Current liability	$ (13,098)	$ (147)	$ (13,113)	$ (147)
Long-term liability	(50,287)	(1,453)	(56,520)	(1,501)
Recognized liability	$ (63,385)	$ (1,600)	$ (69,633)	$ (1,648)

	September 24, 2017		December 25, 2016	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Amounts recognized in accumulated other comprehensive loss at end of period:	(In thousands)			
Net actuarial loss (gain)	$ 49,847	$ (6)	$ 46,494	$ (31)

The accumulated benefit obligation for our defined benefit pension plans was $173.2 million and $167.2 million at September 24, 2017 and December 25, 2016 , respectively. Each of our defined benefit pension plans had accumulated benefit obligations that exceeded the fair value of plan assets at September 24, 2017 and December 25, 2016 , respectively. As of September 24, 2017 , the weighted average duration of our defined benefit pension obligation is 32.72 years.

Net Periodic Benefit Costs

Net defined benefit pension and other postretirement costs included the following components:

	Thirteen Weeks Ended September 24, 2017		Thirteen Weeks Ended September 25, 2016		Thirty-Nine Weeks Ended September 24, 2017		Thirty-Nine Weeks Ended September 25, 2016	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
	(In thousands)							
Interest cost	$ 1,392	$ 13	$ 1,396	$ 12	$ 4,178	$ 38	$ 4,189	$ 38
Estimated return on plan assets	(1,314)	—	(1,314)	—	(3,940)	—	(3,942)	—
Amortization of net loss	233	—	165	—	699	—	494	—
Net costs	$ 311	$ 13	$ 247	$ 12	$ 937	$ 38	$ 741	$ 38

Economic Assumptions

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

	September 24, 2017		December 25, 2016	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Assumptions used to measure benefit obligation at end of period:				
Discount rate	3.87%	3.41%	4.31%	3.81%

	Thirty-Nine Weeks Ended September 24, 2017		Thirty-Nine Weeks Ended September 25, 2016	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Assumptions used to measure net pension and other postretirement cost:				
Discount rate	4.32%	3.81%	4.47%	4.47%
Expected return on plan assets	5.50%	NA	5.50%	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 September 24, 2017 and December 25, 2016 , all pension and other postretirement benefit plans used variations of the RP2014 mortality table and the MP2015 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 for calculating the liability recognized in the Condensed Consolidated and Combined Balance Sheets.

	Increase in Discount Rate of 0.25%	Decrease in Discount Rate of 0.25%
	(In thousands)	
Impact on projected benefit obligation for pension benefits	$ (4,786)	$ 5,088

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:

	September 24, 2017	December 25, 2016
Cash and cash equivalents	—%	—%
Pooled separate accounts [(a)] :		
Equity securities	5%	5%
Fixed income securities	5%	5%
Common collective trust funds [(a)] :		
Equity securities	61%	60%
Fixed income securities	29%	30%
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 SEC. 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 readily available 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 September 24, 2017 and December 25, 2016 :

	September 24, 2017				December 25, 2016			
	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	$ 146	$ —	$ —	$ 146	$ 119	$ —	$ —	$ 119
Pooled separate accounts:								
Large U.S. equity funds [(d)]	—	3,228	—	3,228	—	3,302	—	3,302
Small/Mid U.S. equity funds [(e)]	—	388	—	388	—	406	—	406
International equity funds [(f)]	—	1,585	—	1,585	—	1,231	—	1,231
Fixed income funds [(g)]	—	5,024	—	5,024	—	4,867	—	4,867
Common collective trusts funds:								
Large U.S. equity funds [(d)]	—	27,077	—	27,077	—	24,547	—	24,547
Small U.S. equity funds [(e)]	—	19,853	—	19,853	—	17,344	—	17,344
International equity funds [(f)]	—	20,306	—	20,306	—	17,006	—	17,006
Fixed income funds [(g)]	—	32,207	—	32,207	—	28,704	—	28,704
Total assets	$ 146	$ 109,668	$ —	$ 109,814	$ 119	$ 97,407	$ —	$ 97,526

(a) Unadjusted quoted prices in active markets for identical assets are used to determine fair value.
(b) Quoted prices in active markets for similar assets and inputs that are observable for the asset are used to determine fair value.
(c) Unobservable inputs, such as discounted cash flow models or valuations, are used to determine fair value.
(d) This category is comprised of investment options that invest in stocks, or shares of ownership, in large, well-established U.S. companies. These investment options typically carry more risk than fixed income options but have the potential for higher returns over longer time periods.
(e) This category is generally comprised of investment options that invest in stocks, or shares of ownership, in small to medium-sized U.S. companies. These investment options typically carry more risk than larger U.S. equity investment options but have the potential for higher returns.
(f) This category is comprised of investment options that invest in stocks, or shares of ownership, in companies with their principal place of business or office outside of the U.S.
(g) This category is comprised of investment options that invest in bonds, or debt of a company or government entity (including U.S. and non-U.S. entities). It may also include real estate investment options that directly own property. These investment options typically carry more risk than short-term fixed income investment options (including, for real estate investment options, liquidity risk), but less overall risk than equities.

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

Benefit Payments

The following table reflects the benefits as of September 24, 2017 expected to be paid through 2026 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)	
2017 (remaining)	$ 4,241	$ 37
2018	11,617	147
2019	11,088	146
2020	11,019	144
2021	10,790	142
2022-2026	49,927	640
Total	$ 98,682	$ 1,256

We anticipate contributing $0.1 million and less than $0.1 million , as required by funding regulations or laws, to our pension plans and other postretirement plans, respectively, during the remainder of 2017 .

Unrecognized Benefit Amounts in Accumulated Other Comprehensive Loss

The amounts in accumulated other comprehensive loss that were not recognized as components of net periodic benefits cost and the changes in those amounts are as follows:

	Thirty-Nine Weeks Ended September 24, 2017		Thirty-Nine Weeks Ended September 25, 2016	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
	(In thousands)			
Net actuarial loss (gain), beginning of period	$ 46,494	$ (31)	$ 38,115	$ (79)
Amortization	(699)	—	(494)	—
Curtailment and settlement adjustments	—	—	—	—
Actuarial loss (gain)	9,433	25	12,233	95
Asset loss (gain)	(5,381)	—	(828)	—
Net actuarial loss (gain), end of period	$ 49,847	$ (6)	$ 49,026	$ 16

The Company expects to recognize in net pension cost throughout the remainder of 2017 an actuarial loss of $0.2 million that was recorded in accumulated other comprehensive loss at September 24, 2017 .

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.

14. STOCKHOLDERS' EQUITY

Accumulated Other Comprehensive Loss

The following tables provide information regarding the changes in accumulated other comprehensive loss:

	Thirty-Nine Weeks Ended September 24, 2017 [a]				
	Gains (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 period	$ (265,714)	$ 99	$ (64,243)	$ —	$ (329,858)
Granite Holdings Sàrl common-control transaction	204,577	(1,368)	—	—	203,209
Other comprehensive income (loss) before reclassifications	92,364	(137)	(2,539)	—	89,688
Amounts reclassified from accumulated other comprehensive loss to net income	—	9	435	—	444
Net current period other comprehensive income (loss)	92,364	(128)	(2,104)	—	90,132
Balance, end of period	$ 31,227	$ (1,397)	$ (66,347)	$ —	$ (36,517)

	Thirty-Nine Weeks Ended September 25, 2016 [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 period	$ (32,482)	$ (61)	$ (58,997)	$ 67	$ (91,473)
Other comprehensive income (loss) before reclassifications	(171,509)	167	(7,158)	265	$ (178,235)
Amounts reclassified from accumulated other comprehensive loss to net income	—	(35)	307	(332)	$ (60)
Net current period other comprehensive income (loss)	(171,509)	132	(6,851)	(67)	(178,295)
Balance, end of period	$ (203,991)	$ 71	$ (65,848)	$ —	$ (269,768)

(a) All amounts are net of tax. Amounts in parentheses indicate debits to accumulated other comprehensive loss.

	Amounts Reclassified from Accumulated Other Comprehensive Loss [a]		
Details about Accumulated Other Comprehensive Loss Components	Thirty-Nine Weeks Ended September 24, 2017	Thirty-Nine Weeks Ended September 25, 2016	Affected Line Item in the Condensed Consolidated and Combined Statements of Income
	(In thousands)		
Realized gain (loss) on settlement of derivative financial instruments classified as cash flow hedges	$ (9)	$ 35	Cost of sales
Realized gain on sale of securities	—	534	Interest income
Amortization of defined benefit pension and other postretirement plan actuarial losses:			
Union employees pension plan [b][d]	(18)	(15)	Cost of sales
Legacy Gold Kist plans [c][d]	(212)	(149)	Cost of sales
Legacy Gold Kist plans [c][d]	(469)	(330)	Selling, general and administrative expense
Total before tax	(708)	75	
Tax benefit (expense)	264	(15)	
Total reclassification for the period	$ (444)	$ 60	

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

(b) The Company sponsors the Pilgrim's Pride Retirement Plan for Union Employees, a qualified defined benefit pension plan covering certain locations or work groups with collective bargaining agreements.

(c) The Company sponsors the Pilgrim's Pride Plan for Legacy Gold Kist Employees, 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 Former Gold Kist Inc. Supplemental Executive Retirement Plan, a nonqualified defined benefit retirement plan covering certain former Gold Kist executives, the Former Gold Kist Inc. Directors' Emeriti Plan, a nonqualified defined benefit retirement plan covering certain former Gold Kist directors, and the Gold Kist Inc. Retiree Life Insurance Plan, a defined benefit postretirement life insurance plan covering certain retired Gold Kist employees.

(d) These accumulated other comprehensive income components are included in the computation of net periodic pension cost. See "Note 13. Pension and Other Postretirement Benefits" to the Condensed 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 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 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 and an extension of the expiration to February 9, 2017. On February 8, 2017, the Company's Board of Directors further extended the program expiration to August 9, 2017. 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 September 24, 2017 , the Company had repurchased approximately 11.4 million shares under this program with a market value at the time of purchase of approximately $231.8 million . The Company accounted for the shares repurchased using the cost method.

Restrictions on Dividends

The U.S. Credit Facility, the 2015 Indenture governing the Senior Notes due 2025 and the 2017 Indenture governing the Senior Notes due 2027 restrict, but do not prohibit, the Company from declaring dividends.

15. INCENTIVE COMPENSATION

The Company sponsors a short-term incentive plan that provides the grant of either cash or share-based bonus awards payable upon achievement of specified performance goals (the "STIP"). Full-time, salaried exempt employees of the Company and its affiliates who are selected by the administering committee are eligible to participate in the STIP. The Company has accrued $20.7 million in costs related to the STIP at September 24, 2017 related to cash bonus awards that could potentially be awarded during the remainder of 2017 and 2018 . 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 $3.4 million in costs related to the JFC LTIP at September 24, 2017 . 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 $0.6 million in costs related to the MPIP at September 24, 2017 .

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 of Directors 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 Internal Revenue Code, nonqualified stock options, stock appreciation rights, restricted stock awards and restricted stock units ("RSUs"). At September 24, 2017 , we have reserved approximately 4.8 million shares of common stock for future issuance under the LTIP.

The following awards were outstanding during the thirty-nine weeks ended September 24, 2017 :

Award Type		Benefit Plan	Awards Granted	Grant Date	Grant Date Fair Value per Award (a)	Vesting Condition	Vesting Date	Vesting Date Fair Value per Award (a)	Estimated Forfeiture Rate	Awards Forfeited to Date	Settlement Method
RSU		LTIP	449,217	02/19/2014	$ 16.70	Service	12/31/2016	$ 18.99	13.49%	86,458	Stock
RSU		LTIP	223,701	03/03/2014	17.18	Performance / Service	12/31/2017		12.34%	55,516	Stock
RSU	(b)	LTIP	45,961	02/11/2015	25.87	Service	12/31/2017	18.99	12.34%	—	Stock
RSU		LTIP	251,136	03/30/2016	25.36	Performance / Service	12/31/2019	18.99	(d)	251,136	Stock
RSU	(b)	LTIP	74,536	10/13/2016	20.93	Service	12/31/2016		—%	—	Stock
RSU		LTIP	389,424	01/19/2017	18.39	Performance / Service	(e)		—%	—	Stock
RSU	(c)	LTIP	48,586	02/13/2017	20.52	Service	2/13/2017		—%	—	Stock
RSU	(c)	LTIP	23,469	02/13/2017	20.52	Service	12/31/2017		—%	—	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) On February 17, 2015, the Company paid a special cash dividend to stockholders of record as of January 30, 2015 totaling $5.77 per share. On January 27, 2015, the Compensation Committee of the Company's Board of Directors agreed to grant additional RSUs to LTIP participants that were equal to the amount of the dividend that would be awarded to them had their RSUs existing as of the dividend record date been vested. The additional RSUs that were granted to the LTIP participants are subject to the same vesting requirements as the underlying RSUs granted under the LTIP.

(c) On May 18, 2016, the Company paid a special cash dividend to stockholders of record as of May 10, 2015 totaling $2.75 per share. On October 27, 2016, the Compensation Committee of the Company's Board of Directors agreed to grant additional RSUs to LTIP participants that were equal to the amount of the dividend that would be awarded to them had their RSUs existing as of the dividend record date been vested. The additional RSUs that were granted to the LTIP participants are subject to the same vesting requirements as the underlying RSUs granted under the LTIP.

(d) Performance conditions associated with these awards were not satisfied. Therefore, 100% of the awards were forfeited during the thirty-nine weeks ended September 24, 2017 .

(e) The subject RSUs will vest in ratable tranches on December 31, 2018, December 31, 2019, and December 31, 2020.

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

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 24, 2017	September 25, 2016	September 24, 2017	September 25, 2016
	(In thousands)			
Share-based compensation cost:				
Cost of sales	$ 32	$ 449	$ 219	$ 710
Selling, general and administrative expense	475	3,086	2,235	4,694
Total	$ 507	$ 3,535	$ 2,454	$ 5,404
Income tax benefit	$ 132	$ 1,083	$ 733	$ 1,633

The Company’s RSU activity is included below:

	Thirty-Nine Weeks Ended September 24, 2017		Thirty-Nine Weeks Ended September 25, 2016	
	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 period	906	$ 20.00	774	$ 19.30
Granted	462	18.72	251	25.36
Vested	(486)	17.73	—	—
Forfeited	(251)	25.36	(193)	24.51
Outstanding at end of period	631	$ 18.68	832	$ 19.92

The total fair value of awards vested during the thirty-nine weeks ended September 24, 2017 was $8.6 million . No awards vested during the thirty-nine weeks ended September 25, 2016 .

At September 24, 2017 , the total unrecognized compensation cost related to all nonvested awards was $8.5 million . That cost is expected to be recognized over a weighted average period of 2.06 years.

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

16. RELATED PARTY TRANSACTIONS

Pilgrim’s has been and, in some cases, continues to be a party to certain transactions with affiliated companies.

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 24, 2017	September 25, 2016	September 24, 2017	September 25, 2016
	(In thousands)			
JBS S.A.:				
JBS S.A. Promissory Note [a]	$ 753,704	$ —	$ 753,704	$ —
Expenditures paid by JBS S.A. on behalf of Pilgrim's Pride Corporation [b]	—	5,887	3,824	5,887
Expenditures paid by Pilgrim's Pride Corporation on behalf of JBS S.A. [b]	—	—	5	19
JBS USA Food Company Holdings:				
Letter of credit fees [c]	—	—	—	202
JBS USA Food Company:				
Purchases from JBS USA Food Company [d]	31,161	28,799	83,444	75,687
Expenditures paid by JBS USA Food Company on behalf of Pilgrim’s Pride Corporation [e]	10,856	17,242	29,127	33,568
Sales to JBS USA Food Company [d]	4,221	4,819	13,618	12,235
Expenditures paid by Pilgrim’s Pride Corporation on behalf of JBS USA Food Company [e]	1,516	1,142	3,976	9,858
JBS Chile Ltda.:				
Sales to JBS Chile Ltda.	—	126	—	438
JBS Global (UK) Ltd.:				
Sales to JBS Global (UK) Ltd.	—	—	19,217	122
JBS Five Rivers:				
Sales to JBS Five Rivers	7,271	—	23,787	—
J&F Investimentos Ltd..:				
Sales to J&F Investimentos Ltd. [f]	—	—	104	—
JBS Seara International Ltd.:				
Sales to JBS Seara International Ltd. [g]	2	—	2	—
Expenditures paid by Pilgrim’s Pride Corporation on behalf of JBS Seara International Ltd. [g]	—	—	—	43
Toledo International NV:				
Purchases from Toledo International NV [h]	149	67	190	67
Sales to Toledo International NV [h]	—	—	—	148
JBS Seara Alimentos:				
Purchases from JBS Seara Alimentos [i]	—	—	64	—
JBS Seara Meats B.V.:				
Purchases from JBS Seara Meats B.V. [j]	3,343	5,702	9,719	16,730
Expenditures paid by Pilgrim’s Pride Corporation on behalf of JBS Seara Meats B.V. [j]	—	—	4	—

(a) On September 8, 2017, Onix Investments UK Ltd., a wholly owned subsidiary of the Company, executed the JBS S.A. Promissory Note, which had a maturity date of September 6, 2018. Interest on the outstanding principal balance of the JBS S.A. Promissory Note accrued at the rate per annum equal to (i) from and after November 8, 2017 and prior to January 7, 2018, 4.00% , (ii) from and after January 7, 2018 and prior to March 8, 2018, 6.00% and (iii) from and after March 8, 2018, 8.00% . The JBS S.A. Promissory Note was repaid in full on October 2, 2017.

(b) There was no outstanding receivable from JBS S.A. at September 24, 2017 . The outstanding receivable from JBS S.A. at December 25, 2016 was less than $0.1 million , respectively.

(c) 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 behalf of the Company 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. For the thirty-nine weeks ended September 25, 2016, the Company paid JBS USA Holdings $ 0.2 million for letter of credit fees.

(d) We routinely execute transactions to both purchase products from JBS USA Food Company ("JBS USA") and sell products to them. As of September 24, 2017 and December 25, 2016, the outstanding payable to JBS USA was $5.6 million and $1.4 million , respectively. As of September 24, 2017 and December 25, 2016, the outstanding receivable from JBS USA was $0.9 million and $3.8 million , respectively. As of September 24, 2017 , approximately $ 0.7 million of goods from JBS USA were in transit and not reflected on our Condensed Consolidated Balance Sheet.

(e) The Company has an agreement with JBS USA to allocate costs associated with JBS USA's procurement of SAP licenses and maintenance services for its combined companies. Under this agreement, the fees associated with procuring SAP licenses and maintenance services are allocated between the Company and JBS USA 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.

(f) The outstanding receivable from J&F Investimentos Ltd. at September 24, 2017 was less than $0.1 million . There was no outstanding receivable or payable from J&F Investimentos Ltd. at December 25, 2016.

(g) The outstanding receivable from JBS Seara International Ltd. at September 24, 2017 and December 25, 2016 was less than $0.1 million , respectively. There was no outstanding payable from JBS Seara International Ltd. at September 24, 2017 and December 25, 2016.

(h) There was no outstanding receivable from Toledo International NV at September 24, 2017 and December 25, 2016. The outstanding payable from Toledo International NV at September 24, 2017 and December 25, 2016 was less than $0.1 million , respectively.

(i) There was no outstanding receivable or payable from JBS Seara Alimentos at September 24, 2017 and December 25, 2016.

(j) There was no outstanding receivable from JBS Seara Meats B.V. at September 24, 2017 and December 25, 2016. The outstanding payable from JBS Seara Meats B.V. at September 24, 2017 and December 25, 2016 was $1.3 million and $3.0 million , respectively.

The Company entered into a tax sharing agreement during 2014 with JBS USA Holdings effective for tax years starting in 2010. The net tax receivable of $5.0 million for tax year 2016 was accrued in 2016 and paid in February 2017. The net tax receivable of $3.7 million for tax year 2015 was accrued in 2015 and paid in January 2016.

17. COMMITMENTS AND CONTINGENCIES

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

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

Tax Claims and Proceedings

In 2009, the IRS asserted claims against the Company totaling $74.7 million . Pilgrim's entered into two Stipulations of Settled Issues agreements with the IRS (the "Stipulations") on December 12, 2012 that accounted for approximately $29.3 million of the claims and should result in no additional tax due. The Company is currently working with the IRS to finalize the complete tax calculations associated with the Stipulations.

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* were brought against Pilgrim's 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, 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. The plaintiffs have filed three consolidated amended complaints: one on behalf of direct purchasers and two on behalf of distinct groups of indirect purchasers. The defendants (including the Company) moved to dismiss all complaints on January 27, 2017, which are fully briefed and a ruling by the court is pending.

On October 10, 2016, Patrick Hogan, acting on behalf of himself and a putative class of persons who purchased shares of Pilgrim's common stock between February 21, 2014 and October 4, 2016, filed a class action complaint in the U.S. District Court for the District of Colorado against the Company and its named executive officers. The complaint alleges, among other things, that the Company's SEC filings contained statements that were rendered materially false and misleading by its failure to disclose that (i) Pilgrim's 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) the Company's conduct constituted a violation of federal antitrust laws, (iii) Pilgrim's revenues during the class period were the result of illegal conduct and (iv) the Company lacked effective internal control over financial reporting, as well as stating that Pilgrim's industry was anticompetitive. On April 4, 2017, the court appointed another stockholder, George James Fuller, as lead plaintiff. On April 26, 2017, the court set a briefing schedule for the filing of an amended complaint and the defendants' motion to dismiss. On May 11, 2017, the plaintiff filed an amended complaint, which extended the end date of the putative class period to November 17, 2016. The defendants moved to dismiss on June 12, 2017, and the plaintiff filed its Opposition on July 12, 2017. The defendants replied on August 1, 2017. The Court's decision on the motion is currently pending.

On January 27, 2017, a purported class action on behalf of broiler chicken farmers was brought against Pilgrim's 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 class action complaint styled as *In re Broiler Chicken Antitrust Litigation* , Case No. CIV-17-033-RJS . The defendants (including PPC) moved to dismiss the consolidated amended complaint on September 9, 2017. Briefing on the motions will be complete on November 22, 2017, and a hearing on the motions has been scheduled for January 19, 2018. In addition, on August 29, 2017, PPC filed a Motion to Enforce Confirmation Order Against Growers in the U.S. Bankruptcy Court in the Eastern District of Texas (*In re Pilgrim's Pride Corporation* , Case No. 08-45664 (DML) seeking an order enjoining the Grower Plaintiffs from pursuing the class action against PPC. A hearing on this motion was held October 12, 2017. The Court's decision on the motion is currently pending.

On March 9, 2017, a stockholder derivative action styled as *DiSalvio v. Lovette, et al.* , No. 2017 cv. 30207, was brought against all of the Company'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 the Company 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 the Company'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.

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 the companies controlled by J&F, the "J&F Group") (including two former directors of the Company), a company organized in Brazil and an indirect controlling stockholder of the Company, entered into plea bargain agreements (the "Plea Bargain Agreements") with the Brazilian Federal Prosecutor's Office (Ministério Público Federal) ("MPF") in connection with certain illicit conduct involving improper payments made to Brazilian politicians, government officials and other individuals in Brazil committed by or on behalf of J&F and certain J&F Group companies. The details of such illicit conduct are set forth in separate annexes to the Plea Bargain Agreements, and include admissions of improper payments to politicians and political parties in Brazil over the last 10 years in exchange for receiving, or attempting to receive, favorable treatment for certain J&F Group companies in Brazil.

Pursuant to the terms of the Plea Bargain Agreements, the MPF agreed to grant immunity to the officers in exchange for such officers agreeing, among other considerations, to: (1) pay fines totaling $225.0 million ; (2) cooperate with the MPF, including providing supporting evidence of the illicit conduct identified in the annexes to the Plea Bargain Agreements; and (3) present any previously undisclosed illicit conduct within 120 days following the execution of the Plea Bargain Agreements as long as the description of such conduct had not been omitted in bad faith. In addition, the Plea Bargain Agreements provide that the MPF may terminate any Plea Bargain Agreement and request that the Supreme Court of Brazil (Supremo Tribunal Federal) ("STF") ratify such termination if any illicit conduct is identified that was not included in the annexes to the Plea Bargain Agreements.

On June 5, 2017, J&F, in its role as the controlling shareholder of the J&F Group, 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 R$10.3 billion , adjusted for inflation, over a 25-year period. In exchange, the MPF agreed not to initiate or propose any criminal, civil or administrative actions against J&F, the companies of the J&F Group or those officers of J&F with respect to such conduct. Pursuant to the terms of the Leniency Agreement, if the Plea Bargain Agreement is annulled by the STF, then the Leniency Agreement may also be terminated by the Fifth Chamber of Coordination and Reviews of the MPF or, solely with respect to the criminal related provisions of the Leniency Agreement, by the 10th Federal Court of the Federal District in Brasília, the authorities responsible for the ratification of the Leniency Agreement.

On August 24, 2017, the Fifth Chamber ratified the Leniency Agreement. On September 8, 2017, the 10th Federal Court ratified the Leniency Agreement. In compliance with the terms of the Leniency Agreement, J&F is conducting an internal investigation involving improper payments made in Brazil by or on behalf of J&F, certain companies of the J&F Group and certain officers of J&F (including two former directors of the Company). J&F has engaged outside advisors to assist it in conducting the investigation, including an assessment as to whether any of the misconduct disclosed to Brazilian authorities had any connection to the Company or Moy Park, or resulted in a violation of U.S. law. The internal investigation is ongoing and the Company is fully cooperating with J&F in connection with the investigation. We cannot predict when the investigation will be completed or the results of the investigation, including the outcome or impact of any government investigations or any resulting litigation.

On September 8, 2017, at the request of the MPF, the STF issued an order temporarily revoking the immunity from prosecution previously granted to Joesley Mendonça Batista and another executive of J&F in connection with the Plea Bargain Agreements. The MPF requested the revocation of their immunity following public disclosure of certain voice recordings involving them in which they discussed certain alleged illicit activities the MPF claims were not covered by the annexes to their respective Plea Bargain Agreements. On September 10, 2017, Joesley Mendonça Batista voluntarily turned himself into police in Brazil. On September 11, 2017, the 10th Federal Court suspended its ratification of the criminal provisions of the Leniency Agreement as a result of the STF's temporary revocation of Joesley Mendonça Batista immunity under his Plea Bargain Agreement. On October 11, 2017, Judge Vallisney de Souza of the 10th Federal Court revalidated the criminal provisions of the Leniency Agreement.

We cannot predict whether the Plea Bargain Agreements will be upheld or terminated by the STF, and, if terminated, whether the Leniency Agreement will be also terminated by either the Fifth Chamber and/or the 10th Federal Court, and to what extent. If the Leniency Agreement is terminated, in whole or in part, as a result of any Plea Bargain Agreement being terminated, this may materially adversely affect the public perception or reputation of the J&F Group, including the Company, and could have a material adverse effect on the J&F Group's business, financial condition, results of operations and prospects. Furthermore, the termination of the Leniency Agreement may cause the termination of certain stabilization agreements entered into by JBS S.A. and certain of its subsidiaries, which would permit the lenders of the debt that is the subject to the terms of the stabilization agreements to accelerate their debt, which could have a material adverse effect on JBS S.A. and its subsidiaries (including the Company).

18. SEGMENT REPORTING

We operate in three reportable segments: U.S., 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.

On September 8, 2017, we 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.

Information on segments and a reconciliation to income before income taxes are as follows:

Net sales	**Thirteen Weeks Ended**		**Thirty-Nine Weeks Ended**	
	September 24, 2017	**September 25, 2016**	**September 24, 2017**	**September 25, 2016**
	(In thousands)			
U.S.	$ 1,938,542	$ 1,724,625	$ 5,557,089	$ 5,072,351
U.K. and Europe	514,325	463,560	1,473,854	1,484,708
Mexico	341,018	307,096	994,568	950,622
Total net sales	$ 2,793,885	$ 2,495,281	$ 8,025,511	$ 7,507,681

Operating income	**Thirteen Weeks Ended**		**Thirty-Nine Weeks Ended**	
	September 24, 2017	**September 25, 2016**	**September 24, 2017**	**September 25, 2016**
	(In thousands)			
U.S.	$ 307,962	$ 141,195	$ 719,121	$ 480,280
U.K. and Europe	18,569	13,027	51,874	55,841
Mexico	45,692	22,603	146,241	108,856
Elimination	23	23	69	71
Total operating income	372,246	176,848	917,305	645,048
Interest expense, net of capitalized interest	24,636	19,119	66,315	58,480
Interest income	(2,128)	(253)	(3,600)	(2,000)
Foreign currency transaction gain	(888)	4,569	(2,500)	(1,769)
Miscellaneous, net	(1,083)	(2,371)	(5,198)	(7,327)
Income before income taxes	$ 351,709	$ 155,784	$ 862,288	$ 597,664

In addition to the net sales reported above, the U.S. segment also generated intersegment net sales of $21.0 million and $22.0 million in the thirteen weeks ended September 24, 2017 and September 25, 2016, respectively, and intersegment net sales of $66.7 million and $70.6 million in the thirty-nine weeks ended September 24, 2017 and September 25, 2016, respectively, from transactions with the Mexico segment. These intersegment net sales were transacted at market prices.

Goodwill	**September 24, 2017**	**December 25, 2016**
	(In thousands)	
U.S.	$ 41,936	$ —
U.K. and Europe	828,038	761,613
Mexico	125,608	125,608
Total goodwill	$ 995,582	$ 887,221

Assets	**September 24, 2017**	**December 25, 2016**
	(In thousands)	
U.S.	$ 3,515,513	$ 2,472,931
U.K. and Europe	2,204,885	2,013,725
Mexico	947,112	840,088
Eliminations	(604,225)	(304,802) (a)
Total assets	$ 6,063,285	$ 5,021,942

(a) Eliminations for the period ended September 24, 2017 include the elimination of the U.S. segment's $191.7 million investment in the Mexico segment, the elimination of $111.2 million in intersegment receivables and payables between the U.S. and Mexico segments and the elimination of the U.S. segment's $301.3 million investment in the U.K. and Europe segment. Eliminations for the period ended December 25, 2016 include the elimination of the U.S. segment's $191.8 million investment in the Mexico segment and the elimination of $113.0 million in intersegment receivables and payables between the U.S. and Mexico segments.

19. SUBSEQUENT EVENTS

On September 29, 2017, the Company completed an offering of $250.0 million Additional Senior Notes due 2025 and a sale of $600.0 million aggregate principal amount of the Senior Notes due 2027. The Company used the net proceeds from the sale of the Additional Senior Notes due 2025 and the Senior Notes due 2027 to repay in full the JBS S.A. Promissory Note issued as part of the Moy Park acquisition. See "Note 11. Long-Term Debt and Other Borrowing Arrangements" for additional information.

On October 24, 2017, the Company announced that it will close the Luverne, Minnesota, poultry processing facility effective December 29, 2017. The decision to close the facility will allow the Company to shift production and equipment to more efficient operations with the objective of enhancing synergies and better serving the Company's key customers.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Description of the Company

We are one of the largest chicken producers in the world, with operations in the United States ("U.S."), United Kingdom ("U.K."), Mexico, France, Puerto Rico, the Netherlands, and Ireland. We operate feed mills, hatcheries, processing plants and distribution centers in 14 U.S. states, the U.K., Mexico, France, Puerto Rico, The Netherlands, and Ireland. As of September 24, 2017 , we had approximately 52,000 employees and the capacity to process approximately 45.2 million birds per work week for a total of approximately 12.8 billion pounds of live chicken annually. Approximately 5,100 contract growers supply poultry for our operations. As of September 24, 2017 , JBS S.A., through its indirect wholly-owned subsidiaries (together, "JBS"), beneficially owned 78.6% of our outstanding common stock. See "Note 1. Description of Business and Basis of Presentation" of our Condensed Consolidated and Combined Financial Statements included in this quarterly report for additional information.

We operate on a 52/53-week fiscal year that ends on the Sunday falling on or before December 31. The reader should assume any reference we make to a particular year (for example, 2017) in this report applies to our fiscal year and not the calendar year.

Executive Summary

We reported net income attributable to Pilgrim's Pride Corporation of $560.2 million , or $2.25 per diluted common share, for the thirty-nine weeks ended September 24, 2017 . These operating results included gross profit of $1,209.8 million . During the thirty-nine weeks ended September 24, 2017 , we generated $618.5 million of cash from operations.

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

	Corn		Soybean Meal	
	Highest Price	Lowest Price	Highest Price	Lowest Price
2017:				
Third Quarter	$ 4.15	$ 3.46	$ 346.20	$ 296.50
Second Quarter	3.96	3.66	321.00	297.20
First Quarter	3.86	3.55	352.70	314.10
2016:				
Fourth Quarter	3.98	3.58	320.70	269.00
Third Quarter	3.94	3.16	401.00	302.80
Second Quarter	4.38	3.52	418.30	266.80
First Quarter	3.73	3.52	275.30	257.20
2015:				
Fourth Quarter	3.98	3.58	320.70	269.00
Third Quarter	4.34	3.48	374.80	302.40
Second Quarter	4.10	3.53	326.40	286.50
First Quarter	4.13	3.70	377.40	317.50

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 take a short position on a derivative instrument to minimize the impact of a commodity's price volatility on our operating results. We will also occasionally purchase derivative financial instruments in an attempt to mitigate currency exchange rate exposure related to the financial statements of our Mexico 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 Condensed Consolidated and Combined Statements of Income.

During the thirteen weeks ended September 24, 2017 and September 25, 2016 , we recognized net gains totaling $6.9 million and net losses totaling $16.7 million, respectively, related to changes in the fair values of our derivative financial instruments. During the thirty-nine weeks ended September 24, 2017 and September 25, 2016 , we recognized net gains totaling $7.3 million and net losses totaling $10.5 million, respectively, related to changes in the fair values of our derivative financial instruments.

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 chicken 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.

Moy Park Acquisition

On September 8, 2017, we acquired 100% of the issued and outstanding shares of Granite Holdings Sàrl and its subsidiaries (together, "Moy Park") from JBS S.A. for cash of $301.3 million and a promissory note payable to seller 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 13 processing and manufacturing units in Northern Ireland, the U.K., France, the Netherlands and Ireland, the company processes 5.6 million birds per seven-day work week, in addition to producing around 200,000 tons of prepared foods per year. Moy Park currently has approximately 10,100 employees. See "Note 2. Business Acquisition" of our Condensed Consolidated and Combined Financial Statements included in this quarterly 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 Condensed Consolidated and Combined Financial Statements includes the accounts of the Company and its majority-owned subsidiaries combined with the accounts of Moy Park. For the period from September 8, 2017 through September 24, 2017, the Condensed Consolidated and Combined Financial Statements includes the accounts of the Company and its majority-owned subsidiaries, including Moy Park.

GNP Acquisition

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 has a production capacity of 2.1 million birds per five-day work week in its three plants and currently has approximately 1,700 employees. See "Note 2. Business Acquisition" of our Condensed Consolidated and Combined Financial Statements included in this quarterly report for additional information relating to this acquisition. GNP operations are included in our U.S. segment.

Segment and Geographic Reporting

We operate in three reportable segments: U.S., 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 geographic reporting purposes, we include Puerto Rico within our U.S. segment and combine the U.K., France, the Netherlands, and Ireland operations into our U.K. and Europe segment.

Results of Operations

Thirteen Weeks Ended September 24, 2017 Compared to Thirteen Weeks Ended September 25, 2016

Net sales. Net sales generated in the thirteen weeks ended September 24, 2017 increased $298.6 million , or 12.0% , from net sales generated in the thirteen weeks ended September 25, 2016 . The following table provides net sales information:

Sources of net sales	**Thirteen Weeks Ended September 24, 2017**	**Change from Thirteen Weeks Ended September 25, 2016** Amount	Percent
		(In thousands, except percent data)	
United States	$ 1,938,542	$ 213,917	12.4% (a)
U.K. and Europe	514,325	50,765	11.0% (b)
Mexico	341,018	33,922	11.0% (c)
Total net sales	2,793,885	298,604	12.0%

(a) U.S. net sales generated in the thirteen weeks ended September 24, 2017 increased $213.9 million , or 12.4% , from U.S. net sales generated in the thirteen weeks ended September 25, 2016 primarily because of net sales generated by the recently acquired GNP operations and an increase in net sales per pound experienced by our existing operations. The impact of the acquired business contributed $108.6 million, or 6.3 percentage points, to the increase in net sales. The net sales per pound increase experienced by our existing U.S. segment contributed $199.7 million, or 11.5 percentage points, to the increase in net sales. A decrease in sales volume experienced by our existing U.S. segment partially offset the effect that the acquired business and the increase in net sales per pound had on U.S. net sales by $94.4 million, or 5.5 percentage points. Lower sales volume resulted primarily from decreased exported chicken products resulting from shipping delays at Southeastern U.S. ports following the recent hurricanes. Included in U.S. net sales generated during the thirteen weeks ended September 24, 2017 and September 25, 2016 were net sales to JBS USA Food Company totaling $11.5 million and $4.8 million , respectively.

(b) U.K. and Europe net sales generated in the thirteen weeks ended September 24, 2017 increased $ 50.8 million , or 11.0% , from U.K. and Europe net sales generated in the thirteen weeks ended September 25, 2016 primarily because of an increase in sales volume. Increased sales volume resulted in an increase in net sales by $66.3 million, or 14.3 percentage points. The increase in net sales from increased sales volume was partially offset by the negative impact of foreign currency translation and a decrease in net sales per pound of $2.1 million, or 0.5 percentage points, and $13.4 million, or 2.9 percentage points, respectively.

(c) Mexico net sales generated in the thirteen weeks ended September 24, 2017 increased $33.9 million , or 11.0% , from Mexico net sales generated in the thirteen weeks ended September 25, 2016 primarily because of the increase in net sales per pound and the positive impact of foreign currency remeasurement. Increased net sales per pound, which resulted primarily from higher market prices, and impact of foreign currency remeasurement resulted in an increase in net sales by $15.0 million, or 4.9 percentage points, and $16.5 million, or 5.4 percentage points, respectively. An increase in sales volume also contributed to the increase in net sales by $2.4 million, or 0.8 percentage points.

Gross profit. Gross profit increased by $225.5 million , or 89.1% , from $253.1 million generated in the thirteen weeks ended September 25, 2016 to $478.6 million generated in the thirteen weeks ended September 24, 2017 . The following tables provide information regarding gross profit and cost of sales information:

Components of gross profit	Thirteen Weeks Ended September 24, 2017	Change from Thirteen Weeks Ended September 25, 2016		Percent of Net Sales		
				Thirteen Weeks Ended		
		Amount	Percent	September 24, 2017	September 25, 2016	
	In thousands, except percent data					
Net sales	$ 2,793,885	$ 298,604	12.0%	100.0%	100.0%	
Cost of sales	2,315,301	73,080	3.3%	82.9%	89.9%	(a)(b)(c)
Gross profit	$ 478,584	$ 225,524	89.1%	17.1%	10.1%	

Sources of gross profit	Thirteen Weeks Ended September 24, 2017	Change from Thirteen Weeks Ended September 25, 2016		
		Amount	Percent	
	(In thousands, except percent data)			
United States	$ 377,209	$ 197,873	110.3 %	(a)
U.K. and Europe	46,951	3,981	9.3 %	(b)
Mexico	54,401	23,671	77.0 %	(c)
Elimination	23	(1)	(4.2)%	
Total gross profit	$ 478,584	$ 225,524	89.1 %	

Sources of cost of sales	Thirteen Weeks Ended September 24, 2017	Change from Thirteen Weeks Ended September 25, 2016		
		Amount	Percent	
	(In thousands, except percent data)			
United States	$ 1,561,333	$ 16,044	1.0 %	(a)
U.K. and Europe	467,374	46,784	11.1 %	(b)
Mexico	286,617	10,251	3.7 %	(c)
Elimination	(23)	1	(4.2)%	
Total cost of sales	$ 2,315,301	$ 73,080	3.3 %	

(a) Cost of sales incurred by our U.S. segment during the thirteen weeks ended September 24, 2017 increased $16.0 million , or 1.0% , from cost of sales incurred by our U.S. segment during the thirteen weeks ended September 25, 2016 . Cost of sales increased primarily because of costs incurred by the acquired GNP operations. Cost of sales incurred by the acquired GNP operations contributed $89.1 million, or 5.8 percentage points, to the increase in U.S. cost of sales. An decrease in cost of sales incurred by our existing U.S. segment partially offset the impact that the GNP operations had on cost of sales by $72.9 million, or 4.7 percentage points. Cost of sales incurred by our existing U.S. segment decreased primarily because of a $63.7 million decrease in feed costs, a $23.9 million net increase in derivative gains, a $4.2 million decrease in repair and maintenance costs, partially offset by a $22.4 million increase in compensation costs and $1.9 million in damages to our Puerto Rico assets resulting from Hurricane Maria.

(b) Cost of sales incurred by our U.K. and Europe segment during the thirteen weeks ended September 24, 2017 increased $ 46.8 million , or 11.1% , from cost of sales incurred by our U.K. and Europe segment during the thirteen weeks ended September 25, 2016 . U.K. and Europe c ost of sales increased primarily because of a $37.8 million increase in raw material costs, a $4.2 million increase in labor costs, and a $2.4 million increase in freight costs.

(c) Cost of sales incurred by our Mexico segment during the thirteen weeks ended September 24, 2017 increased $10.3 million , or 3.7% , from cost of sales incurred by our Mexico segment during the thirteen weeks ended September 25, 2016 . Mexico c ost of sales increased primarily because of a $14.6 million increase in contracted grower pay, partially offset by a $1.4 million decrease in catching costs, a $1.1 million decrease in depreciation expense on machinery and equipment, a $1.2 increase in other income, and a $0.6 million decrease in travel and entertainment costs.

Operating income. Operating income increased by $195.4 million , or 110.5% , from $176.8 million generated in the thirteen weeks ended September 25, 2016 to $372.2 million generated in the thirteen weeks ended September 24, 2017 . The following tables provide information regarding operating income and SG&A expense:

Components of operating income	Thirteen Weeks Ended September 24, 2017	Change from Thirteen Weeks Ended September 25, 2016		Percent of Net Sales		
		Amount	Percent	Thirteen Weeks Ended September 24, 2017	Thirteen Weeks Ended September 25, 2016	
	(In thousands, except percent data)					
Gross profit	$ 478,584	$ 225,524	89.1%	17.1%	10.1%	
SG&A expense	102,191	26,257	34.6%	3.7%	3.0%	(a)(b)(c)
Administrative restructuring charges	4,147	3,869	1,386.4%	0.1%	—%	(d)(e)
Operating income	$ 372,246	$ 195,398	110.5%	13.3%	7.1%	

Sources of operating income	Thirteen Weeks Ended September 24, 2017	Change from Thirteen Weeks Ended September 25, 2016	
		Amount	Percent
	(In thousands, except percent data)		
United States	$ 307,962	$ 166,767	118.1 %
U.K. and Europe	18,569	5,542	42.5 %
Mexico	45,692	23,089	102.2 %
Elimination	23	—	— %
Total operating income	$ 372,246	$ 195,398	110.5 %

Sources of SG&A expense	Thirteen Weeks Ended September 24, 2017	Change from Thirteen Weeks Ended September 25, 2016		
		Amount	Percent	
	(In thousands, except percent data)			
United States	$ 66,793	$ 28,930	76.4 %	(a)
U.K. and Europe	26,689	(3,255)	(10.9)%	(b)
Mexico	8,709	582	7.2 %	(c)
Total SG&A expense	$ 102,191	$ 26,257	34.6 %	

Sources of administrative restructuring charges	Thirteen Weeks Ended September 24, 2017	Change from Thirteen Weeks Ended September 25, 2016		
		Amount	Percent	
	(In thousands, except percent data)			
United States	$ 2,454	$ 2,176	779.6 %	(d)
U.K. and Europe	1,693	1,693	100.0 %	(e)
Mexico	—	—	— %	
Total administrative restructuring charges	$ 4,147	$ 3,869	1,386.4 %	

(a) SG&A expense incurred by our U.S. segment during the thirteen weeks ended September 24, 2017 increased $28.9 million , or 76.4% , from SG&A expense incurred by our U.S. segment during the thirteen weeks ended September 25, 2016 , primarily because of expenses incurred by the acquired GNP operations and by increases in SG&A expenses incurred by our existing operations. Expenses incurred by the acquired GNP business contributed $7.3 million, or 19.2 percentage points, to the overall increase in SG&A expenses. Expenses incurred by our existing U.S. segment contributed $21.6 million, or 57.2 percentage points, to the overall increase in SG&A expenses. SG&A expense incurred by our existing U.S. segment increased primarily because of $14.0 million in transaction costs related to the Moy Park acquisition, a $2.1 million increase in wages and benefits, a $1.8 million increase in legal fees, a $1.0 million increase in charitable contributions, and a $1.0 million increase in depreciation expenses. Other factors affecting SG&A expense were individually immaterial.

(b) SG&A expense incurred by our U.K. and Europe segment during the thirteen weeks ended September 24, 2017 decreased $3.3 million , or 10.9% , from SG&A expense incurred by our U.K. and Europe segment during the thirteen weeks ended September 25, 2016 . SG&A expense incurred by our U.K. and Europe segment decreased primarily because of a $5.9 million decrease in management fees paid to JBS S.A. , a $0.9 million increase in other selling expenses, a $0.6 million increase in personnel expenses and a $.6 million increase in amortization expense. Other factors affecting SG&A expense were individually immaterial.

(c) SG&A expense incurred by our Mexico segment during the thirteen weeks ended September 24, 2017 increased $0.6 million , or 7.2% , from SG&A expense incurred by our Mexico segment during the thirteen weeks ended September 25, 2016 . SG&A expense incurred by our existing Mexico segment increased primarily because of a $0.9 million increase in employee relations, offset by a $0.2 million decrease in contracted security expenses. Other factors affecting SG&A expense were individually immaterial.

(d) Administrative restructuring charges incurred by our U.S. segment during the thirteen weeks ended September 24, 2017 included $2.5 million in severance costs related to the GNP acquisition.

(e) Administrative restructuring charges incurred by the U.K. and Europe segment during the thirteen weeks ended September 24, 2017 included a $1.7 million impairment of property in Dublin, Ireland.

Net interest expense. Net interest expense increased 19.3% to $22.5 million recognized in the thirteen weeks ended September 24, 2017 from $18.9 million recognized in the thirteen weeks ended September 25, 2016 primarily because of an increase in average borrowings compared to the same period in the prior year. Average borrowings increased from $1.5 billion in the thirteen weeks ended September 25, 2016 to $1.9 billion in the thirteen weeks ended September 24, 2017 due to increased borrowings necessary to fund the GNP acquisition. The weighted average interest rate increased from 4.4% in the thirteen weeks ended September 25, 2016 to 4.5% in the thirteen weeks ended September 24, 2017 .

Income taxes. Income tax expense increased to $113.4 million , a 32.2% effective tax rate, for the thirteen weeks ended September 24, 2017 compared to income tax expense of $53.8 million , a 34.5% effective tax rate, for the thirteen weeks ended September 25, 2016 . The increase in income tax expense in 2017 resulted primarily from an increase in pre-tax income.

Thirty-Nine Weeks Ended September 24, 2017 Compared to Thirty-Nine Ended September 25, 2016

Net sales. Net sales generated in the thirty-nine weeks ended September 24, 2017 increased $517.8 million , or 6.9% , from net sales generated in the thirty-nine weeks ended September 25, 2016 . The following table provides net sales information:

Sources of net sales	Thirty-Nine Weeks Ended September 24, 2017	Change from Thirty-Nine Weeks Ended September 25, 2016: Amount	Change from Thirty-Nine Weeks Ended September 25, 2016: Percent	
	(In thousands, except percent data)			
United States	$ 5,557,089	$ 484,737	9.6 %	(a)
U.K. and Europe	1,473,854	(10,854)	(0.7)%	(b)
Mexico	994,568	43,946	4.6 %	(c)
Total net sales	$ 8,025,511	$ 517,829	6.9 %	

(a) U.S. net sales generated in the thirty-nine weeks ended September 24, 2017 increased $ 484.7 million , or 9.6% , from U.S. net sales generated in the thirty-nine weeks ended September 25, 2016 primarily because of net sales generated by the recently acquired GNP operations and an increase in net sales per pound experienced by our existing operations. The impact of the acquired business contributed $322.4 million, or 6.4 percentage points, to the increase in net sales. The net sales per pound increase experienced by our existing U.S. segment contributed $332.0 million, or 6.5 percentage points, to the increase in net sales. A decrease in sales volume experienced by our existing U.S. segment partially offset the effect that the acquired business and the increase in net sales per pound had on U.S. net sales by $169.6 million, or 3.3 percentage points. Decreased sales volume resulted primarily from lower demand for exported chicken products and domestic prepared foods products. Included in U.S. net sales generated during the thirty-nine weeks ended September 24, 2017 and September 25, 2016 were net sales to JBS USA Food Company totaling $37.4 million and $12.2 million, respectively.

(b) U.K. and Europe net sales generated in the thirty-nine weeks ended September 24, 2017 decreased $10.9 million, or 0.7%, from U.K. and Europe net sales generated in the thirty-nine weeks ended September 25, 2016 primarily because of the negative impact of foreign currency translation and increased sales volume. The negative impact of foreign currency translation contributed to the decrease in net sales by $135.3 million, or 9.1 percentage points. The negative impacts of foreign currency translation were offset by increased sales volume and net sales per pound by $51.7 million, or 3.5 percentage points, and $72.7 million, or 4.9 percentage points, respectively.

(c) Mexico net sales generated in the thirty-nine weeks ended September 24, 2017 increased $ 43.9 million , or 4.6% , from Mexico net sales generated in the thirty-nine weeks ended September 25, 2016 primarily because of the increase in net sales per pound and increased sales volume. Higher net sales per pound, which resulted primarily from higher market prices, and increased sales volume resulted in increases in net sales of $68.3 million, or 7.2 percentage points, and $14.0 million, or 1.5 percentage points, respectively. The negative impact of foreign currency remeasurement partially offset the increase in net sales by $38.3 million, or 4.0 percentage points. Other factors affecting the decrease in Mexico net sales were immaterial.

Gross profit. Gross profit increased by $ 334.7 million , or 38.2% , from $ 875.1 million generated in the thirty-nine weeks ended September 25, 2016 to $ 1,209.8 million generated in the thirty-nine weeks ended September 24, 2017 . The following tables provide information regarding gross profit and cost of sales information:

Components of gross profit	Thirty-Nine Weeks Ended September 24, 2017	Change from Thirty-Nine Weeks Ended September 25, 2016: Amount	Change from Thirty-Nine Weeks Ended September 25, 2016: Percent	Percent of Net Sales, Thirty-Nine Weeks Ended: September 24, 2017	Percent of Net Sales, Thirty-Nine Weeks Ended: September 25, 2016	
	In thousands, except percent data					
Net sales	$ 8,025,511	$ 517,829	6.9%	100.0%	100.0%	
Cost of sales	6,815,701	183,133	2.8%	84.9%	88.3%	(a)(b)
Gross profit	$ 1,209,810	$ 334,696	38.2%	15.1%	11.7%	

Sources of gross profit	Thirty-Nine Weeks Ended September 24, 2017	Change from Thirty-Nine Weeks Ended September 25, 2016 Amount	Percent
	(In thousands, except percent data)		
United States	$ 900,262	$ 298,560	49.6 % (a)
U.K. and Europe	137,734	(3,732)	(2.6)% (b)
Mexico	171,745	39,871	30.2 % (c)
Elimination	69	(1)	(1.4)%
Total gross profit	$ 1,209,810	$ 334,696	38.2 %

Sources of cost of sales	Thirty-Nine Weeks Ended September 24, 2017	Change from Thirty-Nine Weeks Ended September 25, 2016 Amount	Percent
	(In thousands, except percent data)		
United States	$ 4,656,825	$ 186,177	4.2 % (a)
U.K. and Europe	1,336,123	(7,120)	(0.5)% (b)
Mexico	822,822	4,073	0.5 % (c)
Elimination	(69)	2	(2.8)%
Total cost of sales	$ 6,815,701	$ 183,133	2.8 %

(a) Cost of sales incurred by our U.S. segment during the thirty-nine weeks ended September 24, 2017 increased $ 186.2 million , or 4.2% , from cost of sales incurred by our U.S. segment during the thirty-nine weeks ended September 25, 2016 . Cost of sales increased primarily because of costs incurred by the acquired GNP operations. Cost of sales incurred by the acquired GNP operations contributed $267.3 million, or 6.0 percentage points, to the increase in U.S. cost of sales. A decrease in cost of sales incurred by our existing U.S. segment partially offset the impact that the acquired business had on cost of sales by $80.9 million, or 1.8 percentage points. Cost of sales incurred by our existing operations decreased primarily because of a $103.1 million decrease in feed costs, an $18.4 million net increase in derivative gains, a $7.3 million decrease in scrapped materials, partially offset by a $49.5 million increase in compensation and benefit costs and $1.9 million in damages to our Puerto Rico assets resulting from Hurricane Maria.

(b) Cost of sales incurred by our U.K. and Europe segment during the thirty-nine weeks ended September 24, 2017 decreased $7.1 million, or 0.5%, from cost of sales incurred by our U.K. and Europe segment during the thirty-nine weeks ended September 25, 2016 . The decrease in cost of sales was due to a $23.9 million increase in cost of raw materials, offset by a $16.3 million decrease in labor costs, a $12.5 million decrease in other cost of sales, and a $3.4 million decrease in bird amortization costs.

(c) Cost of sales incurred by our Mexico segment during the thirty-nine weeks ended September 24, 2017 increased $ 4.1 million , or 0.5% , from cost of sales incurred by our Mexico segment during the thirty-nine weeks ended September 25, 2016 . The increase in cost of sales was primarily due to a $29.4 million increase in grower pay and a $6.0 million increase in utility costs that were partially offset by the $27.6 million impact of inventory valuation adjustments resulting from currency rate movement and a $3.8 million decrease in catching costs.

Operating income. Operating income increased by $272.3 million , or 42.2% , from $645.0 million generated in the thirty-nine weeks ended September 25, 2016 to $917.3 million generated in the thirty-nine weeks ended September 24, 2017 . The following tables provide information regarding operating income and SG&A expense:

Components of operating income	Thirty-Nine Weeks Ended September 24, 2017	Change from Thirty-Nine Weeks Ended September 25, 2016 Amount	Percent	Percent of Net Sales Thirty-Nine Weeks Ended September 24, 2017	September 25, 2016	
		(In thousands, except percent data)				
Gross profit	$ 1,209,810	$ 334,696	38.2%	15.1%	11.7%	
SG&A expense	284,009	54,223	23.6%	3.5%	3.1%	(a)(b)(c)
Administrative restructuring charges	8,496	8,217	2,945.2%	0.1%	—%	(d)(e)
Operating income	$ 917,305	$ 272,256	42.2%	11.5%	8.6%	

Sources of operating income	Thirty-Nine Weeks Ended September 24, 2017	Change from Thirty-Nine Weeks Ended September 25, 2016 Amount	Percent
	(In thousands, except percent data)		
United States	$ 719,121	$ 238,841	49.7 %
U.K. and Europe	51,874	(3,967)	(7.1)%
Mexico	146,241	37,385	34.3 %
Elimination	69	(3)	(2.8)%
Total operating income	$ 917,305	$ 272,256	42.2 %

Sources of SG&A expense	Thirty-Nine Weeks Ended September 24, 2017	Change from Thirty-Nine Weeks Ended September 25, 2016 Amount	Percent
	(In thousands, except percent data)		
United States	$ 174,340	$ 53,196	43.9 % (a)
U.K. and Europe	84,165	(1,460)	(1.7)% (b)
Mexico	25,504	2,487	10.8 % (c)
Total SG&A expense	$ 284,009	$ 54,223	23.6 %

Sources of administrative restructuring charges	Thirty-Nine Weeks Ended September 24, 2017	Change from Thirty-Nine Weeks Ended September 25, 2016 Amount	Percent
	(In thousands, except percent data)		
United States	$ 6,803	$ 6,524	2,338.4 % (d)
U.K. and Europe	1,693	1,693	— % (e)
Mexico	—	—	— %
Total administrative restructuring charges	$ 8,496	$ 8,217	2,945.2 %

(a) SG&A expense incurred by our U.S. segment during the thirty-nine weeks ended September 24, 2017 increased $ 53.2 million , or 43.9% , from SG&A expense incurred by our U.S. segment during the thirty-nine weeks ended September 25, 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. segment. Expenses incurred by the acquired GNP business contributed $27.4 million, or 22.6 percentage points, to the overall increase in SG&A expenses. Expenses incurred by our existing U.S. segment contributed $25.8 million, or 21.3 percentage points, to the overall increase in SG&A expenses. SG&A expenses incurred by our existing U.S. segment increased primarily because of $14.0 million in transaction costs related to the Moy Park acquisition, a $4.8 million increase in allocated costs charged for administrative functions shared with JBS USA Food Company, a $2.8 million increase in legal fees and a $2.1 million increase in advertising and promotion expenses. Other factors affecting SG&A expense were individually immaterial.

(b) SG&A expense incurred by our U.K. and Europe segment during the thirty-nine weeks ended September 24, 2017 decreased $1.5 million, or 1.7%, from SG&A expense incurred by our U.K. and Europe segment during the thirty-nine weeks ended September 25, 2016 primarily because of a $2.3 million decrease in advertising expenses and a $2.2 million decrease in management fees paid to JBS S.A. that were partially offset by a $1.2 million increase in amortization expenses and a $1.3 million increase in miscellaneous income from sale of assets.

(c) SG&A expense incurred by our Mexico segment during the thirty-nine weeks ended September 24, 2017 increased $ 2.5 million , or 10.8% , from SG&A expense incurred by our Mexico segment during the thirty-nine weeks ended September 25, 2016 because of a $1.9 million increase in employee relations expenses and a $1.4 million increase advertising and promotion expenses that were partially offset by a $0.8 million decrease in contract service expenses. Other factors affecting SG&A expense were individually immaterial.

(d) Administrative restructuring charges incurred by the U.S. segment during the thirty-nine weeks ended September 24, 2017 included a $3.5 million impairment of the aggregate carrying amount of an asset group held for sale in Alabama, $2.6 million in severance costs related to the GNP acquisition and the elimination of prepaid costs totaling $0.7 million related to obsolete software assumed in the GNP acquisition,

(e) Administrative restructuring charges incurred by the U.K. and Europe segment during the thirty-nine weeks ended September 24, 2017 included a $1.7 million impairment of property in Dublin, Ireland.

Net interest expense. Net interest expense increased 11.1% to $62.8 million recognized in the thirty-nine weeks ended September 24, 2017 from $ 56.5 million million recognized in the thirty-nine weeks ended September 25, 2016 primarily because of an increase in average borrowings compared to the same period in the prior year. Average borrowings increased from $1.5 billion in the thirty-nine weeks ended September 25, 2016 to $1.8 billion in the thirty-nine weeks ended September 24, 2017 due to increased borrowings necessary to fund the GNP acquisition. The weighted average interest rate increased from 4.4% in the thirty-nine weeks ended September 25, 2016 to 4.5% in the thirty-nine weeks ended September 24, 2017 .

Income taxes. Income tax expense increased to $278.0 million, a 32.2% effective tax rate, for the thirty-nine weeks ended September 24, 2017 compared to income tax expense of $203.0 million, a 34.0% effective tax rate, for the thirty-nine weeks ended September 25, 2016 . The increase in income tax expense in 2017 resulted primarily from an increase in pre-tax income.

Liquidity and Capital Resources

The following table presents our available sources of liquidity as of September 24, 2017 :

Source of Liquidity	Facility Amount	Amount Outstanding	Amount Available	
		(In millions)		
Cash and cash equivalents			$ 401.8	
Borrowing arrangements:				
U.S. Credit Facility	$ 750.0	$ 73.3	631.9	(a)
Mexico Credit Facility [b]	84.5	84.5	—	(b)
U.K. and Europe Credit Facilities [c]	122.8	13.9	108.9	

(a) Availability under the U.S. Credit Facility (as described below) is also reduced by our outstanding standby letters of credit. Standby letters of credit outstanding at September 24, 2017 totaled $44.8 million.

(b) As of September 24, 2017 , the U.S. dollar-equivalent of the amount available under the Mexico Credit Facility (as described below) was $5,636. The Mexico Credit Facility provides for a loan commitment of $1.5 billion Mexican pesos.

(c) As of September 24, 2017 , the U.S. dollar-equivalent of the amount available under the U.K. and Europe Credit Facilities (as described below) was $108.9 million. The U.K. and Europe Credit Facilities provide for loan commitments of £45.0 million (or $60.1 million U.S. dollar equivalent), £20.0 million (or $26.8 million U.S. dollar equivalent) and €30.0 million (or $35.7 million U.S. dollar equivalent).

Long-Term Debt and Other Borrowing Arrangements

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 (the “Senior Notes due 2025”). The Company used the net proceeds from the sale of the Senior Notes due 2025 to repay $350.0 million and $150.0 million of the term loan indebtedness under the U.S. Credit Facility (defined below) on March 12, 2015 and April 22, 2015, respectively. On September 29, 2017, the Company completed an add-on offering of $250.0 million of the Senior Notes due 2025 (the “Additional Senior Notes due 2025”). The Additional Senior Notes due 2025 will be treated as a single class with the existing Senior Notes due 2025 for all purposes under the 2015 Indenture (defined below) and will have the same terms as those of the existing Senior Notes due 2025. The Additional Senior Notes due 2025 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.

The Senior Notes due 2025 and the Additional 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 and the Additional 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 and March, 15 2018 for the Additional Senior Notes due 2025. The Senior Notes due 2025 and the Additional Senior Notes due 2025 are 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 Additional Senior Notes due 2025. The Senior Notes due 2025 and the Additional Senior Notes due 2025 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 and the Additional Senior Notes due 2025 and the 2015 Indenture also contain customary covenants and events of default, including failure to pay principal or interest on the Senior Notes due 2025 and the Additional Senior Notes due 2025 when due, among others.

On September 29, 2017, the Company completed a sale of $600.0 million aggregate principal amount of its 5.875% senior notes due 2027 (the “Senior Notes due 2027”). The Company used the net proceeds from the sale of the Senior Notes due 2027 to repay in full the JBS S.A. Promissory Note (defined below) issued as part of the Moy Park acquisition. The Senior Notes due 2027 were sold to qualified institutional buyers pursuant to Rule 144A under the Securities Act, and outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act.

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. The Senior Notes due 2027 are 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 2027. 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 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 2027 when due, among others.

Moy Park Senior Notes

On May 29, 2014, Moy Park (Bondco) Plc completed the sale of a £ 200.0 million aggregate principal amount of its 6.25% senior notes due 2021 (the "Moy Park Notes"). On April 17, 2015, an add-on offering of £ 100.0 million of the Moy Park Notes (the "Additional Moy Park Notes") was completed. The Moy Park Notes and the Additional Moy Park Notes were sold to qualified institutional buyers pursuant to Rule 144A under the Securities Act, and outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act .

The Moy Park Notes and the Additional Moy Park Notes are governed by, and were issued pursuant to, an indenture dated as of May 29, 2014 by Moy Park (Bondco) Plc, as issuer, Moy Park Holdings (Europe) Limited, Moy Park (Newco) Limited, Moy Park Limited, O'Kane Poultry Limited, as guarantors, and The Bank of New York Mellon, as trustee (the "Moy Park Indenture"). The Moy Park Indenture provides, among other things, that the Moy Park Notes and the Additional Moy Park Notes bear interest at a rate of 6.25% per annum from the date of issuance until maturity, payable semiannually in cash in arrears, beginning on November 29, 2014 for the Moy Park Notes and May 28, 2015 for the Additional Moy Park Notes. The Moy Park Notes and the Additional Moy Park Notes are guaranteed by each of the subsidiary guarantors described above. The Moy Park Indenture contains customary covenants and events of default that may limit Moy Park (Bondco) Plc's ability and the ability of certain subsidiaries to incur additional debt, declare or pay dividends or make certain investments, among others.

On November 2, 2017, Moy Park (Bondco) Plc announced the final results of its previously announced tender offer to purchase for cash any and all of its issued and outstanding Moy Park Notes and Moy Park Additional Notes. As of November 2, 2017, £1,185,000 principal amount of Moy Park Notes and Moy Park Additional Notes had been validly tendered (and not validly withdrawn). Moy Park (Bondco) Plc has purchased all validly tendered (and not validly withdrawn) Moy Park Notes and Moy Park Additional Notes on or prior to November 2, 2017, with such settlement occurring on November 3, 2017.

U.S. Credit Facility

On May 8, 2017, the Company and certain of its subsidiaries entered into a Third Amended and Restated Credit Agreement (the "U.S. Credit Facility") with Coöperatieve Rabobank U.A., New York Branch ("Rabobank"), as administrative agent and collateral agent, and the other lenders party thereto. The U.S. Credit Facility provides for a revolving loan commitment of up to $750.0 million and a term loan commitment of up to $800.0 million (the "Term Loans"). The U.S. Credit Facility also 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 $1.0 billion , subject to the satisfaction of certain conditions, including obtaining the lenders' agreement to participate in the increase.

The revolving loan commitment under the U.S. Credit Facility matures on May 6, 2022. All principal on the Term Loans is due at maturity on May 6, 2022. 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 September 24, 2017 , the company had Term Loans outstanding totaling $790.0 million and the amount available for borrowing under the revolving loan commitment was $631.9 million . The Company had letters of credit of $44.8 million and borrowings of $73.3 million outstanding under the revolving loan commitment as of September 24, 2017 .

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 1.50% through September 24, 2017 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 0.50% through September 24, 2017 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 financial covenants and various other covenants that may adversely affect the Company's ability to, among other things, incur additional indebtedness, incur liens, pay dividends or make certain restricted payments, consummate certain assets sales, enter into certain transactions with JBS and the Company's other affiliates, merge, consolidate and/or sell or dispose of all or substantially all of our assets. 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 we may not incur capital expenditures in excess of $500.0 million in any fiscal year. The Company is currently in compliance with the covenants under the U.S. Credit Facility.

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 our company and its non-Mexico subsidiaries, (ii) 100% of the equity interests in our domestic subsidiaries, To-Ricos, Ltd. and To-Ricos Distribution, Ltd., and 65% of the equity interests in our direct foreign subsidiaries and (iii) substantially all of the assets of the Company and the guarantors under the U.S. Credit Facility.

Mexico Credit Facility

On September 27, 2016, certain of our Mexican subsidiaries entered into an unsecured credit agreement (the “Mexico Credit Facility”) with BBVA Bancomer, S.A. Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, as lender. The loan commitment under the Mexico Credit Facility was $ 1.5 billion Mexican pesos. Outstanding borrowings under the Mexico Credit Facility accrued interest at a rate equal to the Interbank Equilibrium Interest Rate plus 0.95% . The Mexico Credit Facility is scheduled to mature on September 27, 2019. As of September 24, 2017 , the U.S. dollar-equivalent loan commitment under the Mexico Credit Facility was $84.5 million , and there were $84.5 million outstanding borrowings under the Mexico Credit Facility that bear interest at a per annum rate of 8.33% . As of September 24, 2017 , the U.S. dollar-equivalent borrowing availability was less than $0.1 million.

U.K. and Europe Credit Facilities

Moy Park Multicurrency Revolving Facility Agreement

On March 19, 2015, Moy Park Holdings (Europe) Limited, a subsidiary of Granite Holdings Sàrl, and its subsidiaries, entered into an agreement with Barclays Bank plc which matures on March 19, 2018. The agreement provides for a multicurrency revolving loan commitment of up to £ 20.0 million . As of September 24, 2017 , the U.S. dollar-equivalent loan commitment under Moy Park multicurrency revolving facility was $26.8 million and there were $10.0 million outstanding borrowings. Outstanding borrowings under the facility bear interest at a per annum rate equal to LIBOR plus a margin determined by Company’s Net Debt to EBITDA ratio. The current margin stands at 2.5% . As of September 24, 2017 , the U.S. dollar-equivalent borrowing availability was $16.8 million .

The 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 assets 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 the Moy Park's assets.

Moy Park Receivables Finance Agreement

Moy Park Limited, a subsidiary of Granite Holdings Sàrl, entered into a £45.0 million receivables finance agreement on January 29, 2016 (the “Receivables Finance Agreement”), with Barclays Bank plc, which matures on January 29, 2020. As of September 24, 2017 , the U.S. dollar-equivalent loan commitment under the Receivables Finance Agreement was $60.3 million and there were no outstanding borrowings. Outstanding borrowings under the facility bear interest at a per annum rate equal to LIBOR plus 1.5% . The Receivables Finance Agreement includes an accordion feature that allows us, at any time, to increase the commitments by up to an additional £ 15.0 million (U.S. dollar-equivalent $20.1 million as of September 24, 2017), subject to the satisfaction of certain conditions.

The Receivables Finance Agreement 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 France Invoice Discounting Facility

In June 2009, Moy Park France Sàrl, a subsidiary of Granite Holdings Sàrl, entered into a €20.0 million invoice discounting facility with GE De Facto (the “Invoice Discounting Facility”). The facility limit was increased €10.0 million in September 2016 to €30.0 million . The Invoice Discounting Facility is payable on demand and the term is extended on an annual basis. The agreement can be terminated with three months’ notice. As of September 24, 2017 , the U.S. dollar-equivalent loan commitment under the Invoice Discounting Facility was $35.7 million and there were $3.9 million outstanding borrowings. As of September 24, 2017 , the U.S. dollar-equivalent borrowing availability was $31.8 million . Outstanding borrowings under the Invoice Discounting Facility bear interest at a per annum rate equal to EURIBOR plus a margin of 0.80% .

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.

JBS S.A. Promissory Note

On September 8, 2017, Onix Investments UK Ltd., a wholly owned subsidiary of Pilgrim's Pride Corporation, executed a subordinated promissory note payable to JBS S.A. (the "JBS S.A. Promissory Note") for £562.5 million , which had a maturity date of September 6, 2018. Interest on the outstanding principal balance of the JBS S.A. Promissory Note accrued at the rate per annum equal to (i) from and after November 8, 2017 and prior to January 7, 2018, 4.00% , (ii) from and after January 7, 2018 and prior to March 8, 2018, 6.00% and (iii) from and after March 8, 2018, 8.00% . The JBS S.A. Promissory Note was repaid in full on October 2, 2017 using the net proceeds from the sale of Senior Notes due 2027 and the Additional Senior Notes due 2025.

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 $11.0 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.

Historical Flow of Funds

Cash provided by operating activities was $618.5 million and $552.0 million for the thirty-nine weeks ended September 24, 2017 and September 25, 2016 , respectively. The increase in cash flows provided by operating activities was primarily a result of increased net income for the thirty-nine weeks ended September 24, 2017 as compared to the thirty-nine weeks ended September 25, 2016 and an increase in net operating assets of $209.8 million for the thirty-nine weeks ended September 24, 2017 as compared to an increase in net operating assets of $15.1 million for the thirty-nine weeks ended September 25, 2016 . The impact of net income and net operating assets movement on cash provided by operating activities was partially offset by increased net noncash expenses for the thirty-nine weeks ended September 24, 2017 as compared to the thirty-nine weeks ended September 25, 2016 .

Trade accounts and other receivables, including accounts receivable from related parties, increased $176.2 million , or 39.2% , to $625.8 million at September 24, 2017 from $449.6 million at December 25, 2016 . The change resulted primarily from an increase in sales generated in the two weeks ended September 24, 2017 as compared to sales generated in the two weeks ended December 25, 2016 and $67.6 million in increased receivables related to the GNP acquisition. Trade accounts and other receivables, including accounts receivable from related parties, increased $51.4 million, or 11.9%, to $482.9 million at September 25, 2016 from $431.5 million at December 27, 2015. The change resulted primarily from a increase in sales generated in the two weeks ended September 25, 2016 as compared to sales generated in the two weeks ended December 27, 2015.

Inventories increased $220.6 million , or 22.6% , to $1,196.2 million at September 24, 2017 from $975.6 million at December 25, 2016 . This change resulted primarily from an increase of $132.8 million for build up of freezer inventories, a $46.5 million increase in inventory related to the GNP acquisition and increased work-in-process inventories of $25.1 million. Inventories decreased $4.9 million, or 0.5%, to $968.4 million at September 25, 2016 from $973.3 million at December 27, 2015.

Prepaid expenses and other current assets increased $21.0 million , or 25.6% , to $102.9 million at September 24, 2017 from $81.9 million at December 25, 2016 . This increase resulted primarily from a $22.5 million net increase in value-added tax receivables. Prepaid expenses and other current assets decreased $5.6 million, or 5.2%, to $101.1 million at September 25, 2016 from $106.7 million at December 27, 2015. This change resulted primarily from a $6.1 million net decrease in value-added tax receivables and a $6.5 million decrease in prepaid workers compensation reserves, primarily offset by a $5.9 million increase in margin cash.

Accounts payable, including accounts payable to related parties, decreased $44.2 million , or 5.6% , to $750.6 million at September 24, 2017 from $794.8 million at December 25, 2016 . This change resulted primarily from a $46.9 million decrease in trade payables, partially offset by a $2.6 million increase in the payable to related parties. Accounts payable, including accounts payable to related parties, increased $8.8 million, or 1.2%, to $755.2 million at September 25, 2016 from $746.4 million at December 27, 2015. This change resulted primarily from a $4.1million increase in trade payables and a $4.7 million increase in the payables to related parties.

Accrued expenses and other current liabilities increased $69.5 million , or 20.0% , to $416.5 million at September 24, 2017 from $347.0 million at December 25, 2016 . This change resulted primarily from accrued expenses of $22.0 million related to the acquired GNP business, a $24.4 million increase in sales and marketing liabilities and a $20.5 million increase in contract services. Accrued expenses and other current liabilities decreased $17.4 million, or 4.7%, to $351.6 at September 25, 2016 from $369.0 million at December 27, 2015. This change resulted primarily from a $19.4 million decrease in incentive pay accruals.

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, increased by $186.8 million , or 65.7% , to a net liability position of $471.4 million at September 24, 2017 from a net liability position of $284.6 million at December 25, 2016. This change resulted primarily from tax expense recorded on our year-to-date income and the timing of estimated tax payments. Income taxes increased by $5.4 million, or 2.3%, to a net liability position of $239.1 million at September 25, 2016 from a net liability position of $233.6 million at December 27, 2015. This change resulted primarily from tax expense recorded on our year-to-date income and the timing of estimated tax payments.

Net noncash expenses totaled $244.0 million and $172.4 million for the thirty-nine weeks ended September 24, 2017 and September 25, 2016 , respectively. Net noncash expenses for the thirty-nine weeks ended September 24, 2017 included depreciation and amortization expense of $204.6 million , deferred income tax expense of $25.8 million and other net noncash expenses totaling $13.6 million . Net noncash expenses for the thirty-nine weeks ended September 25, 2016 included depreciation and amortization expense of $174.1 million , a net gain on property disposals of $7.3 million and other net noncash expenses totaling $5.6 million .

Cash used in investing activities was $914.3 million and $208.1 million for the thirty-nine weeks ended September 24, 2017 and September 25, 2016 , respectively. The increase was primarily attributable to funding of the GNP and Moy Park acquisitions and an increase in capital spending. Cash of $357.2 million and $301.3 million was used to acquire GNP and Moy Park, respectively, net of cash acquired, during the thirty-nine weeks ended September 24, 2017 . Capital expenditures totaled $258.4 million and $221.0 million in the thirty-nine weeks ended September 24, 2017 and September 25, 2016 , respectively. Capital expenditures increased by $37.3 million primarily because of the number of projects that were active during the thirty-nine weeks ended weeks ended September 24, 2017 as compared to the thirty-nine weeks ended September 25, 2016 . Capital expenditures for 2017 cannot exceed $500.0 million under the U.S. Credit Facility. Cash proceeds from property disposals in the thirty-nine weeks ended September 24, 2017 and September 25, 2016 were $2.6 million and $13.0 million , respectively.

Cash provided by financing activities was $389.8 million and cash used in financing activities was $743.4 million in the thirty-nine weeks ended September 24, 2017 and September 25, 2016 , respectively. During the thirty-nine weeks ended September 24, 2017 , cash of $609.7 million was used for payments on our revolving lines of credit and capital lease obligations, cash of $14.6 million was used to purchase common stock under the share repurchase program and cash of $4.6 million was used to pay capitalized loan costs. During the thirty-nine weeks ended September 24, 2017 , cash of $1.0 billion , including $272.0 million used to purchase GNP, was provided through our revolving lines of credit and cash of $5.0 million was provided from a tax sharing agreement with JBS USA Holdings. During the thirty-nine weeks ended September 25, 2016 , cash of $715.7 million was used to fund a special cash dividend, cash of $504.1 million was used for payments on our revolving lines of credit and capital lease obligations, cash of $65.6 million was used for payments on a current note payable to bank, cash of $20.3 million was used to purchase common stock under the share repurchase program and cash of $0.7 million was used to pay capitalized loan costs. During the thirty-nine weeks ended September 24, 2017 , cash of $515.3 million was provided through our revolving lines of credit and cash of $36.8 million was provided through a current note payable.

Contractual Obligations

Contractual obligations at September 24, 2017 were as follows:

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)]	$ 2,618,378	$ 809,734	$ 164,987	$ 1,143,657	$ 500,000
Interest [(c)]	431,220	83,945	155,926	119,474	71,875
Capital leases	10,803	5,780	4,999	24	—
Operating leases	230,887	50,444	78,295	51,915	50,233
Derivative liabilities	4,169	4,169	—	—	—
Purchase obligations [(d)]	122,505	122,505	—	—	—
Total	$ 3,417,962	$ 1,076,577	$ 404,207	$ 1,315,070	$ 622,108

(a) The total amount of unrecognized tax benefits at September 24, 2017 was $15.9 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 $44.8 million in letters of credit outstanding related to normal business transactions. Included in the long-term debt maturing in less than one year is the $753.8 million JBS S.A. Promissory Note, which was paid off on October 2, 2017 using the net proceeds from the sale of Senior Notes due 2027 on September 29, 2017 and the $250.0 million add-on to existing Senior Notes.

(c) Interest expense in the table above assumes the continuation of interest rates and outstanding borrowings as of September 24, 2017 .

(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.

W e expect cash flows from operations, combined with availability under the U.S. Credit Facility, 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.

On September 29, 2017, the Company completed an offering of $250.0 million Additional Senior Notes due 2025 and a sale of $600.0 million aggregate principal amount of the Senior Notes due 2027. The Company used the net proceeds from the sale of the Additional Senior Notes due 2025 and the Senior Notes due 2027 to repay in full the JBS S.A. Promissory Note issued as part of the Moy Park acquisition. See “Note 11. Long-Term Debt and Other Borrowing Arrangements” for additional information.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued new accounting guidance on revenue recognition, which provides for a single five-step model to be applied to all revenue contracts with customers.

In July 2015, the FASB issued new accounting guidance on the subsequent measurement of inventory, which, in an effort to simplify unnecessarily complicated accounting guidance that can result in several potential outcomes, requires an entity to measure inventory at the lower of cost or net realizable value.

In February 2016, the FASB issued new accounting guidance on lease arrangements, which requires an entity that is a lessee to recognize the assets and liabilities arising from leases on the balance sheet.

In March 2016, the FASB issued new accounting guidance on employee share-based payments, which requires an entity to amend accounting and reporting methodology for areas such as the income tax consequences of share-based payments, classification of share-based awards as either equity or liabilities, and classification of share-based payment transactions in the statement of cash flows.

In June 2016, the FASB issued new accounting guidance on the measurement of credit losses on financial instruments, which 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.

In November 2016, the FASB issued new accounting guidance on the classification and presentation of restricted cash in the statement of cash flows in order to eliminate the discrepancies that currently exist in how companies present these changes.

In March 2017, the FASB issued new accounting guidance on the presentation of net periodic pension cost and net periodic postretirement benefit cost, which requires the service cost component of 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.

In August 2017, the FASB issued 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.

See "Note 1. Description of Business and Basis of Presentation" of our Condensed Consolidated and Combined Financial Statements included in this quarterly report for additional information relating to these new accounting pronouncements.

Critical Accounting Policies

During the thirteen weeks ended September 24, 2017 , (i) we did not change any of our existing critical accounting policies, (ii) no existing accounting policies became critical accounting policies because of an increase in the materiality of associated transactions or changes in the circumstances to which associated judgments and estimates relate and (iii) there were no significant changes in the manner in which critical accounting policies were applied or in which related judgments and estimates were developed.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

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 and soybean meal, 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 September 24, 2017 . However, fluctuations greater than 10.0% could occur. Based on our feed consumption during the thirteen weeks ended September 24, 2017 , such a change would have resulted in a change to cost of sales of approximately $108.7 million , excluding the impact of any feed ingredients derivative financial instruments in that period. A 10.0% change in ending feed ingredient inventories at September 24, 2017 would be $12.1 million , excluding any potential impact on the production costs of our chicken inventories.

The Company purchases 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% change in corn, soybean meal and soybean oil prices on September 24, 2017 would have resulted in a change of approximately $0.4 million in the fair value of our net commodity derivative asset position, including margin cash, as of that date.

Interest Rates

Our variable-rate debt instruments represent approximately 36.1% of our total debt at September 24, 2017 . Holding other variables constant, including levels of indebtedness, an increase in interest rates of 25 basis points would have increased our interest expense by $0.6 million for the thirteen weeks ended September 24, 2017 .

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 hypoth etical 10.0% decrease in interest rates would have decreased the fair value of our fixed-rate debt by approximately $5.4 million as of September 24, 2017 .

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 segment.

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 gains, representing the change in the U.S. dollar value of the net monetary assets of our Mexican subsidiaries denominated in Mexican pesos, were a gain of $1.2 million and a loss of $4.1 million in the thirteen weeks ended September 24, 2017 and September 25, 2016 , respectively. Foreign currency exchange gains, representing the change in the U.S. dollar value of the net monetary assets of our Mexican subsidiaries denominated in Mexican pesos, were a gain of $2.4 million and a gain of $0.8 million in the thirty-nine weeks ended September 24, 2017 and September 25, 2016 , respectively. The average exchange rates for the thirteen weeks ended September 24, 2017 and September 25, 2016 were 17.81 Mexican pesos to 1 U.S. dollar and 18.73 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 September 24, 2017 and September 25, 2016 . However, fluctuations greater than 10.0% could occur. Based on the net monetary asset position of our Mexico segment at September 24, 2017 , such a change would have resulted in a decrease in foreign currency transaction gains recognized in the thirteen weeks ended September 24, 2017 of approximately $2.0 million. Based on the net monetary asset position of our Mexico segment at September 25, 2016 , such a change would have resulted in a decrease in foreign currency transaction gains recognized in the thirteen weeks ended September 25, 2016 of approximately $1.1 million. 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 September 24, 2017, our U.K. and Europe segment had net equity of approximately $617.7 million, or 35.2% of total net equity, 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 cause a reduction of $61.8 million to our net equity.

At September 24, 2017, we had foreign currency forward contracts, which were designated and qualify as cash flow hedges, with an aggregate notional amount of $22.7 million 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 result in a $2.3 million negative change in our cash flows on settlement. 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., Europe (including the U.K.) 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.

Forward Looking Statements

Certain written and oral statements made by our Company and subsidiaries of our Company may constitute “forward-looking statements” as defined under the Private Securities Litigation Reform Act of 1995. This includes statements made herein, in our other filings with the SEC, in press releases, and in certain other oral and written presentations. Statements of our intentions, beliefs, expectations or predictions for the future, denoted by the words “anticipate,” “believe,” “estimate,” “expect,” “project,” “plan,” “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 the following:

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

- Our ability to obtain and maintain commercially reasonable terms with vendors and service providers;
- Our ability to maintain contracts that are critical to our operations;
- Our ability to retain management and other key individuals;
- Outbreaks of avian influenza or other diseases, either in our own flocks or elsewhere, affecting our ability to conduct our operations and/or demand for our poultry products;
- Contamination of our products, which has previously and can in the future lead to product liability claims and product recalls;
- Exposure to risks related to product liability, product recalls, property damage and injuries to persons, for which insurance coverage is expensive, limited and potentially inadequate;
- Changes in laws or regulations affecting our operations or the application thereof;
- Our ability to ensure that our directors, officers, employees, agents, third-party intermediaries and the companies to which we outsource certain of our business operations will comply with anti-corruption laws or other laws governing the conduct of business with government entities;
- New immigration legislation or increased enforcement efforts in connection with existing immigration legislation that cause our costs of business to increase, cause us to change the way in which we do business or otherwise disrupt our operations;
- Competitive factors and pricing pressures or the loss of one or more of our largest customers;
- Inability to consummate, or effectively integrate, any acquisition, including the acquisitions of Moy Park and GNP, or to realize the associated anticipated cost savings and operating synergies;
- Currency exchange rate fluctuations, trade barriers, exchange controls, expropriation and other risks associated with foreign segments;
- Restrictions imposed by, and as a result of, Pilgrim's Pride's leverage;
- Disruptions in international markets and distribution channels;
- Our ability to maintain favorable labor relations with our employees and our compliance with labor laws;
- Extreme weather or natural disasters;
- The impact of uncertainties in litigation; and
- Other risks described herein and under “Risk Factors” in our annual report on Form 10-K for the year ended December 25, 2016 as filed with the SEC.

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 to information contained in previous filings or communications. Although we have attempted to list comprehensively these important cautionary risk factors, we must caution investors and others that other factors may in the future prove to be important and affect our business or results of operations.

ITEM 4. 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 September 24, 2017 , 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 thirteen weeks ended September 24, 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's evaluation of internal control over financial reporting did not include the internal control of GNP, which the Company acquired in the first quarter of 2017. The amount of total assets and revenue of GNP included in our Condensed Consolidated and Combined Financial Statements as of and for the thirty-nine weeks ended September 24, 2017 was $428.4 million and $322.4 million , respectively. Also, our evaluation of internal control over financial reporting did not include the internal control of Moy Park, which the Company acquired in the third quarter of 2017. The amount of total assets and revenue of Moy Park included in our Condensed Consolidated and Combined Financial Statements as of and for the thirty-nine weeks ended September 24, 2017 was $2.2 billion and $1.5 billion , respectively.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Tax Claims and Proceedings

In 2009, the IRS asserted claims against PPC totaling $74.7 million. PPC entered into two stipulations of Settled Issues agreements with the IRS (the "Stipulations") on December 12, 2012 that accounted for approximately $29.3 million of the claims and should result in no additional tax due. PPC is currently working with the IRS to finalize the complete tax calculations associated with the Stipulations.

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 brought 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, 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. The plaintiffs have filed three consolidated amended complaints: one on behalf of direct purchasers and two on behalf of distinct groups of indirect purchasers. The defendants (including PPC) moved to dismiss all complaints on January 27, 2017, which are fully briefed and a ruling by the court is pending.

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 4, 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, as well as stating that PPC's industry was anticompetitive. On April 4, 2017, the court appointed another stockholder, George James Fuller, as lead plaintiff. On April 26, 2017, the court set a briefing schedule for the filing an amended complaint and the defendants' motion to dismiss. On May 11, 2017, Plaintiff filed an amended complaint, which extended the end date of the putative class period to November 17, 2016. Defendants moved to dismiss on June 12, 2017, and Plaintiff filed its opposition on July 12, 2017. Defendants filed their reply on August 1, 2017. The Court's decision on the motion is currently pending.

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 defendants (including PPC) moved to dismiss the consolidated amended complaint on September 9, 2017. Briefing on the motions will be complete on November 22, 2017, and a hearing on the motions has been scheduled for January 19, 2018. In addition, on August 29, 2017, PPC filed a Motion to Enforce Confirmation Order Against Growers in the U.S. Bankruptcy Court in the Eastern District of Texas (*In re Pilgrim's Pride Corporation* , Case No. 08-45664 (DML) seeking an order enjoining the Grower Plaintiffs from pursuing the class action against PPC. A hearing on this motion was held October 12, 2017. The Court's decision on the motion is currently pending.

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.

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

We are also subject to various legal proceedings and claims which arise in the ordinary course of business. In our opinion, we have 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.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this quarterly report, you should carefully consider the risks discussed in our annual report on Form 10-K for the year ended December 25, 2016, including under the heading "Item 1A. Risk Factors", which, along with risks disclosed in this report, are risks we believe could materially affect the Company's business, financial condition or future results. These risks are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that it currently deems to be immaterial also may materially adversely affect the Company's business, financial condition or future results. The following risk factors either update or supplement those contained in our annual report on Form 10-K for the year ended December 25, 2016:

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

We intend to pursue additional selected growth opportunities in the future. These opportunities, including the Moy Park acquisition and the GNP 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 and the GNP 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.

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 are conducted through subsidiaries organized under the laws of Mexico. Claims of creditors of our subsidiaries, including trade creditors, will generally have priority as to the assets of our subsidiaries over our claims. Additionally, the ability of our Mexican subsidiaries to make payments and distributions to us may be limited by the terms of our Mexico Credit Facility and will be subject to, among other things, Mexican law. In the past, these laws have not had a material adverse effect on the ability of our Mexican subsidiaries to make these payments and distributions. However, laws such as these may have a material adverse effect on the ability of our Mexican subsidiaries to make these payments and distributions in the future.

The terms of the Moy Park Indenture 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. These restrictions may have a material adverse effect on Moy Park's ability to make these payments and distributions in the future.

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 the companies controlled by J&F, the "J&F Group") (including two former directors of the Company), a company organized in Brazil and an indirect controlling stockholder of the Company, entered into plea bargain agreements (the "Plea Bargain Agreements") with the Brazilian Federal Prosecutor's Office (*Ministério Público Federal*) ("MPF") in connection with certain illicit conduct involving improper payments made to Brazilian politicians, government officials and other individuals in Brazil committed by or on behalf of J&F and certain J&F Group companies. The details of such illicit conduct are set forth in separate annexes to the Plea Bargain Agreements, and include admissions of improper payments to politicians and political parties in Brazil over the last 10 years in exchange for receiving, or attempting to receive, favorable treatment for certain J&F Group companies in Brazil.

Pursuant to the terms of the Plea Bargain Agreements, the MPF agreed to grant immunity to the officers in exchange for such officers agreeing, among other considerations, to: (1) pay fines totaling R$225.0 million; (2) cooperate with the MPF, including providing supporting evidence of the illicit conduct identified in the annexes to the Plea Bargain Agreements; and (3) present any previously undisclosed illicit conduct within 120 days following the execution of the Plea Bargain Agreements as long as the description of such conduct had not been omitted in bad faith. In addition, the Plea Bargain Agreements provide that the MPF may terminate any Plea Bargain Agreement and request that the Supreme Court of Brazil (*Supremo Tribunal Federal*) ("STF") ratify such termination if any illicit conduct is identified that was not included in the annexes to the Plea Bargain Agreements.

On June 5, 2017, J&F, in its role as the controlling shareholder of the J&F Group, 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 R$10.3 billion, adjusted for inflation, over a 25-year period. In exchange, the MPF agreed not to initiate or propose any criminal, civil or administrative actions against J&F, the companies of the J&F Group or those officers of J&F with respect to such conduct. Pursuant to the terms of the Leniency Agreement, if the Plea Bargain Agreement is annulled by the STF, then the Leniency Agreement may also be terminated by the Fifth Chamber of Coordination and Reviews of the MPF or, solely with respect to the criminal related provisions of the Leniency Agreement, by the 10th Federal Court of the Federal District in Brasília, the authorities responsible for the ratification of the Leniency Agreement.

On August 24, 2017, the Fifth Chamber ratified the Leniency Agreement. On September 8, 2017, the 10th Federal Court ratified the Leniency Agreement. In compliance with the terms of the Leniency Agreement, J&F is conducting an internal investigation involving improper payments made in Brazil by or on behalf of J&F, certain companies of the J&F Group and certain officers of J&F (including two former directors of the Company). J&F has engaged outside advisors to assist it in conducting the investigation, including an assessment as to whether any of the misconduct disclosed to Brazilian authorities had any connection to the Company or Moy Park, or resulted in a violation of U.S. law. The internal investigation is ongoing and the Company is fully cooperating with J&F in connection with the investigation. We cannot predict when the investigation will be completed or the results of the investigation, including the outcome or impact of any government investigations or any resulting litigation.

On September 8, 2017, at the request of the MPF, the STF issued an order temporarily revoking the immunity from prosecution previously granted to Joesley Mendonça Batista and another executive of J&F in connection with the Plea Bargain Agreements. The MPF requested the revocation of their immunity following public disclosure of certain voice recordings involving them in which they discussed certain alleged illicit activities the MPF claims were not covered by the annexes to their respective Plea Bargain Agreements. On September 10, 2017, Joesley Mendonça Batista voluntarily turned himself into police in Brazil. On September 11, 2017, the 10th Federal Court suspended its ratification of the criminal provisions of the Leniency Agreement as a result of the STF's temporary revocation of Joesley Mendonça Batista immunity under his Plea Bargain Agreement. The provisions of the Leniency Agreement related to criminal conduct will remain suspended until the STF issues a final decision on the validity of the Plea Bargain Agreements.

We cannot predict whether the Plea Bargain Agreements will be upheld or terminated by the STF, and, if terminated, whether the Leniency Agreement will be also terminated by either the Fifth Chamber and/or the 10th Federal Court, and to what extent. If the Leniency Agreement is terminated, in whole or in part, as a result of any Plea Bargain Agreement being terminated, this may materially adversely affect the public perception or reputation of the J&F Group, including the Company, and could have a material adverse effect on the J&F Group's business, financial condition, results of operations and prospects. Furthermore, the termination of the Leniency Agreement may cause the termination of certain stabilization agreements entered into by JBS S.A.

and certain of its subsidiaries, which would permit the lenders of the debt that is the subject to the terms of the stabilization agreements to accelerate their debt, which could have a material adverse effect on JBS S.A. and its subsidiaries (including the Company).

Separately, Wesley Mendonça Batista (the former Chief Executive Officer of JBS S.A.) was arrested on September 13, 2017, as a result of a separate investigation by Brazil's federal police alleging that Joesley Mendonça Batista and Wesley Mendonça Batista carried out insider trading transactions involving the sale of shares of JBS S.A. and foreign exchange futures contracts prior to the announcement of the Plea Bargain Agreements. The Securities and Exchange Commission of Brazil (*Comissão de Valores Mobiliários*) is also investigating these insider trading transactions. On September 21, 2017, the Brazilian federal police formally requested that the federal prosecutor bring charges against Joesley Mendonça Batista and Wesley Mendonça Batista as a result of this investigation. These investigations, possible indictments and any further developments in this matter 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).

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.

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

On a consolidated basis, as of September 24, 2017, we had approximately $1.6 billion in secured indebtedness, $991.0 million of unsecured indebtedness and had the ability to borrow approximately $744.8 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 and any other financing arrangements;
- 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.

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 acquisitions of GNP and Moy Park were structured as a stock purchase in which we effectively assumed all of the liabilities of GNP and Moy Park, respectively, including liabilities that may be unknown. Such unknown obligations and liabilities could harm our financial condition and operating results.

The vote by the U.K. electorate in favor of having the U.K. exit the European Union could adversely impact our business, results of operations and financial condition.

In a referendum held in the United Kingdom on June 23, 2016, a majority of those voting voted for the United Kingdom to leave the European Union (referred to as “Brexit”). For now, the United Kingdom remains a member of the European Union and there will not be any immediate change in either European Union or U.K. law as a consequence of the vote. European Union law does not govern contracts and the United Kingdom is not part of the European Union’s monetary union. However, Brexit vote signals the beginning of a lengthy process under which the terms of the United Kingdom’s withdrawal from, and future relationship with, the European Union will be negotiated and legislation to implement the United Kingdom’s withdrawal from the European Union will be enacted. The ultimate impact of Brexit vote will depend on the terms that are negotiated in relation to the United Kingdom’s future relationship with the European Union. Although the timetable for U.K. withdrawal is not at all clear at this stage, it is likely that the withdrawal of the United Kingdom from the European Union will take more than two years to be negotiated and conclude.

Brexit could impair our ability to transact business in the United Kingdom and in countries in the European Union. Brexit has already and could continue to adversely affect European and/or worldwide economic and market conditions and could continue to contribute to instability in the global financial markets. The long-term effects of Brexit will depend in part on any agreements the United Kingdom makes to retain access to markets in the European Union following the United Kingdom’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 United Kingdom determines which European Union laws to replicate or replace. If the United Kingdom 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 United Kingdom is unable to secure replacement trade agreements and arrangements on terms as favorable as those currently enjoyed by the United Kingdom. Any of the effects of Brexit could adversely affect our business, business opportunities, results of operations, financial condition and cash flows.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On July 28, 2015, our Board of Directors approved a $150.0 million share repurchase authorization. We plan 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 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 and an extension of the expiration to February 9, 2017. On February 8, 2017, the Company's Board of Directors further extended the program expiration to August 9, 2017. The extent to which we repurchase our shares and the timing of such repurchases will vary and depend upon market conditions and other corporate considerations, as determined by our management team. We reserve the right to limit or terminate the repurchase program at any time without notice. As of September 24, 2017 , we had repurchased 11,415,373 shares under this program with a market value at the time of purchase of approximately $231.8 million . Set forth below is information regarding our stock repurchases for the thirteen weeks ended September 24, 2017 .

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
June 26, 2017 through July 23, 2017	—	$ —	—	$ 72,913,018
July 24, 2017 through August 27, 2017	—	—	—	72,913,018
August 28, 2017 through September 24, 2017	—	—	—	72,913,018
Total	—	$ —	—	$ 72,913,018

ITEM 6. EXHIBITS

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 Pilgrim's Pride Corporation (incorporated by reference from Exhibit 2.1 to 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 Pilgrim's Pride Corporation, as amended.*
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, as amended (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 4.1 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).
10.1	First Amendment to Third Amended and Restated Credit Agreement dated September 6, 2017 among Pilgrim's Pride Corporation, 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 to the Company's current report on Form 8-K (No. 001-09273) filed on September 11, 2017).
10.2	Seller Note, dated as of September 8, 2017 among Pilgrim's Pride Corporation, JBS S.A. and Onix Investments UK Limited (incorporated by reference from Exhibit 10.2 to the Company's current report on Form 8-K (No. 001-09273) filed on September 11, 2017).
12	Ratio of Earnings to Fixed Charges for the thirteen weeks ended September 24, 2017 and September 25, 2016.*
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 pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of Principal Financial Officer 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.

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: November 7, 2017

/s/ Fabio Sandri

Fabio Sandri
Chief Financial Officer
(Principal Financial Officer, Chief Accounting Officer and Duly Authorized Officer)

Exhibit 3.2

*** * * * ***

AMENDED AND RESTATED CORPORATE BYLAWS

OF

PILGRIM'S PRIDE CORPORATION

(A Delaware corporation)

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AMENDED AND RESTATED
CORPORATE BYLAWS

OF

PILGRIM'S PRIDE CORPORATION
(a Delaware Corporation)

ARTICLE 1

NAME AND OFFICES

1.1 Name . The name of the Corporation is PILGRIM'S PRIDE CORPORATION, hereinafter referred to as the "Corporation."

1.2 Registered Office and Agent . The Corporation shall establish, designate and continuously maintain a registered office and agent in the State of Delaware.

1.3 Other Offices . The Corporation may also have offices at such other places within and without the State of Delaware as the Board of Directors may, from time to time, determine the business of the Corporation may require.

ARTICLE 2

STOCKHOLDERS

2.1 Place of Meetings . Each meeting of the stockholders of the Corporation is to be held at the principal offices of the Corporation or at such other place, either within or without the State of Delaware, as may be specified in the notice of the meeting or in a duly executed waiver of notice thereof.

2.2 Annual Meetings . An annual meeting of stockholders of the Corporation shall be held each calendar year on such date and at such time as shall be designated from time to time by the Board of Directors, which date shall be within thirteen (13) months of the last annual meeting of stockholders, and stated in the notice of the meeting or in a duly executed waiver of notice of such meeting. At such meeting, the stockholders shall elect directors (each, a "Director") and transact such other business as may properly be brought before the meeting.

2.3 Special Meetings. Special meetings of stockholders of the Corporation may be called only by the Chairman of the Board, the Chief Executive Officer, the President, the affirmative vote of a majority of the Whole Board or, as provided in Section 3.10(f), the Equity Nominating Committee. The notice of a special meeting shall state the purpose or purposes of the proposed meeting and the business to be transacted at any such special meeting of stockholders, and shall be limited to the purposes stated in the notice therefor.

2.4 Notice. Written or printed notice of the meeting stating the place, if any, day and hour of the meeting, and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder of record entitled to vote at such meeting as determined in accordance with the provisions of Section 2.10 hereof, except as otherwise provided herein or required by law (meaning, here and hereinafter, as required from time to time by the Delaware General Corporation Law or the Certificate of Incorporation). If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail, with postage thereon prepaid, addressed to the stockholder entitled thereto at his address as it appears on the stock records of the Corporation.

2.5 Voting List. The officer having charge and custody of the stock records of the Corporation shall prepare, at least ten (10) days before each meeting of stockholders, a complete list of the stockholders entitled to vote at such meeting, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder; *provided* , *however* , if the record date for determining the stockholders entitled to vote is less than ten (10) days before the meeting date, the list shall reflect the stockholders entitled to vote as of the tenth (10^{th}) day before the meeting date. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of not less than ten (10) days prior to such meeting at the principal office of the Corporation. If the meeting is to be held at a place, such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any stockholder during the entire time of the meeting. The original stock records shall be the only evidence as to identity of the stockholders entitled to examine such list and to vote at any such meeting of the stockholders.

2.6 Quorum . The holders of a majority of the combined voting power of the capital stock issued and outstanding and entitled to vote thereat, represented in person or by proxy, shall be requisite and shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise required by law, the Certificate of Incorporation or these Bylaws. If, however, such quorum shall not be present or represented at any such meeting of the stockholders, (I) holders of a majority of the combined voting power of the capital stock entitled to vote thereat, present in person, or represented by proxy, or (I) the chairman of the meeting shall have the power to adjourn the meeting, from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the reconvened meeting, a notice of said meeting shall be given to each stockholder entitled to vote at said meeting. At any adjourned meeting, any business may be transacted which might have been transacted at the meeting as originally notified.

2.7 Requisite Vote. If a quorum is present at any meeting, the affirmative vote of the holders of a majority of the total outstanding voting power of capital stock, present in person or represented by proxy, shall determine any question brought before such meeting, unless the question is one upon which, by express provision of the Certificate of Incorporation or of these Bylaws, a different vote shall be required, in which case such express provision shall govern and control the determination of such question.

2.8 Withdrawal of Quorum. If a quorum is present at the time of commencement of any meeting, the stockholders present at such duly convened meeting may continue to transact any business which may properly come before said meeting until adjournment thereof, notwithstanding the withdrawal from such meeting of sufficient holders of the shares of capital stock entitled to vote thereat to leave less than a quorum remaining.

2.9 Voting at Meeting. Voting at meetings of stockholders shall be conducted and exercised subject to the following procedures and regulations:

(a) Voting Power. In the exercise of voting power with respect to each matter properly submitted to a vote at any meeting of stockholders, each holder of the capital stock of the Corporation having voting power shall be entitled to such number of votes as shall be specified in the Certificate of Incorporation.

(b) Exercise of Voting Power; Proxies. Each stockholder entitled to vote at a meeting may vote either in person or authorize another person or persons to act for him by proxy duly appointed by instrument in writing or by transmission permitted by law; *provided*, *however*, no such appointment of proxy shall be valid, voted or acted upon after the expiration of three (3) years from the date of such proxy, unless otherwise stated therein. A proxy shall be revocable unless expressly designated therein as irrevocable and coupled with an interest. Proxies coupled with an interest include the appointment as proxy of: (i) a pledgee; (ii) a person who purchased or agreed to purchase or owns or holds an option to purchase the shares voted; (iii) a creditor of the Corporation who extended its credit under terms requiring the appointment; (iv) an employee of the Corporation whose employment contract requires the appointment; or (v) a party to a voting agreement created under Section 218 of the Delaware General Corporation Law. Each proxy shall be filed with the Secretary of the Corporation prior to or at the time of the meeting. Any vote may be taken by voice vote or by show of hands unless someone entitled to vote at the meeting objects, in which case written ballots shall be used.

(c) Election of Directors . In all elections of Directors, cumulative voting shall be prohibited.

2.10 Record Date . A record date shall be fixed or determined in the following manner. In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, or to receive payment of any dividend or other distribution or allotment of any rights or to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may, except as otherwise required by law, fix a record date, which record date shall not precede the date on which the resolution fixing the record date is adopted and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of any meeting of stockholders, nor more than sixty (60) days prior to the time for such other action as hereinbefore described. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of and to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held, and, for determining stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the record date shall be at the close of business on the day on which the Board of Directors adopts a resolution relating thereto.

2.11 No Actions Without Meeting . Subject to the rights of the holders of any series of Preferred Stock, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

2.12 Stockholder Proposals . At the annual meeting of stockholders of the Corporation, only such business shall be conducted and only such proposals shall be acted upon as shall have been properly brought before such annual meeting. To be properly brought before an annual meeting, business or proposals must (i) be specified in the notice relating to the meeting (or any supplement thereto) given by or at the direction of the Board of Directors in accordance with these Bylaws or (ii) be properly brought before the meeting by a stockholder of the Corporation who (A) is a stockholder of record at the time of the giving of such stockholder's notice provided for herein, (B) shall be entitled to vote at the annual meeting and (C) complies with the requirements of this Section, and otherwise be proper subjects for stockholder action under the Delaware General Corporation Law and be properly introduced at the annual meeting. For a proposal to be properly brought before the annual meeting by a stockholder of the Corporation, in addition to any other applicable requirements, such stockholder must have given timely advance notice thereof in writing to the Secretary of the Corporation. To be timely, such stockholder's notice must be delivered to, or mailed and received at, the principal executive offices of the Corporation not less than 120 days nor more than 270 days prior to the scheduled annual meeting date, regardless of any postponements, deferrals or adjournments of such annual meeting to a later date. Any such stockholder's notice to the Secretary of the Corporation shall set forth as to each matter such stockholder proposes to bring before the annual meeting (i) a description of the proposal desired to be brought before the annual meeting, the reasons for conducting such business at the annual meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; (ii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is made, the name and address, as they appear on the Corporation's books, of such stockholder proposing such business, any other stockholders of the Corporation known by such stockholder to be in favor of such proposal and of any such beneficial owner; and (iii) the class and number of shares of capital stock of the Corporation owned of record and beneficially by such stockholder and any such beneficial holder on the date of such notice. The presiding officer of the meeting of stockholders of the Corporation shall determine whether the requirements of this Section have been met with respect to any stockholder proposal. If the presiding officer determines that any stockholder proposal was not made in accordance with the terms of this Section, he shall so declare at the meeting and any such proposal shall not be acted upon at the meeting.

At a special meeting of stockholders of the Corporation, only such business shall be conducted and only such proposals shall be acted upon as shall have been properly brought before such special meeting. To be properly brought before such a special meeting, business or proposals must (i) be specified in the notice relating to the meeting (or any supplement thereto) given by or at the direction of the Board of Directors in accordance with these Bylaws or (ii) constitute matters incident to the conduct of the meeting as the presiding officer of the meeting shall determine to be appropriate. In addition to the foregoing provisions of this Section, a stockholder of the Corporation shall also comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section.

ARTICLE 3

DIRECTORS

3.1 Management Powers. The powers of the Corporation shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be managed by or under the direction of, its Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute, the Certificate of Incorporation or these Bylaws directed or required to be exercised or done by the stockholders.

3.2 Number and Qualification. Subject to Section 3.3, the Board of Directors shall consist of nine (9) Directors.

3.3 Composition of the Board of Directors. The Board of Directors shall consist of six (6) JBS Directors, two (2) Equity Directors and one (1) Founder Director; *provided* that, if at any time the beneficial ownership by the JBS Stockholder of the issued and outstanding Common Stock as a percentage of the total issued and outstanding Common Stock changes to an amount set forth below, then there shall be the following changes in the composition of the Board of Directors:

% Owned by the JBS Stockholder	No. of JBS Directors	No. of Equity Directors	No. of Founder Directors
≥ 90%	8	0	1
≥ 80% but < 90%	7	1	1
≥ 50% but < 80%	6	2	1
≥ 40% but < 50%	5	3	1
≥ 35% but < 40%	4	4	1
> 10% but < 35%	3	5	1
≤ 10%	0	8	1

provided that, upon the occurrence of the Founder Triggering Event, there shall no longer be a Founder Director on the Board of Directors, and the number of Equity Directors on the Board of Directors as set forth above shall be increased by one (1); *provided further* that during the Exchange Period there shall be at least two (2) Equity Directors; *provided further* that, if applicable law or, at any time while the Corporation's equity securities are traded on an Exchange, the rules of such Exchange require a greater number or proportion of independent directors on the Board of Directors, then

(i) if the JBS Stockholder beneficially owns at least 50% of the issued and outstanding Common Stock, then, at the option of the JBS Nominating Committee, either (A) one or more of the then-existing JBS Directors who are not independent directors shall be replaced with one or more JBS Directors who are independent directors such that, after such replacement, the number or proportion of independent directors on the Board of Directors will comply with such requirement or (B) the number of Directors shall be increased by two (2) and the vacancies created by such increase shall be filled with persons designated by the JBS Nominating Committee who are independent directors such that the number or proportion of independent directors on the Board of Directors will comply with such requirement; or

(ii) if the JBS Stockholder beneficially owns less than 50% of the issued and outstanding Common Stock, then one or more of the then-existing JBS Directors who are not independent directors shall be replaced with one or more JBS Directors who are independent directors such that, after such replacement, the number or proportion of independent directors on the Board of Directors will comply with such requirement.

In the event that the size of the Board of Directors is expanded pursuant to this Section 3.3, no person shall be nominated or appointed as a Director if the Equity Nominating Committee reasonably determines that such person (A) is unethical or lacks integrity or (B) is a competitor or is affiliated with a competitor of the Corporation or any of its material subsidiaries. As used in these Bylaws, a Person shall be deemed the "beneficial owner" of, shall be deemed to have "beneficial ownership" of and shall be deemed to "beneficially own" any Common Stock which such Person or any of such Person's Affiliates is deemed to beneficially own, directly or indirectly, within the meaning of Rule 13d-3 of the Exchange Act; *provided*, *however*, that beneficial ownership by the JBS Stockholder will not include shares of Common Stock held by members of a "group" (as that term is used in Rule 13d-5 under the Exchange Act) other than JBS USA and its Affiliates.

3.4 Term of Office. At each annual meeting of stockholders, each Director elected to succeed a Director whose term expires shall be elected for a term of office to expire at the next annual meeting of stockholders after his election, with each Director to hold office until his successor shall have been duly elected and qualified or until the earlier of his death, resignation or removal in accordance with these Bylaws and the Certificate of Incorporation. The election of Directors need not be by written ballot and Directors need not be stockholders.

3.5 Voting on Directors. Directors shall be elected by the vote of the holders of a plurality of the combined voting power of the shares entitled to vote in the election of Directors and represented in person or by proxy at a meeting of stockholders at which a quorum is present. Cumulative voting in the election of Directors is expressly prohibited.

3.6 Vacancies. Subject to Section 3.3, any vacancy on the Board of Directors, howsoever resulting, shall be filled only by the affirmative vote of a majority of the remaining Directors then in office, even if less than a quorum, or by the sole remaining Director; *provided*, *however*, that (a) a vacancy in the directorship of a JBS Director may be filled only through the affirmative vote of a majority of Directors on the JBS Nominating Committee (defined below), even if less than a quorum, or by the sole remaining Director on the JBS Nominating Committee, or if no Directors remain on the JBS Nominating Committee, by the stockholders and (b) a vacancy created in the directorship of an Equity Director or a Founder Director may be filled only by the affirmative vote of a majority of Directors on the Equity Nominating Committee (defined below), even if less than a quorum, or by the sole remaining Director on the Equity Nominating Committee, or if no Directors remain on the Equity Nominating Committee, by the stockholders. The term of office of any Director elected to fill a vacancy shall expire at the next annual meeting of stockholders after his election, with each Director to hold office until his successor shall have been duly elected and qualified or until the earlier of his death, resignation or removal in accordance with the Certificate of Incorporation and these Bylaws.

3.7 Removal. Except as otherwise required by law, any Director, or the entire Board of Directors, may be removed either for or without cause at any duly convened special or annual meeting of stockholders by the affirmative vote of a majority of the combined voting power of the shares of the stockholders entitled to vote at an election of Directors voting together as a single class.

3.8 Meetings. The meetings of the Board of Directors shall be held and conducted subject to the following regulations:

(a) Place. Meetings of the Board of Directors, annual, regular or special, are to be held at the principal office or place of business of the Corporation, or such other place, either within or without the State of Delaware, as may be specified in the respective notices, or waivers of notice, thereof.

(b) Annual Meeting. The Board of Directors shall meet each year immediately after the annual meeting of the stockholders, at the place where such meeting of the stockholders has been held (either within or without the State of Delaware), for the purpose of organization, election of officers, and consideration of any other business that may properly be brought before the meeting. No notice of any kind to either old or new members of the Board of Directors for such annual meeting shall be required.

(c) Regular Meetings . Regular meetings of the Board of Directors may be held at such times as designated by resolution of the Board of Directors or written consent of all of the Directors.

(d) Special Meetings . Special meetings of the Board of Directors may be called by the Chairman of the Board of the Corporation by notice to each Director. Special meetings of the Board of Directors shall be called by the Chairman of the Board in like manner and on like notice on the written request of at least two (2) Directors.

(e) Notice and Waiver of Notice . Notice provided by mailing or express delivery service shall be mailed at least five (5) business days before the meeting and notice by hand delivery, faxing, or other electronic transmission shall be given not later than 48 hours before the meeting; *provided* , *however* , that the five (5) business day and 48 hour notice periods set forth above shall be increased to seven (7) business days and four (4) business days, respectively, with respect to any meeting held outside of the United States. Neither the business to be transacted at, nor the purpose of, any regular meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting. The transaction of all business at any meeting of the Board of Directors, however called or noticed, or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the Directors not present shall sign a written or electronic waiver of notice. All such waivers shall be filed with the corporate records or made a part of the minutes of the meeting.

(f) Quorum . At all meetings of the Board of Directors, a majority of the Whole Board shall constitute a quorum for the transaction of business, unless a greater number is required by law or by the Certificate of Incorporation. If a quorum shall not be present at any meeting of Directors, the Directors present thereat may adjourn the meeting, from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

(g) Requisite Vote . The act of a majority of the Directors present at any meeting at which a quorum is present shall be the act of the Board of Directors unless the act of a greater number of the Directors (or of a specific class of Directors) is required by statute, the Certificate of Incorporation or these Bylaws.

3.9 Action Without Meetings . Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted by law to be taken at any meeting of the Board of Directors, or any committee thereof, may be taken without a meeting, without prior notice and without a vote, if all members of the Board of Directors or of such committee, as the case may be, consent thereto in writing or by electronic transmission, and such writing or electronic transmission sets forth the action so taken and is filed in the minutes of the proceedings of the Board of Directors or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

3.10 Committees . Committees designated and appointed by the Board of Directors shall function subject to and in accordance with the following regulations and procedures:

(a) Designation and Appointment . Subject to the provisions of the Certificate of Incorporation and Section 3.10(f), the Board of Directors, by resolution adopted by a majority of the Whole Board, shall designate and appoint an Audit Committee and a Compensation Committee and may designate and appoint one or more other committees under such name or names and for such purpose or function as may be deemed appropriate.

(b) Members; Alternate Members; Terms . Each committee thus designated and appointed shall consist of one or more of the Directors of the Corporation, one of whom, in the case of any Executive Committee, shall be the Chief Executive Officer of the Corporation (so long as the Chief Executive Officer is also a Director). The Board of Directors may designate one or more of its members as alternate members of any committee, who may, subject to any limitations imposed by the Whole Board, replace absent or disqualified members at any meeting of that committee; *provided* , *however* , that any alternate member of the Equity Nominating Committee must be an Equity Director. The members or alternate members of any such committee shall serve at the pleasure of and subject to the discretion of the Board of Directors (other than members of the Equity Nominating Committee). Except for the JBS Nominating Committee, any committee designated or appointed by the Board of Directors shall have at least one Equity Director as a member thereof.

(c) Authority . Subject to the provisions of the Certificate of Incorporation and the other provisions of these Bylaws, each committee, to the extent provided in the resolution of the Board of Directors creating same, shall have and may exercise such of the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation as the Board of Directors may direct and delegate, except, however, those matters which are required by statute to be reserved unto or acted upon by the Whole Board, and except that no such committee shall have the power or authority in reference to (i) adopting or approving, or recommending to the stockholders of the Corporation, any action or matter (other than the election or removal of Directors) expressly required by the Delaware General Corporation Law to be submitted to the stockholders for approval, or (ii) adopting, amending or repealing any bylaw of the Corporation; *provided further* , that no such committee shall have the power or authority to approve any action described in Section 5.5 of the Certificate of Incorporation.

(d) Records. Each such committee shall keep and maintain regular records or minutes of its meetings and report the same to the Board of Directors when required.

(e) Change in Number. Subject to the provisions of Section 3.10(f), the number of members or alternate members of any committee appointed by the Board of Directors, as herein provided, may be increased or decreased from time to time by appropriate resolution adopted by the Whole Board.

(f) Special Nominating Committees.

(i) The Board of Directors shall establish two (2) committees (collectively, the "Special Nominating Committees"), which shall be designated as the "JBS Nominating Committee" and the "Equity Nominating Committee," each of which shall have the power and authority of the Board of Directors with respect to the matters described in Sections 3.6 and 3.10(f). The JBS Nominating Committee shall consist of solely of JBS Directors, and the Equity Nominating Committee shall consist solely of all of the Equity Directors. The JBS Nominating Committee shall have the exclusive authority to nominate the JBS Directors, fill vacancies pursuant to Section 3.6 and select the members of the JBS Nominating Committee; and the Equity Nominating Committee shall have the exclusive authority to nominate the Equity Directors, fill vacancies pursuant to Section 3.6, select the members of the Equity Nominating Committee, and shall be entitled to call a special meeting of stockholders of the Corporation to comply with Section 3.01(d) of the Stockholders Agreement; *provided* that, prior to the occurrence of the Founder Triggering Event, the Equity Nominating Committee shall, to the fullest extent permitted by applicable law and subject to any applicable fiduciary duties, nominate the Founder Director. For so long as the JBS Stockholder is the beneficial owner of 35% or more of the outstanding Common Stock, no person shall be nominated as an Equity Director pursuant to these Bylaws if JBS USA reasonably determines that such person (A) is unethical or lacks integrity or (B) is a competitor or is affiliated with a competitor of the Corporation. Two (2) Equity Directors (or one (1) if there is only one (1) Equity Director on the Board of Directors) shall satisfy the independence requirements of Rule 10A-3 under the Exchange Act and be financially literate for purposes of the applicable listing standards of the Exchange on which the Common Stock is then listed, or if the Common Stock is not then listed, then for purposes of Section 303A.07 of The New York Stock Exchange Listed Company Manual (or any successor rule) ("financially literate"), and, for so long as there are two (2) or more Equity Directors on the Board of Directors, at least one (1) Equity Director shall 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 the JBS Stockholder beneficially owns at least 50% of the issued and outstanding Common Stock, at least one (1) JBS Director shall (X) be an independent director, (Y) satisfy the independence requirements of Rule 10A-3 under the Exchange Act and (Z) be financially literate.

(ii) Notwithstanding anything in these Bylaws to the contrary, to the maximum extent permitted by law, the Equity Nominating Committee, acting by majority vote, shall have the right to control the Corporation's exercise of its rights and remedies under the Stockholders Agreement, including, without limitation, (i) the granting of (or refusal to grant) any approvals, consents or waivers by the Corporation thereunder, (ii) the giving (or withholding) of any notices by the Corporation thereunder, (iii) the approval (or disapproval) of the Corporation's entry into any amendment or supplement to the Stockholders Agreement and (iv) the initiation, prosecution or settlement of any claim, action, suit, arbitration, inquiry, proceeding or investigation arising in connection therewith. The Equity Directors shall be permitted to retain separate advisors (legal or financial) at the expense of the Corporation in connection with the performance of their duties under Sections 2.3, 3.6, 3.10(f) and 8.8 of these Bylaws or under Sections 3.01(d), 3.03 and 6.21 of the Stockholders Agreement.

(g) Removal. Any member or alternate member of any committee appointed hereunder may be removed by the Board of Directors by the affirmative vote of a majority of the Whole Board; *provided* that any removal of an Equity Director from the Equity Nominating Committee shall be approved by the majority of the members of Equity Nominating Committee.

(h) Meetings. The time, place and notice (if any) of committee meetings shall be determined by the members of such committee.

(i) Quorum; Requisite Vote. At meetings of any committee appointed hereunder, a majority of the number of members designated by the Board of Directors shall constitute a quorum for the transaction of business. The act of a majority of the members and alternate members of the committee present at any meeting at which a quorum is present shall be the act of such committee, except as otherwise specifically provided by statute, the Certificate of Incorporation or these Bylaws. If a quorum is not present at a meeting of such committee, the members of such committee present may adjourn the meeting from time to time, without notice other than an announcement at the meeting, until a quorum is present.

(j) Action Without Meetings. Any action required or permitted to be taken at a meeting of any committee may be taken without a meeting if all members of such committee consent thereto in writing or by electronic transmission. Such consent shall have the same force and effect as a unanimous vote at a meeting.

(k) Responsibility. Notwithstanding any provision to the contrary herein, the designation and appointment of a committee and the delegation of authority to it shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed upon it or him by law.

3.11 Compensation. Each of the Directors shall be entitled to receive reasonable and customary fees for his service as a Director (which fees shall be set by the Board of Directors from time to time), including, without limitation, as a member of any standing or special committee of the Board of Directors. Each of the Directors shall be entitled to be reimbursed by the Corporation for his reasonable out-of-pocket expenses incurred in connection with the performance of his duties as a Director, including, without limitation, as a member of any standing or special committee of the Board of Directors. No such fees or reimbursements shall preclude any Director from serving the Corporation in another capacity and receiving compensation therefor.

3.12 Maintenance of Records. Except such as are required by law to be kept within the State of Delaware, the books and records of the Corporation may be kept outside the State of Delaware or at such place or places as the Board of Directors may, from time to time, determine.

3.13 Interested Directors and Officers. No contract or other transaction between the Corporation and one or more of its Directors or officers, or between the Corporation and any organization in which one or more of its Directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the Director or officer is present at or participates in the meeting of the Board of Directors (or committee of the Board of Directors), that authorizes the contract or transaction, or solely because such Director's or officer's votes are counted for such purpose, if (a) the material facts of such relationship or interest and as to the contract or transaction shall be disclosed or known to the Board of Directors (or the committee) and the Board of Directors (or the committee) shall, nevertheless in good faith, authorize such contract or transaction by the affirmative vote of a majority of disinterested Directors even though the disinterested Directors be less than a quorum; (b) the material facts of such relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by the vote of the stockholders; or (c) the contract or transaction is fair to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee thereof or the stockholders. The provisions of this Section shall not be construed to invalidate any contract or other transaction which would otherwise be valid under the common and statutory law applicable thereto.

ARTICLE 4

NOTICES

4.1 Method of Notice . To the fullest extent permitted by law, whenever under the provisions of the Delaware General Corporation Law or of the Certificate of Incorporation or of these Bylaws, notice is required to be given to any Director or stockholder, it shall not be construed to require personal notice, but such notice may be given in writing and delivered personally, through the United States mail, by a nationally recognized delivery service (such as Federal Express) or by means of telegram, telex, facsimile transmission or electronic transmission, addressed to such Director or stockholder, at his address or telex or facsimile transmission number, as the case may be, as it appears on the records of the Corporation, with postage and fees thereon prepaid. Such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail or with an express delivery service (or, in the case of notice to Directors, such notice shall be deemed to be given when received) or when transmitted by telex, facsimile transmission, electronic transmission or personally delivered, as the case may be. Notice given by electronic transmission shall be effective as follows: (i) if by facsimile, when faxed to a number where the recipient has consented in writing to receive such notice; and (ii) if by electronic mail, when mailed electronically to an electronic mail address at which the recipient has consented in writing to receive such notice.

4.2 Waiver. Whenever any notice is required to be given under the provisions of the Delaware General Corporation Law or under the provisions of the Certificate of Incorporation or these Bylaws, a waiver thereof in writing signed by the Person or Persons entitled to such notice, or a waiver by electronic transmission by the Person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Attendance by such Person or Persons, whether in person or, if permitted by applicable law, by proxy, at any meeting requiring notice shall constitute a waiver of notice of such meeting, except where such Person attends the meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened.

ARTICLE 5

OFFICERS AND AGENTS

5.1 Designation. The officers of the Corporation shall be chosen by the Board of Directors and shall include a President and a Secretary and may also include such other offices and officers and assistant officers and agents as the Board of Directors shall deem necessary, including, without limitation, a Chairman of the Board, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, one or more Vice Presidents and a Treasurer.

5.2 Election of Officers. The President and the Secretary shall be elected by the Board of Directors on the expiration of the term of office of such officer, as herein provided, or whenever a vacancy exists in such office. Each other officer or agent may be elected by the Board of Directors at any meeting.

5.3 Qualifications. No officer or agent need be a stockholder of the Corporation or a resident of Delaware. No officer or agent is required to be a Director, except the Chairman of the Board. Any two or more offices may be held by the same person.

5.4 Term of Office. Unless otherwise specified by the Board of Directors at the time of election or appointment, or by the express provisions of an employment contract approved by the Board of Directors, the term of office of each officer and each agent shall expire on the date of the first meeting of the Board of Directors next following the annual meeting of stockholders each year. Each such officer or agent, unless elected or appointed to an additional term, shall serve until the expiration of the term of his office or, if earlier, his death, resignation or removal.

5.5 Authority. Officers and agents shall have such authority and perform such duties in the management of the Corporation as are provided in these Bylaws or as may be determined by resolution of the Board of Directors not inconsistent with these Bylaws.

5.6 Removal. Any officer or agent elected or appointed by the Board of Directors may be removed with or without cause by the Board of Directors. Such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

5.7 Vacancies. Any vacancy occurring in any office of the Corporation (by death, resignation, removal or otherwise) shall be filled by the Board of Directors.

5.8 Compensation. The compensation of all officers and agents of the Corporation shall be fixed from time to time by the Board of Directors.

5.9 Chairman of the Board. The Chairman of the Board shall be chosen from among the Directors. The Chairman of the Board shall have the power to call special meetings of the stockholders and of the Directors for any purpose or purposes, and he shall preside at all meetings of the stockholders and Board of Directors, unless he shall be absent or unless he shall, at his election, designate the Chief Executive Officer to preside in his stead. The Chairman of the Board shall also exercise such powers and perform such duties as shall be assigned to or required of him from time to time by the Board of Directors.

5.10 Chief Executive Officer . The Chief Executive Officer shall have general supervision, management, direction and control of the business and affairs of the Corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect. The Chief Executive Officer shall be authorized to execute promissory notes, bonds, mortgages, leases and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise executed and except where the execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation. In the absence of the Chairman of the Board, the Chief Executive Officer shall preside at all meetings of the stockholders and the Board of Directors. The Chief Executive Officer shall have the general powers and duties of management usually vested in the office of chief executive officer of a corporation and shall perform such other duties and possess such other authority and powers as the Board of Directors may from time to time prescribe.

5.11 Chief Financial Officer . The Chief Financial Officer shall have general financial supervision, management, direction and control of the business and affairs of the Corporation and shall see that all financial orders and resolutions of the Board of Directors are carried into effect. The Chief Financial Officer shall be authorized to execute promissory notes, bonds, mortgages, leases and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise executed and except where the execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation. The Chief Financial Officer shall have the general financial powers and duties of management usually vested in the office of the chief financial officer of a corporation and shall perform such other duties and possess such other authority and powers as the Chief Executive Officer may from time to time prescribe.

5.12 Chief Operating Officer. The Chief Operating Officer shall have general supervision of the day to day operations of the Corporation. The Chief Operating Officer shall have the general powers and duties of management usually vested in the office of chief operating officer of a corporation and shall perform such other duties and possess such other authority and powers as the Chief Executive Officer may from time to time prescribe.

5.13 President. In the absence or disability of the Chief Operating Officer, the President shall perform all of the duties of the Chief Operating Officer and when so acting shall have all the powers and be subject to all the restrictions upon the Chief Operating Officer, including the power to sign all instruments and to take all actions which the Chief Operating Officer is authorized to perform by the Board of Directors or these Bylaws. The President shall have the general powers and duties vested in the office of President as the Board of Directors may from time to time prescribe or as the Chief Executive Officer may from time to time delegate.

5.14 Vice Presidents. The Vice President, or if there shall be more than one, the Vice Presidents in the order determined by the requisite vote of the Board of Directors, shall, in the prolonged absence or disability of the President, perform the duties and exercise the powers of the President and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe or as the Chief Executive Officer may from time to time delegate. The Board of Directors may designate one or more Vice Presidents as Executive Vice Presidents or Senior Vice Presidents.

5.15 Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders of the Corporation and record all proceedings of the meetings of the

Corporation and of the Board of Directors in a book to be maintained for that purpose and shall perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer or President. The Secretary shall have custody of the corporate seal of the Corporation, and he, or an Assistant Secretary, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by his signature or by the signature of such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature.

5.16 Assistant Secretaries . The Assistant Secretary, or if there be more than one, the Assistant Secretaries in the order determined by the Board of Directors, shall in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe or as the Chief Executive Officer may from time to time delegate.

5.17 Treasurer . The Chief Financial Officer shall also be the Treasurer of the Corporation and shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Chief Executive Officer and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as

Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money, and other property of whatever kind in his possession or under his control owned by the Corporation. The Treasurer shall perform such other duties and have such other authority and powers as the Board of Directors may from time to time prescribe or as the Chief Executive Officer may from time to time delegate.

5.18 Assistant Treasurers. The Assistant Treasurer, or if there shall be more than one, the Assistant Treasurers in the order determined by the Board of Directors, shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe or as the Chief Executive Officer may from time to time delegate.

ARTICLE 6

INDEMNIFICATION

6.1 Mandatory Indemnification. Each person who was or is made a party or is threatened to be made a party, or who was or is a witness without being named a party, to, or is otherwise involved in, any threatened, pending or completed action, claim, suit or proceeding, whether civil, criminal, administrative or investigative, any appeal in such an action, claim, suit or proceeding, and any inquiry or investigation that could lead to such an action, claim, suit or proceeding (a “Proceeding”), by reason of the fact that such individual is or was a Director or officer of the Corporation, or while a Director or officer of the Corporation is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another corporation, partnership, trust, employee benefit plan or other enterprise (hereinafter, an "indemnitee"), whether the basis of such Proceeding is alleged action in an official capacity as a Director or officer or in any other capacity while serving as a Director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent permitted by Delaware law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), from and against any expense, liability, loss, judgments, penalties (including excise taxes), fines, amounts paid in settlement and reasonable expenses (including court costs and attorneys' fees) actually incurred or suffered by such person in connection with such Proceeding.

6.2 Determination of Indemnification . Any indemnification under the foregoing Section 6.1 shall be made by the Corporation unless it has been determined that indemnification of such person is not proper in the circumstances by virtue of the fact that it shall have been determined that such person has not met the applicable standard of conduct. Such determination shall be made with respect to a person who is a Director or officer at the time of the determination (i) by a majority vote of the Directors who at the time of the vote are "independent directors" (as defined in the listing standards of the Exchange on which the Common Stock is then listed, or if the Common Stock is not then listed, then as such term is defined in Section 303A.02 of The New York Stock Exchange Listed Company Manual (or any successor rule)) and are not parties to such Proceeding, even though less than a quorum; (ii) if there are no such Directors, or if such Directors so direct, by independent legal counsel (in a written opinion); or (iii) by the stockholders of the Corporation.

6.3 Advancement of Expenses . In addition to the right to indemnification conferred in Section 6.1, an indemnitee shall also have the right to be paid by the Corporation the expenses (including attorney's fees) incurred in defending any such Proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); *provided* , *however* , that, if the Delaware General Corporation Law requires, an advancement of expenses incurred by an indemnitee in his capacity as a Director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section 6.3 or otherwise.

6.4 Right of Indemnitee to Bring Suit . If a claim under Section 6.1 or 6.3 is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. To the fullest extent permitted by law, if successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the Delaware

General Corporation Law. Neither the failure of the Corporation (including its Directors who are not parties to such action, a committee of such Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Directors who are not parties to such action, a committee of such Directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article 6 or otherwise shall be on the Corporation.

6.5 Permissive Indemnification. The Board of Directors of the Corporation may authorize the Corporation to indemnify employees or agents of the Corporation, and to advance the reasonable expenses of such persons.

6.6 Nature of Indemnification. The indemnification and advancement of expenses provided hereunder shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under the Certificate of Incorporation, these Bylaws, any agreement, vote of stockholders or disinterested Directors or otherwise, both as to actions taken in an official capacity and as to actions taken in any other capacity while holding such office. The rights conferred upon indemnitees in this Article 6 shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a Director or officer and shall inure to the benefit of the indemnitee's heirs, executors and administrators. Any amendment, alteration or repeal of this Article 6 that adversely affects any right of an indemnitee or its successors shall be prospective only and shall not limit or eliminate any such right with respect to any proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to such amendment, alteration or repeal.

6.7 Insurance . The Corporation shall have the power and authority to purchase and maintain insurance or another arrangement on behalf of any person who is or was a Director, officer, employee or agent of the Corporation, or who is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise, against any liability, claim, damage, loss or risk asserted against such person and incurred by such person in any such capacity or arising out of the status of such person as such, irrespective of whether the Corporation would have the power to indemnify and hold such person harmless against such liability under the provisions hereof. Without limiting the power of the Corporation to procure or maintain any kind of insurance or other arrangement, the Corporation may, for the benefit of persons indemnified by the Corporation, (i) create a trust fund; (ii) establish any form of self-insurance; (iii) secure its indemnity obligation by grant of a security interest or other lien on the assets of the Corporation; or (iv) establish a letter of credit, guaranty, or surety arrangement. The insurance or other arrangement may be procured, maintained, or established within the Corporation or with any insurer or other Person deemed appropriate by the Board of Directors regardless of whether all or part of the stock or other securities of the insurer or other Person are owned in whole or part by the Corporation. In the absence of fraud, the judgment of the Board of Directors as to the terms and conditions of the insurance or other arrangement and the identity of the insurer or other Person participating in the arrangement shall be conclusive and the insurance or arrangement shall not be voidable and shall not subject the Directors approving the insurance or arrangement to liability, on any ground, regardless of whether any Director participating in the approval is a beneficiary of the insurance or arrangement.

ARTICLE 7

STOCK CERTIFICATES AND TRANSFER REGULATIONS

7.1 Description of Certificates . The shares of the capital stock of the Corporation shall be represented by certificates or shall be uncertificated. Each record holder of shares represented by certificates, upon request to the Corporation, shall be provided with a certificate of stock representing the number of shares owned by the holder. The shares of the capital stock of the Corporation represented by certificates shall be signed by, or in the name of the Corporation by, the Chairman of the Board, President or a Vice President and the Treasurer or the Secretary or an Assistant Secretary of the Corporation. Each certificate shall state on the face thereof the name of the holder, the number and class of shares, the par value of shares covered thereby or a statement that such shares are without par value, and such other matters as are required by law. At such time as the Corporation may be authorized to issue shares of more than one class, every certificate shall set forth upon the face or back of such certificate a statement of the designations, preferences, limitations and relative rights of the shares of each class authorized to be issued, as required by the laws of the State of Delaware, or may state that the Corporation will furnish a copy of such statement without charge to the holder of such certificate upon receipt of a written request therefor from such holder.

7.2 Signatures. The signatures of the Chairman of the Board, President, Vice President or Treasurer, Secretary or Assistant Secretary upon a certificate may be facsimiles. In case any officer or officers who have signed, or whose facsimile signature or signatures have been placed upon, any such certificate or certificates shall cease to serve as such officer or officers of the Corporation, or as transfer agent or registrar, whether because of death, resignation, removal or otherwise, before such certificate or certificates are issued by the Corporation, such certificate or certificates may nevertheless be adopted by the Corporation and be issued and delivered with the same effect as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures have been used thereon had not ceased to serve as such officer or officers or as transfer agent or registrar of the Corporation.

7.3 Registered Owners. Prior to due presentment for registration of transfer of shares of the capital stock of the Corporation in the manner set forth in Section 7.5 hereof, the Corporation shall be entitled to recognize the Person registered as the owner of such shares on its books (or the books of its duly appointed transfer agent, as the case may be) as the Person exclusively entitled to vote, to receive notices and dividends with respect to, and otherwise exercise all rights and powers relative to such shares; and the Corporation shall not be bound or otherwise obligated to recognize any claim, direct or indirect, legal or equitable, to such shares by any other Person, whether or not it shall have actual, express or other notice thereof, except as otherwise provided by the laws of Delaware.

7.4 Lost, Stolen or Destroyed Certificates. The Corporation shall issue a new certificate in place of any certificate for shares previously issued, if the registered owner of the certificate satisfies the following conditions:

(a) Proof of Loss. Submits proof in affidavit form satisfactory to the Corporation that such certificate has been lost, destroyed or wrongfully taken;

(b) Timely Request. Requests the issuance of a new certificate before the Corporation has notice that the certificate has been acquired by a purchaser for value in good faith and without notice of an adverse claim;

(c) Bond. Gives a bond in such form, and with such surety or sureties, with fixed or open penalty, as the Corporation may direct, to indemnify the Corporation (and its transfer agent and registrar, if any) against any claim that may be made or otherwise asserted by virtue of the alleged loss, destruction, or theft of such certificate or certificates; and

(d) Other Requirements. Satisfies any other reasonable requirements imposed by the Corporation.

In the event a certificate has been lost, apparently destroyed or wrongfully taken, and the registered owner of record fails to notify the Corporation within a reasonable time after he has notice of such loss, destruction, or wrongful taking, and the Corporation registers a transfer (in the manner set forth below) of the shares represented by the certificate before receiving such notification, such prior owner of record shall be precluded from making any claim against the Corporation for the transfer required hereunder or for a new certificate to the fullest extent permitted by law.

7.5 Registration of Transfers. Transfers of stock shall be made upon the books of the Corporation. Subject to the provisions hereof and the Certificate of Incorporation, the Corporation shall register the transfer of a certificate evidencing shares of its capital stock presented to it for transfer if:

(a) Endorsement. Upon surrender of the certificate to the Corporation (or its transfer agent, as the case may be) for transfer, the certificate (or an appended stock power) is properly endorsed by the registered owner, or by his duly authorized legal representative or attorney-in-fact, with proper written evidence of the authority and appointment of such representative, if any, accompanying the certificate;

(b) Guaranty and Effectiveness of Signature. The signature of such registered owner or his legal representative or attorney-in-fact, as the case may be, has been guaranteed by a national banking association or member of the New York Stock Exchange, and reasonable assurance in a form satisfactory to the Corporation is given that such endorsements are genuine and effective;

(c) Adverse Claims. The Corporation has no notice of an adverse claim or has otherwise discharged any duty to inquire into such a claim;

(d) Collection of Taxes. Any applicable law (local, state or federal) relating to the collection of taxes relative to the transaction has been complied with; and

(e) Additional Requirements Satisfied. Such additional conditions and documentation as the Corporation (or its transfer agent, as the case may be) shall reasonably require, including, without limitation, the delivery with the surrender of such stock certificate or certificates of proper evidence of succession, assignment or other authority to obtain transfer thereof, as the circumstances may require, and such legal opinions with reference to the requested transfer as shall be required by the Corporation (or its transfer agent) pursuant to the provisions of these Bylaws, and applicable law shall have been satisfied.

In the case of uncertificated shares, transfers will be made upon receipt of proper transfer instructions from the record owner of such uncertificated shares, or from a duly authorized attorney or from an individual presenting proper evidence of succession, assignment or authority to transfer the stock, with such additional conditions and documentation as the Corporation (or its transfer agent, as the case may be) shall reasonably require.

7.6 Restrictions on Transfer and Legends on Certificates.

(a) Shares in Classes or Series. If the Corporation is authorized to issue shares of more than one class or more than one series of any class, the certificate, if any, shall set forth, either on the face or back of the certificate, a full or summary statement of all of the powers, designations, preferences, limitations, and relative rights of the shares of each such class or series. In lieu of providing such a statement in full on the certificate, a statement on the face or back of the certificate may provide that the Corporation will furnish such information to any stockholder without charge upon request to the Corporation.

(b) Restriction on Transfer. If the Corporation imposes any restrictions on the sale or other disposition of its shares or on the amount of the Corporation's securities that may be owned by any Person, then the certificates, if any, representing shares to which any such restriction applies must conspicuously note such restriction.

ARTICLE 8

GENERAL PROVISIONS

8.1 Dividends. Dividends on the issued and outstanding shares of capital stock of the Corporation may be declared by the Board of

Directors at any regular or special meeting and may be paid in cash, in property, or in shares of capital stock. Such declaration and payment shall be at the discretion of the Board of Directors.

8.2 Reserves. There may be created by resolution of the Board of Directors out of any funds of the Corporation available for dividends such reserve or reserves as the Board of Directors from time to time, in its discretion, shall think proper to provide for contingencies, or to repair or maintain any property of the Corporation, or for such other purposes as the Board of Directors shall think beneficial to the Corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

8.3 Books and Records. The Corporation shall maintain correct and complete books and records of account and shall prepare and maintain minutes of the proceedings of its stockholders, its Board of Directors and each committee of its Board of Directors. The Corporation shall keep at its registered office or principal place of business, or at the office of its transfer agent or registrar, a record of original issuance of shares issued by the Corporation and a record of each transfer of those shares that have been presented to the Corporation for registration or transfer. Such records shall contain the names and addresses of all past and present stockholders and the number and class of the shares issued by the Corporation held by each.

8.4 Contracts and Negotiable Instruments. Except as otherwise provided by law or these Bylaws, any contract or other instrument relative to the business of the Corporation may be executed and delivered in the name of the Corporation and on its behalf by the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Treasurer or President of the Corporation. The Board of Directors may authorize any other officer or agent of the Corporation to enter into any contract or execute and deliver any contract in the name and on behalf of the Corporation, and such authority may be general or confined to specific instances as the Board of Directors may determine by resolution. All bills, notes, checks or other instruments for the payment of money shall be signed or countersigned by such officer, officers, agent or agents and in such manner as are permitted by these Bylaws and/or as, from time to time, may be prescribed by resolution of the Board of Directors. Unless authorized to do so by these Bylaws or by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement, or to pledge its credit, or to render it liable pecuniarily for any purpose or to any amount.

8.5 Fiscal Year . The fiscal year of the Corporation shall end on the last Sunday in December.

8.6 Corporate Seal . The Corporation seal shall be in such form as may be determined by the Board of Directors. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced.

8.7 Resignations . Any Director, officer or agent may resign his office or position with the Corporation by delivering written notice or notice by electronic transmission thereof to the Chairman of the Board, Chief Executive Officer, Chief Operating Officer, President or Secretary of the Corporation. Such resignation shall be effective at the time specified therein, or immediately upon delivery if no time is specified. Unless otherwise specified therein, an acceptance of such resignation shall not be a necessary prerequisite of its effectiveness.

8.8 Amendment of Bylaws . The Board of Directors is expressly empowered to adopt, amend or repeal these Bylaws. Any adoption, amendment or repeal by the Board of Directors of the Bylaws or any provisions thereof that, individually or taken as a whole, would adversely affect, or could reasonably be expected to adversely affect, in any material respect, the rights of the Minority Investors, as a class (whether by merger, consolidation or otherwise), in each case, shall require the approval of at least a majority of the Whole Board, including the approval of at least a majority of the Equity Directors and any Founder Director, as a group. In addition to the foregoing, prior to the occurrence of the Founder Director Triggering Event, the approval of the Founder Director shall be required for the Board of Directors to validly approve and authorize any amendment (whether by merger, consolidation or otherwise) to Section 3.3, Section 3.6, Section 3.10(f) or Article 9 of these Bylaws that would adversely affect, or could reasonably be expected to adversely affect, in any material respect, the rights of the Founder Director in his role as a Director. Notwithstanding the foregoing, actions which are permitted by the Stockholders Agreement or the Certificate of Incorporation (including, without limitation, the Mandatory Exchange Transaction) shall not require the approvals set forth above in this Section 8.8. Subject to applicable law and the rights of the holders of any series of Preferred Stock, the stockholders shall also have the power to adopt, amend or repeal these Bylaws by the affirmative vote of the holders of a majority of the voting power of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of Directors, present in person or represented by proxy, at a meeting at which a quorum is present, voting together as a single class; *provided* , *however* , that, in addition to such vote, the affirmative vote of the holders of a majority of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of Directors (other than shares of capital stock of the Corporation beneficially owned by the JBS Stockholder), voting together as a single class, shall be required to adopt, amend or repeal the Bylaws or any provisions thereof.

8.9 Construction . Whenever the context so requires herein, the masculine shall include the feminine and neuter, and the singular shall include the plural, and conversely. If any portion or provision of these Bylaws shall be held invalid or inoperative, then, so far as is reasonable and possible: (i) the remainder of these Bylaws shall be considered valid and operative, and (ii) effect shall be given to the intent manifested by the portion or provision held invalid or inoperative.

8.10 Telephone Meetings . Directors or members of any committee may hold or participate in any meeting of such Directors or committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other and participation in a meeting by such means shall constitute presence in person at such meeting.

8.11 Table of Contents; Captions . The table of contents and captions used in these Bylaws have been inserted for administrative convenience only and do not constitute matter to be construed in interpretation.

ARTICLE 9

DEFINITIONS

Capitalized terms used and not otherwise defined in these Bylaws shall have the meaning given or referenced below:

"Affiliates" has the meaning set forth in Rule 12b-2 under the Exchange Act.

"Certificate of Incorporation" means the Amended and Restated Certificate of Incorporation of the Corporation, as amended.

"Common Stock" means the common stock, par value $.01 per share, of the Corporation.

"Delaware General Corporation Law" means the Delaware General Corporation Law, as amended, or any successor law.

"Equity Directors" means the two (2) Directors designated as "Equity Directors" on Schedule 3.01(a)(iii) to the Stockholders Agreement, their successors as nominated by the Equity Nominating Committee and elected by the stockholders of the Corporation or appointed by the Equity

Nominating Committee to fill any vacancy pursuant to Section 3.6 and any other person, other than a JBS Director, nominated by the Minority Investors to succeed an Equity Director in accordance with the Certificate of Incorporation and these Bylaws and elected by the stockholders of the Corporation; *provided* that, if at any time the ownership by the JBS Stockholder of the issued and outstanding Common Stock as a percentage of the total issued and outstanding Common Stock changes to a threshold amount set forth in Section 3.3, then the number of Equity Directors shall be changed to the corresponding number of Equity Directors set forth in Section 3.3; *provided further* that, upon the occurrence of a Founder Triggering Event, there shall no longer be a Founder Director on the Board of Directors and the number of Equity Directors on the Board of Directors shall be increased by one (1); *provided further* , that each person serving as an Equity Director must qualify as an independent director.

"Exchange" means any national securities exchange registered under Section 6 of the Exchange Act.

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

"Exchange Period" has the meaning set forth in the Certificate of Incorporation.

"Founder Director" means Lonnie "Bo" Pilgrim or, if a Founder Triggering Event will have occurred solely with respect to Lonnie "Bo" Pilgrim, then Lonnie Ken Pilgrim.

"Founder Group" means the Founder Director, his spouse, his issue, his estate and any trust, partnership or other entity established or existing primarily for the benefit of him, his spouse and/or issue, including, without limitation, Pilgrim Interests, Ltd., Pilgrim Family Trust I, Pilgrim Family Trust II, PFCP, Ltd, Lonnie Jaggers Pilgrim Minority Trust and Greta Gail Pilgrim Minority Trust.

"Founder Triggering Event" means the date on which any one or more of the following shall have occurred with respect to both of Lonnie "Bo" Pilgrim and Lonnie Ken Pilgrim: death, resignation or having been determined to be incapacitated by a court of competent jurisdiction with respect to his ability to serve as a Director.

"independent director" has the meaning ascribed to such term in the applicable listing standards of the Exchange on which the Common Stock is then listed, or if the Common Stock is not then listed, then as such term is defined in Section 303A.02 of The New York Stock Exchange Listed Company Manual (or any successor rule).

"JBS Directors" means the six (6) initial Directors designated as "JBS Directors" on Schedule 3.01(a)(i) to the Stockholders Agreement, their successors as nominated by the JBS Nominating Committee pursuant to the Certificate of Incorporation and elected by the stockholders of the Corporation or appointed by the JBS Nominating Committee or the stockholders to fill any vacancy pursuant to Section 3.6; *provided* that, if at any time the ownership by the JBS Stockholder of the issued and outstanding Common Stock as a percentage of the total issued and outstanding Common Stock changes to a threshold amount set forth in Section 3.3, then the number of JBS Directors shall be changed to the corresponding number of JBS Directors set forth in Section 3.3.

"JBS Stockholder" means JBS USA Holdings, Inc. or any of its Affiliates.

"JBS USA" means JBS USA Holdings, Inc., or any successor thereto.

"Mandatory Exchange Transaction" has the meaning set forth in the Certificate of Incorporation.

"Minority Investors" means the stockholders of the Corporation other than the JBS Stockholder.

"Person" means any individual, partnership, company, firm, corporation, limited liability company, association, trust, unincorporated organization or other entity, as well as any syndicate or group that would be deemed to be a person under Section 13(d)(3) of the Exchange Act.

“Stockholders Agreement” means the Stockholders Agreement dated December 28, 2009 between the Corporation and JBS USA, a copy of which will be made available to any stockholder of the Corporation upon written request.

“Whole Board” means the total authorized number of Directors.

ARTICLE 10

FORUM FOR ADJUDICATION OF DISPUTES

Unless the Corporation consents in writing to the selection of an alternative forum, and to the fullest extent permitted by law, the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any current or former director, officer, other employee or stockholder of the Corporation to the Corporation or the Corporation’s stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, the Certificate of Incorporation or these Bylaws or as to which the Delaware General Corporation Law confers jurisdiction on the Court of Chancery of the State of Delaware, or (iv) any action asserting a claim governed by the internal affairs doctrine shall be the Court of Chancery of the State of Delaware and any state appellate court therefrom within the State of Delaware (or, if the Court of Chancery of the State of Delaware declines to accept jurisdiction over a particular matter, any state or federal court within the State of Delaware). Any person or entity purchasing or otherwise acquiring or holding any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article 10.

[Signature page follows.]

IN DUE CERTIFICATION WHEREOF, the undersigned, being the Chief Executive Officer and President of PILGRIM'S PRIDE CORPORATION, confirms the adoption and approval of the foregoing Bylaws, effective as of the 28th day of December, 2009.

Don Jackson, Chief Executive Officer and President

[Signature page to Amended and Restated Corporate Bylaws]

EXHIBIT 12
PILGRIM'S PRIDE CORPORATION
COMPUTATION OF RATIO EARNINGS TO FIXED CHARGES

	Thirty-Nine Weeks Ended	
	September 24, 2017	September 25, 2016
	(In thousands)	
Earnings:		
Income before income taxes	$ 862,288	$ 597,664
Add: Total fixed charges (see below)	81,091	68,332
Less: Interest capitalized	5,345	1,653
Total earnings	$ 938,034	$ 664,343
Fixed charges:		
Interest [(a)]	$ 71,660	$ 60,133
Portion of noncancelable lease expense representative of interest factor [(b)]	9,431	8,200
Total fixed charges	$ 81,091	$ 68,333
Ratio of earnings to fixed charges	11.57	9.72

(a) Interest includes amortization of capitalized financing fees.
(b) One-third of noncancelable lease expense is assumed to be representative of the interest factor.

EXHIBIT 31.1
CERTIFICATION BY PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, William W. Lovette, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended September 24, 2017 , of Pilgrim's Pride Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2017

/s/ William W. Lovette

William W. Lovette
Principal Executive Officer

EXHIBIT 31.2
CERTIFICATION BY PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Fabio Sandri, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended September 24, 2017 , of Pilgrim's Pride Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Fabio Sandri

Date: November 7, 2017

Fabio Sandri
Chief Financial Officer

EXHIBIT 32.1
CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. § 1350 ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Pilgrim's Pride Corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The quarterly report on Form 10-Q for the quarter ended September 24, 2017 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2017

/s/ William W. Lovette

William W. Lovette
Principal Executive Officer

EXHIBIT 32.2
CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. § 1350 ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Pilgrim's Pride Corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The quarterly report on Form 10-Q for the quarter ended September 24, 2017 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Fabio Sandri

Date: November 7, 2017

Fabio Sandri
Chief Financial Officer