SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended SEPTEMBER 26, 1998 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.)

110 SOUTH TEXAS, PITTSBURG, TX 75686-0093
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (903) 855-1000

Securities registered pursuant to Section 12 (b) of the Act:

TITLE OF EACH CLASS	Name of each exchange on WHICH REGISTERED
Class B Common Stock, Par Value $0.01	New York Stock Exchange

Securities registered pursuant to Section 12 (g) of the Act: None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the Registrant's Class B Common Stock, $0.01 par value, held by non-affiliates of the Registrant as of December 8, 1998, was $236,108,468. For purposes of the foregoing calculation only, all directors, executive officers, and 5% beneficial owners have been deemed affiliates.

27,589,250 shares of the Registrant's Class B Common Stock, $.01 par value, were outstanding as of December 10, 1998.

No Class A Common Stock was outstanding as of December 10, 1998.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's proxy statement for the annual meeting of stockholders to be held February 3, 1999 are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS

GENERAL

Pilgrim's Pride Corporation (the "Company"), which was incorporated in Texas in 1968 and reincorporated in Delaware in 1986, is the successor to a partnership founded in 1946 as a retail feed store. Over the years, the Company grew through both internal growth and various acquisitions of farming operations and chicken processors. In addition to domestic growth, the Company initially expanded into Mexico through the acquisition of several smaller chicken producers in 1988.

Pilgrim's Pride Corporation is one of the largest producers of prepared and fresh chicken products in North America and has one of the best known brand names in the chicken industry. The Company is the fourth largest producer of chicken in the United States and one of the two largest in Mexico. Through vertical integration, the Company controls the breeding, hatching and growing of chickens and the processing, preparation, packaging and sale of its product lines. In fiscal 1998, approximately 79% of the Company's net sales were from its U.S. operations, including U.S. produced chicken products sold for export to Canada, Eastern Europe, the Far East and other world markets, with the remaining approximately 21% arising from the Company's Mexico operations.

The Company's objectives are to increase sales, profit margins and earnings and outpace the growth of the chicken industry: (i) by focusing on growth in the prepared food products market, (ii) by focusing on growth in the Mexico market, and (iii) through greater utilization of the Company's existing assets. Key elements of the Company's strategy to achieve these objectives are to:

FOCUS U.S. GROWTH ON PREPARED FOODS. In recent years the Company has focused its sales of prepared foods to the foodservice market, particularly to chain restaurants and frozen entre producers. The market for prepared foods has experienced greater growth and higher margins than fresh chicken products, and the Company's sales of prepared foods products to the foodservice market have grown from $205.2 million in fiscal 1994 to $419.2 million in fiscal 1998, a compounded annual growth rate of 19.5%. Additionally, the production and sale of prepared foods reduces the impact of feed grain costs on the Company's profitability. As further processing is performed, feed grain costs become a decreasing percentage of a product's total production cost. The Company is now the largest supplier of chicken to Wendy's and Jack-in-the-Box chain restaurants and to Stouffer's frozen entre operation. Other major prepared foods customers include KFC and Taco Bell. Prepared foods constituted 51.0% of the Company's U.S. chicken sales in fiscal 1998.

FOCUS ON CUSTOMER DRIVEN RESEARCH AND TECHNOLOGY. Much of the Company's growth in prepared foods has been the result of customer-driven research & development focused on designing new products to meet customers' changing needs. The Company's research & development personnel often work directly with institutional customers in developing proprietary products. Approximately $188 million of the Company's sales to foodservice customers in fiscal 1998 consisted of new products, which were not sold by the Company in fiscal 1994. The Company is also a leader in utilizing advanced processing technology, which enables the Company to better meet its customers' needs for product innovation, consistent quality and cost efficiency.

ENHANCE THE U.S. FRESH CHICKEN PRODUCT MIX THROUGH VALUE-ADDED, BRANDED PRODUCTS. The Company's fresh chicken business is an important component of its sales and has grown from sales of $280.4 million in fiscal 1994 to $306.6 million in fiscal 1998. In addition to maintaining its sales of mature, traditional fresh chicken products, the Company's strategy is to shift the mix of its U.S. fresh chicken products by continuing to increase sales of higher margin, faster growing products, such as marinated chicken and chicken parts. As a result of this strategy, the Company's compounded annual growth rate of fresh chicken sales from fiscal 1994 to fiscal 1998 exceeded 2.2% while total U.S. industry sales of fresh chicken increased approximately 1%.

MAINTAIN OPERATING EFFICIENCIES AND INCREASE CAPACITY ON A COST-EFFECTIVE BASIS. As production and sales have grown, the Company has maintained operating efficiencies by investing in state-of-the-art technology, processes and training and by making cost-effective acquisitions both in the U.S. and Mexico. As a result, according to industry data, since 1993 the Company has consistently been one of the lowest cost producers of chicken.

CAPITALIZE ON INTERNATIONAL DEMAND FOR U.S. CHICKEN. Due to U.S. consumers' preference for chicken breast meat, the Company has targeted international markets to generate sales of leg quarters. The Company has also begun selling prepared food products for export to the international divisions of its U.S. chain restaurant customers. As a result of these efforts, sales for these markets have grown from less than 2% of the Company's total U.S. chicken sales in fiscal 1994 to more than 6% in fiscal 1998. Management believes that: (i) U.S. chicken exports will continue to grow as worldwide demand for high grade, low costs protein sources increases, and (ii) worldwide demand for higher margin prepared food products will increase over the next five years; and accordingly, the Company is well positioned to capitalize on such growth.

CAPITALIZE ON INVESTMENTS AND EXPERTISE IN MEXICO. The Company's strategy in Mexico is focused on: (i) being one of the most cost-efficient producers and processors of chicken in Mexico by applying technology and expertise utilized in the U.S. and (ii) increasing distribution of its higher margin, value added products to national retail stores and restaurants. This strategy has resulted in the Company obtaining a market leadership position, with its estimated market share in Mexico increasing from 11.6% in 1994 to 16.8% in 1998.

The Company's chicken products consist primarily of: (i) prepared foods, which include portion-controlled breast fillets, tenderloins and strips, formed nuggets and patties and bone-in chicken parts, which are sold frozen and may be either fully cooked or raw, (ii) fresh chicken, which includes refrigerated (non-frozen), whole or cut-up chicken sold to the foodservice industry either pre-marinated or non-marinated and prepackaged chicken, which includes various combinations of freshly refrigerated, whole chickens and chicken parts in trays, bags or other consumer packs labeled and priced ready for the retail grocers' fresh meat counter, and (iii) export and other, which includes parts and whole chicken, either refrigerated or frozen for U.S. export or domestic use. The Company's Mexico products consist of live, uneviscerated and eviscerated chicken.

The following table sets forth, for the periods since fiscal 1994, net sales attributable to each of the Company's primary product lines and markets served with such products. The table is based on the Company's internal sales reports and its classification of product types and customers.

	FISCAL YEAR ENDED				
	Sept. 26, 1998	Sept.27, 1997	Sept. 28, 1996	Sept. 30, 1995	Oct.1, 1994
U.S. Chicken Sales:					
Prepared Foods:					
FOOD SERVICE	$419,150	$347,831	$303,939	$240,456	$205,224
Retail	45,877	41,804	42,946	38,683	61,068
Total Prepared Foods	465,027	389,635	346,885	279,139	266,292
Fresh Chicken:					
Food Service	144,928	173,743	145,052	140,201	155,294
Retail	161,634	152,738	141,135	138,368	125,133
Total Fresh Chicken	306,562	326,481	286,187	278,569	280,427
Export and Other	139,976	142,030	140,614	113,414	88,437
Total U.S. Chicken	911,565	858,146	773,686	671,122	635,156
Mexico	278,087	274,997	228,129	159,491	188,744
Total Chicken Sales	1,189,652	1,133,143	1,001,815	830,613	823,900
Sales of Other U.S. Products	141,893	144,506	137,495	101,193	98,709
Total Net Sales	$1,331,545	$1,277,649	$1,139,310	$931,806	$922,609

UNITED STATES

The following table sets forth, since fiscal 1994, the percentage of net U.S. chicken sales attributable to each of the Company's primary product lines and markets serviced with such products. The table and related discussion are based on the Company's internal sales reports and its classification of product types and customers.

	FISCAL YEAR ENDED				
	SEPT. 26, 1998	SEPT. 27, 1997	SEPT.28, 1996	SEPT.30, 1995	OCT. 1, 1994
U.S. CHICKEN SALES:					
Prepared Foods:					
Foodservice	46.0%	40.5%	39.3%	35.8%	32.3%
Retail	5.0	4.9	5.6	5.8	9.6
Total Prepared Foods	51.0	45.4	44.9	41.6	41.9
Fresh Chicken:					
Foodservice	15.9	20.2	18.7	20.9	24.5
Retail	17.7	17.8	18.2	20.6	19.7
Total Fresh Chicken	33.6	38.0	36.9	41.5	44.2
	15.4	16.6	18.2	16.9	13.9
TOTAL U.S. CHICKEN SALES MIX	100.0%	100.0%	100.0%	100.0%	100.0%

PRODUCT TYPES

U.S. PREPARED FOODS OVERVIEW. During fiscal 1998, $465.0 million of the Company's net U.S. chicken sales were in prepared foods products to food service and retail, as compared to $266.3 million in fiscal 1994, which reflects the strategic focus for growth of the Company. The market for prepared food products has experienced, and management believes that this market will continue to experience, greater growth and higher margins than fresh chicken products. Additionally, the production and sale of prepared foods reduces the impact of feed grain costs on the Company's profitability. As further processing is performed, feed grain costs becomes a decreasing percentage of a product's total production costs.

The Company establishes prices for its prepared food products based primarily upon perceived value to the customer, production costs and prices of competing products. The majority of these products are sold pursuant to agreements with varying terms that either set a fixed price for the products or seta price according to formulas based on an underlying commodity market, subject in many cases to minimum and maximum prices.

U.S. Fresh Chicken Overview. The Company's fresh chicken business is an important component of its sales and has grown from sales of $280.4 million in fiscal 1994 to $306.6 million in fiscal 1998. In addition to maintaining its sales of mature, traditional fresh chicken products, the Company's strategy is to shift the mix of its U.S. fresh chicken products by continuing to increase sales of higher margin, faster growing products, such as marinated chicken and chicken parts. As a result of this strategy, the Company's compounded annual growth rate of fresh chicken sales from fiscal 1994 to fiscal 1998 exceeded 2.2% while total U.S. industry sales of fresh chicken increased approximately 1%.

Most fresh chicken products are sold to established customers based upon certain weekly or monthly market prices reported by the USDA and other public price reporting services, plus a markup, which is dependent upon the customer's location, volume, product specifications and other factors. The Company believes its practices with respect to sales of its fresh chicken are generally consistent with those of its competitors. Prices of these products are negotiated daily or weekly and are generally related to market prices quoted by the USDA or other public reporting services.

EXPORT AND OTHER OVERVIEW. The Company's export and other products consist of whole chickens and chicken parts sold primarily in bulk, non-branded form either refrigerated to distributors in the U.S. or frozen for distribution to export markets. Sales growth in the "Export and Other" category between fiscal 1994 and fiscal 1998 primarily reflects increased exports of chicken products. In fiscal 1998, approximately $56 million of the Company's sales were attributable to exports of U.S. chicken. These exports and other products have historically been characterized by lower prices and greater price volatility than the Company's more value-added product lines.

MARKETS

U.S. FOODSERVICE. The majority of the Company's U.S. chicken sales are derived from products sold to the foodservice market which principally consists of chain restaurants, frozen entre producers, institutions and distributors, located throughout the continental United States. The Company supplies chicken products ranging from portion-controlled refrigerated chicken parts to fully cooked and frozen, breaded or non-breaded chicken parts or formed products.

As the second largest full-line supplier of chicken to the foodservice market, the Company believes it is well-positioned to be the primary or secondary supplier to many national and international chain restaurants who require multiple suppliers of chicken products. Additionally, the Company is well suited to be the sole supplier for many regional chain restaurants that offer better margin opportunities and a growing base of business. Due to its comparatively large size in this market, management believes the Company has significant competitive advantages in terms of product capability, production capacity, research and development expertise, and distribution and marketing experience relative to smaller and to non-vertically integrated producers. As a result of these competitive advantages, the Company's sales to the foodservice market from fiscal 1994 through fiscal 1998 grew at a compound annual growth rate of approximately 11.9%. Based on industry data, the Company estimates that total industry dollar sales to the foodservice market during this same period grew at a compounded annual growth rate of approximately 8.0%. The Company markets both prepared food and fresh chicken products to the foodservice industry.

FOODSERVICE - PREPARED FOODS: The majority of the Company's sales to the foodservice market consist of prepared food products. Prepared food sales to the foodservice market were $419.2 million in fiscal 1998 compared to $205.2 million in fiscal 1994, a compounded growth rate of approximately 19.5%. The Company's prepared food products include portion-controlled breast fillets,tenderloins and strips, formed nuggets and patties and bone-in chicken parts, which are sold frozen and in various states of preparation, including blanched, battered, breaded and either partially or fully cooked. The Company attributes this growth in sales of prepared foods to the foodservice market to a number of factors:

FIRST, there has been significant growth in the number of foodservice operators offering chicken on their menus and the number of chicken items offered.

SECOND, foodservice operators are increasingly purchasing prepared chicken products, which allow them to reduce labor cost while providing greater product consistency, quality and variety across all restaurant locations.

THIRD, there is a strong need among larger foodservice companies for an alternative or additional supplier to the Company's principal competitor in the prepared foods market. A viable alternative supplier must be able to ensure supply, demonstrate innovation and new product development, and provide competitive pricing. The Company has been successful in its objective of becoming the alternative supplier of choice by being the primary or secondary prepared chicken supplier to many large foodservice companies because: (i) it is vertically integrated, giving the Company control over its supply of chicken and chicken parts, (ii) its further processing facilities are particularly well suited to the high volume production runs necessary to meet the capacity and quality requirements of the U.S. foodservice market, and (iii) it has established a reputation for dependable quality, highly responsive service and excellent technical support.

FOURTH, as a result of the experience and reputation developed with larger customers, the Company has increasingly become the principal supplier to mid-sized foodservice organizations.

FIFTH, the Company's in-house product development group follows a customer-driven research & development focus designed to develop new products to meet customers' changing needs. The Company's research & development personnel often work directly with institutional customers in developing proprietary products. Approximately $188.4 million of the Company's sales to foodservice customers in fiscal 1998 consisted of new products, which were not sold by the Company in fiscal 1994.

SIXTH, the Company is a leader in utilizing advanced processing technology, which enables the Company to better meet its customers' needs for product innovation, consistent quality and cost efficiency.

FOODSERVICE - FRESH CHICKEN: The Company produces and markets fresh, refrigerated chicken for sale to U.S. quick-service restaurant chains, delicatessens and other customers. These chickens have the giblets removed, are usually of specific weight ranges, are usually pre-cut to customer specifications and are often marinated to enhance value and product differentiation. By growing and processing to customers' specifications,the Company is able to assist quick-service restaurant chains in controlling costs and maintaining quality and size consistency of chicken pieces sold to the consumer.

U.S. RETAIL. The U.S. retail market consists primarily of grocery store chains and retail distributors. The Company concentrates its efforts in this market on sales of branded, prepackaged cut-up and whole chicken to grocery chains and retail distributors in the mid-western, southwestern and western regions of the United States. This regional marketing focus enables the Company to develop consumer brand franchises and capitalize on proximity to the trade customer in terms of lower transportation costs; more timely, responsive service; and enhanced product freshness. For a number of years, the Company has invested in both trade and retail marketing designed to establish high levels of brand name awareness and consumer preferences within these markets.

The Company utilizes numerous marketing techniques, including advertising, to develop and strengthen trade and consumer awareness and increase brand loyalty for consumer products marketed under the "Pilgrim's Pride" brand. The Company's founder, Lonnie "Bo" Pilgrim, is the featured spokesman in the Company's television, radio and print advertising, and a trademark cameo of a person in a Pilgrim's hat serves as the logo on all of the Company's primary branded products. As a result of this marketing strategy, the Company has established a well-known brand name in certain southwestern markets, including the Dallas/Fort Worth area. Management believes its efforts to achieve and maintain brand awareness and loyalty help to provide more secure distribution for its products and generate greater price premiums than would otherwise be the case in certain southwestern markets. The Company also maintains an active program to identify consumer preferences primarily by testing new product ideas, packaging designs and methods through taste panels and focus groups located in key geographic markets.

RETAIL - PREPARED FOODS. The Company sells retail oriented prepared foods primarily to grocery store chains located in the mid-western, south-western and western region of the U.S. where it also markets prepackaged fresh chicken. Being a major, national competitor in retail, branded frozen foods is not a part of the Company's current business strategy. The Company no longer serves the wholesale club industry, which is now dominated by two large national operators, and has redirected this prepared foods capacity to a more diversified customer base.

RETAIL - FRESH CHICKEN. The Company's prepackaged retail products include various combinations of freshly refrigerated whole chickens and chicken parts in trays, bags or other consumer packs, labeled and priced ready for the grocer's fresh meat counter. Management believes the retail, prepackaged fresh chicken business will continue to be a large and relatively stable market, providing opportunities for product differentiation and regional brand loyalty.

The Company concentrates its sales and marketing efforts for the above product types to grocery chains and retail distributors in the mid-western, southwestern and western regions of the United States. This regional marketing focus enables the Company to develop consumer brand franchises and capitalize on proximity to the trade customer in terms of lower transportation costs; more timely, responsive service; and enhanced product freshness.

EXPORT AND OTHER CHICKEN. The Company's export and other products consist of whole chickens and chicken parts sold primarily in bulk, non-branded form either refrigerated to distributors in the U.S., or frozen for distribution to export markets. In recent years, the Company has de-emphasized its marketing of bulk-packaged chicken in the U.S. in favor of more value-added products and export opportunities. In the U.S., prices of these products are negotiated daily or weekly and are generally related to market prices quoted by the USDA or other public price reporting services. The Company also sells U.S. produced chicken products for export to Canada, Eastern Europe, the Far East and other world markets. Due to U.S. consumers' preference for chicken breast meat, the Company has targeted international markets to generate sales of leg quarters. The Company has also begun selling prepared food products for export to the international divisions of its U.S. chain restaurant customers. As a result of these efforts, the Company's sales for export have grown from less than 2% of its total U.S. chicken sales in fiscal 1994 to more than 6% in fiscal 1998. Management believes that: (i) U.S. chicken exports will continue to grow as worldwide demand for high grade low cost protein sources increases, (ii) world-wide demand for higher margin prepared food products will increase over the next five years, and accordingly, (iii) the Company is well positioned to capitalize on such growth.

OTHER U.S. PRODUCTS. The Company markets fresh eggs under the Pilgrim's Pride brand name as well as private labels in various sizes of cartons and flats to U.S. retail grocery and institutional foodservice customers located primarily in Texas. The Company has a housing capacity for approximately 2.3 million commercial egg laying hens which can produce approximately 41 million dozen eggs annually. U.S. egg prices are determined weekly based upon reported market prices. The U.S. egg industry has been consolidating over the last few years with the 25 largest producers accounting for more than 58% of the total number of egg laying hens in service during 1998. The Company competes with other U.S. egg producers primarily on the basis of product quality, reliability, price and customer service. According to an industry publication, the Company is the twenty-eighth largest producer of eggs in the United States.

The Company also converts chicken by-products into protein products primarily for sale to manufacturers of pet foods. In addition, the Company produces and sells livestock feeds at its feed mills in Pittsburg and Mt. Pleasant, Texas and at its farm supply store in Pittsburg, Texas to dairy farmers and livestock producers in northeastern Texas.

MEXICO

BACKGROUND. The Mexico market represented approximately 20.9% of the Company's net sales in fiscal 1998. The Company entered the Mexico market in 1979 when it began seasonally selling eggs to the Mexico government. Recognizing favorable long-term demographic trends and improving economic conditions in Mexico, the Company began exploring opportunities to produce and market chicken in Mexico. In fiscal 1988, the Company acquired four vertically integrated chicken production operations in Mexico for approximately $15.1 million. From fiscal 1988 through fiscal 1998, the Company made acquisitions and capital expenditures in Mexico totaling $172.7 million to expand and improve such operations. As a result of these expenditures, the Company has increased weekly production in its Mexico operations by over 350% since its original investment in fiscal 1988. The Company is now one of the two largest producers of chicken in Mexico.

The Company believes its facilities are among the most technologically advanced in Mexico and that it is one of the lowest cost producers of chicken in Mexico.

PRODUCT TYPES. While the market for chicken products in Mexico is less developed than in the United States, with sales attributed to fewer, more basic products, the market for value added products is increasing. The Company's strategy is to lead this trend. The products currently sold by the Company in Mexico consist primarily of basic products such as New York dressed (whole chickens with only feathers and blood removed), live birds and value added products such as eviscerated chicken and chicken parts. The Company has increased its sales of value added products, particularly through national retail chains and restaurants, and plans to continue to do so. The Company remains opportunistic, however, utilizing its low cost production to enter markets where profitable opportunities exist. For example, the Company has significantly increase its sales of live birds since 1994 as many smaller producers exited this segment of the business as a result of the recession in Mexico.

MARKETS. The Company sells its Mexico chicken products primarily to large wholesalers and retailers. The Company's customer base in Mexico covers a broad geographic area from Mexico City, the capital of Mexico with a population estimated to be over 20 million, to Saltillo, the capital of the State of Coahuila, about 500 miles north of Mexico City, and from Tampico on the Gulf of Mexico to Acapulco on the Pacific, which region includes the cities of San Luis Potosi and Queretaro, capitals of the states of the same name.

COMPETITION

The chicken industry is highly competitive and certain of the Company's competitors have greater financial and marketing resources than the Company. In the United States and Mexico, the Company competes principally with other vertically integrated chicken companies.

In general, the competitive factors in the U.S. chicken industry include price, product quality, brand identification, breadth of product line and customer service. Competitive factors vary by major market. In the foodservice market, competition is based on consistent quality, product development, service and price. In the U.S. retail market, management believes that product quality, brand awareness and customer service are the primary bases of competition. There is some competition with non-vertically integrated further processors in the U.S. prepared food business. The Company believes it has significant, long-term cost and quality advantages over non-vertically integrated further processors.

In Mexico, where product differentiation is limited, product quality and price are the most critical competitive factors. The North American Free Trade Agreement, which went into effect on January 1, 1994, requires annual reductions in tariffs for chicken and chicken products in order to eliminate such tariffs by January 1, 2003. As such tariffs are reduced, there can be no assurance that increased competition from chicken imported into Mexico from the U.S. will not have a material adverse effect on the Mexico chicken industry in general, or the Company's Mexico operations in particular.

OTHER ACTIVITIES

The Company has regional distribution centers located in Arlington, El Paso, Mt. Pleasant and San Antonio, Texas; Phoenix, Arizona; and Oklahoma City, Oklahoma that distribute the Company's own poultry products along with certain poultry and non-poultry products purchased from third parties to independent grocers and quick service restaurants. The Company's non-poultry distribution business is conducted as an accommodation to their customers and to achieve greater economies of scale in distribution logistics. The store-door delivery capabilities for the Company's own poultry products provide a strategic service advantage in selling to quick service, national chain restaurants.

REGULATION

The chicken industry is subject to government regulation, particularly in the health and environmental areas. The Company's chicken processing facilities in the U.S. are subject to on-site examination, inspection and regulation by the USDA. The FDA inspects the production of the Company's feed mills in the U.S. The Company's Mexican food processing facilities and feed mills are subject to on-site examination, inspection and regulation by a Mexican governmental agency, which performs functions similar to those performed by the USDA and FDA. Since commencement of operations by the Company's predecessor in 1946, compliance with applicable regulations has not had a material adverse effect upon the Company's earnings or competitive position and such compliance is not anticipated to have a materially adverse effect in the future. Management believes that the Company is in substantial compliance with all applicable laws and regulations relating to the operations of its facilities.

The Company anticipates increased regulation by the USDA concerning food safety, by the FDA concerning the use of medications in feed and by the TNRCC, the ASVO and the EPA concerning the disposal of chicken by-products and wastewater discharges. Although the Company does not anticipate any such regulation having a material adverse effect upon the Company, no assurances can be given tothat effect.

EMPLOYEES AND LABOR RELATIONS

As of December 14, 1998 the Company employed approximately 9,700 persons in the U.S. and 3,300 persons in Mexico. Approximately 2,000 employees at the Company's Lufkin and Nacogdoches, Texas facilities are members of collective bargaining units represented by the United Food and Commercial Workers Union (the "UFCW"). None of the Company's other U.S. employees have union representation. The Company's collective bargaining agreements with the UFCW expire on August 10, 2001 with respect to the Company's Lufkin employees and on October 6, 2001 with respect to the Company's Nacogdoches employees. The Company believes that the terms of each of these agreements are no more favorable than those provided to its non-union U.S. employees. In Mexico, most of the Company's hourly employees are covered by collective bargaining agreements as most employees are in Mexico. The Company has not experienced any work stoppage since a two-day work stoppage at the Lufkin facility in May 1993, and management believes that relations with the Company's employees are satisfactory.

STATEMENTS REGARDING FORWARD LOOKING COMMENTS

Except for historical information contained herein, Management's Discussion and Analysis of Results of Operations and Financial Condition or other discussions elsewhere in this Form 10K contains forward-looking statements that are dependent upon a number of risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statement. These risks and uncertainties include changes in commodity prices of feed grain and chicken, the Company's substantial indebtedness, risks associated with the Company's foreign operations, including currency exchange rate fluctuations, trade barriers, exchange controls, expropriation and changes in laws and practices, the impact of current and future laws and regulations, and the other risks described in the Company's SEC filings. The Company does not intend to provide updated information about the matters referred to in these forward looking statements, other than in the context of Management's Discussion and Analysis of Results of Operations and Financial Condition contained herein and other disclosures in the Company's SEC filings.

DIRECTORS AND EXECUTIVE OFFICERS

Set forth below is certain information relating to the Current directors and executive officers of the Company:

EXECUTIVE OFFICERS OF THE COMPANY	AGE	POSITIONS
Lonnie "Bo" Pilgrim (1)	70	Chairman of the Board
Clifford E. Butler	56	Vice Chairman of the Board
David Van Hoose	56	Chief Executive Officer President Chief Operating Officer Director
Richard A. Cogdill	38	Executive Vice President ChiefFinancial Officer Secretary and Treasurer Director
O.B. Goolsby, Jr.	51	Executive Vice President Prepared Foods Complexes
Robert L. Hendrix	62	Executive Vice President Growout and Processing
Michael J. Murray	40	Executive Vice President Sales & Marketing and Distribution
Randy P. Stroud	43	Executive Vice President Mexico Operations
Ray Gameson	49	Senior Vice President Human Resources
David Hand	42	Senior Vice President Sales and Marketing Retail and Fresh Products
Michael D. Martin	44	Senior Vice President Complex Manager DeQueen and Nashville Arkansas Complex
James J. Miner, Ph.D.	70	Senior Vice President Technical Services
Robert N. Palm	55	Senior Vice President Lufkin, Nacogdoches and Center Texas Complex
Lonnie Ken Pilgrim (1)	40	Senior Vice President Director of Transportation Director
Charles L. Black (1)	68	Director
Robert E. Hilgenfeld (1) (2)	73	Director
Vance C. Miller, Sr. (1) (2)	64	Director

James G. Vetter, Jr. (1) (2) 64 Director

Donald L. Wass, Ph.D. (1) (2) 66 Director

(1) Member of the Compensation Committee
(2) Member of the Audit Committee

LONNIE "BO" PILGRIM has served as Chairman of the Board since the organization of the Company in July 1968. He was previously Chief Executive Officer from July 1968 to June 1998. Prior to the incorporation of the Company, Mr. Pilgrim was a partner in the Company's predecessor partnership business founded in 1946.

CLIFFORD E. BUTLER serves as Vice Chairman of the Board. He joined the Company as Controller and Director in 1969, was named Senior Vice President of Finance in 1973, became Chief Financial Officer and Vice Chairman of the board in July 1983, became Executive President on January 1997 and served in such capacity through July 1998 and continues to serve as Vice Chairman of the Board.

DAVID VAN HOOSE serves as Chief Executive Officer, President and Chief Operating Officer of the Company. He was named Chief Executive Officer and Chief Operating Officer in June 1998 and President in July 1998. He was previously President of Mexico Operations from April 1993 to June 1998 and Senior Vice President, Director General, Mexico Operations from August 1990 to April 1993. Mr. Van Hoose was employed by the Company in September 1988 as Senior Vice President, Texas Processing. Prior to that, Mr. Van Hoose was employed by Cargill, Inc., as General Manager of one of its chicken operations.

RICHARD A. COGDILL has served as Executive Vice President, Chief Financial Officer, Secretary and Treasurer since January 1997. He became a Director in September 1998. Previously he served as Senior Vice President, Corporate Controller, from August 1992 through December 1996 and as Vice President, Corporate Controller from October 1991 through August 1992. Prior to October 1991 he was a Senior Manager with Ernst & Young LLP. He is a Certified Public Accountant.

O.B. GOOLSBY, JR. has served as Executive Vice President, Prepared Foods Operations since June 1998. He was previously Senior Vice President, Prepared Foods Operations from August 1992 to June 1998 and Vice President, Prepared Foods Operations from April 1986 to August 1992 and was previously employed by the Company from November 1969 to January 1981.

ROBERT L. HENDRIX has been Executive Vice President, Operations, of the Company since March 1994. He was a Director of the Company from March 1994 to September 1998. Prior to that he served as Senior Vice President, NETEX Processing from August 1992 to March 1994 and as President and Chief of Complex Operations from September 1988 to March 1992. He was on leave from the Company from March 1992 to August 1992. From July 1983 to March 1992 he served as a Director of the Company. He was President and Chief Operating Officer of the Company from July 1983 to September 1988. He joined the Company as Senior Vice President in September 1981 when the Company acquired Mountaire Corporation of DeQueen, Arkansas, and, prior thereto, he was Vice President of Mountaire Corporation.

MICHAEL J. MURRAY has been Executive Vice President, Sales & Marketing and Distribution since June 1998. He previously served as Senior Vice President, Sales & Marketing, Prepared Foods from October 1994 to June 1998 and as Vice President of Sales and Marketing, Food Service from August 1993 to October 1994. From 1990 to July 1993, he was employed by Cargill, Inc. Prior to that, from March 1987 to 1990 he was employed by the Company as a Vice President for sales and marketing and prior thereto, he was employed by Tyson Foods, Inc.

RANDY P. STROUD has served as Executive Vice President, Mexico Operations since August 1998. Previously he was Live Production Manager at the Lufkin, Texas Complex from May 1989 to August 1998 and as Breeder Department Manager from June 1985 to May 1989.Prior to that he was employed in variousoperating management positions by Plus-Tex Poultry, Inc., a Lufkin, Texas based Company acquired by Pilgrim's Pride in June of 1985.

RAY GAMESON has been Senior Vice President of Human Resources since October 1994. He previously served as Vice President of Human Resources since August 1993. From December 1991 to July 1993, he was employed by Townsends, Inc. and served as Complex Human Resource, Manager. Prior to that, he was employed by the Company as Complex Human Resource, Manager, at its Mt. Pleasant, Texas location.

DAVID HAND has served as Senior Vice President of Sales and Marketing, Retail and Fresh Products since January 1998. Previously he was Vice President of Commodity and export Sales from November 1996 to June 1998. Prior to that he was Director of Commodity and Export Sales from October 1992 to November 1996. He joined the Company in June 1990 and was Export Sales Manager from June 1990 to October 1992. Prior to that he was President of Plantation Marketing and was with ConAgra from 1979 to 1986.

MICHAEL D. MARTIN has been Senior Vice President, DeQueen, Arkansas Complex Manager, of the Company since April 1993. He previously served as Plant Manager at the Company's Lufkin, Texas operations and Vice President, Processing, at the Company's Mt. Pleasant, Texas, operations up to April 1993. He has served in various other operating management positions in the Arkansas Complex since September 1981. Prior to that, he was employed by Mountaire Corporation of DeQueen, Arkansas, until it was acquired by the Company in September 1981.

JAMES J. MINER, PH.D., has been Senior Vice President, Technical Services, since April 1994. He has been employed by the Company and its predecessor partnership since 1966 and served as Senior Vice President responsible for live production and feed nutrition from 1968 to April 1994. He was a Director from the incorporation of the Company in 1968 through September 1998.

ROBERT N. PALM has been Senior Vice President, Lufkin, Texas, Complex Manager of the Company, since June 1985 and was previously employed in various operating management positions by Plus-Tex Poultry, Inc., a Lufkin, Texas based company acquired by Pilgrim's Pride in June 1985.

LONNIE KEN PILGRIM has been employed by the Company since 1977 and has been Senior Vice President, Transportation since August 1997. Prior to that he served the Company as its Vice President, Director of Transportation. He has beena member of the Board of Directors since March 1985. He is a son of Lonnie "Bo" Pilgrim.

CHARLES L. BLACK was Senior Vice President, Branch President of NationsBank, Mt. Pleasant, Texas, from December 1981 to his retirement in February 1995. He previously was a Director of the Company from 1968 to August 1992 and has served as a director since his re-election in February 1995.

ROBERT E. HILGENFELD was elected a Director in September 1986. Mr. Hilgenfeld was a Senior Vice President-Marketing/Processing for the Company from 1969 to 1972 and for seventeen years prior to that worked in various sales and management positions for the Quaker Oat Company. From 1972 until April 1986, he was employed by Church's Fried Chicken Company ("Church's") as Vice President-Purchasing Group, Vice President and Senior Vice President. He was elected a Director of Church's in 1985 and retired from Church's in April 1986. Since retirement he has served as a consultant to various companies including the Company.

VANCE C. MILLER, SR. was elected a Director in September 1986. Mr. Miller has been Chairman of Vance C. Miller Interests, a real estate development company formed in 1977 and has served as the Chairman of the Board and Chief Executive Officer of Henry S. Miller Cos., a Dallas, Texas real estate services firm since 1991. Mr. Miller also serves as a director of Resurgence Properties, Inc.

JAMES G. VETTER, JR. has practiced law in Dallas, Texas since 1966. He is a member of the Dallas law firm of Godwin & Carlton, P.C., and has served as general counsel and a Director since 1981. Mr.Vetter is a Board Certified-Tax Law Specialist and serves as a lecturer and author in tax matters.

DONALD L. WASS, Ph.D. was elected a Director of the Company in May 1987. He has been President of the William Oncken Company of Texas, a time management consulting company, since 1970.

ITEM 2. PROPERTIES

PRODUCTION AND FACILITIES

BREEDING AND HATCHING: The Company supplies all of its chicks in the U.S. by producing its own hatching eggs from domestic breeder flocks in the U.S. owned by the Company, approximately 34% of which are maintained on 42 Company-operated breeder farms. In the U.S., the Company currently owns or contracts for approximately 8.5 million square feet of breeder housing on approximately 238 breeder farms. In Mexico, all of the Company's breeder flocks are maintained on Company-owned farms.

The Company owns seven hatcheries in the United States, located in Nacogdoches, Center and Pittsburg, Texas, and DeQueen and Nashville, Arkansas, where eggs are incubated and hatched in a process requiring 21 days. Once hatched, the day-old chicks are inspected and vaccinated against common poultry diseases and transported by Company vehicles to grow-out farms. The Company's seven hatcheries in the U.S. have an aggregate production capacity of approximately 9.0 million chicks per week. In Mexico, the Company owns seven hatcheries, which have an aggregate production capacity of approximately 3.3 million chicks per week.

GROW-OUT: The Company places its U.S. grown chicks on approximately 1,100 grow-out farms located in Texas and Arkansas. These farms provide the Company with approximately 58.0 million square feet of growing facilities. The Company operates 33 grow-out farms in the U.S., which account for approximately 7.6% of its total annual U.S. chicken capacity. The Company also places chicks with farms owned by affiliates of the Company under grow-out contracts. The remaining chicks are placed with independent farms under grow-out contracts. Under such grow-out contracts, the farmers provide the facilities, utilities and labor. The Company supplies the chicks, the feed and all veterinary and technical services. Contract grow-out farmers are paid based on live weight under an incentive arrangement. In Mexico, the Company owns approximately 38% of its grow-out farms and contracts with independent farmers for the balance of its production.Arrangements with independent farmers in Mexico are similar to the Company's arrangements with contractors in the United States.

FEED MILLS: An important factor in the production of chicken is the rate at which feed is converted into body weight. The Company purchases feed ingredients on the open market. The primary feed ingredients include corn, milo and soybean meal, which historically have been the largest component of the Company's total production cost. The quality and composition of the feed is critical to the conversion rate, and accordingly, the Company formulates and produces its own feed. In the U.S., the Company operates seven feed mills located in Nacogdoches, Mt. Pleasant, Center and

Pittsburg, Texas and Nashville and Hope, Arkansas. The Company currently has annual feed requirements of approximately 2.3 million tons and the capacity to produce approximately 2.7 million tons. The Company owns four feed mills in Mexico, which produce all of the requirements of its Mexico operations. Mexico's annual feed requirements are approximately 0.6 million tons with a capacity to produce approximately 0.9 million tons. In fiscal 1998, approximately 26% of Mexico's feed ingredients used were imported from the United States. However, this percentage fluctuates based on the availability and cost of local grain supplies.

Feed grains are commodities subject to volatile price changes caused by weather, size of harvest, transportation and storage costs and the agricultural policies of the United States and foreign governments. Although the Company can and sometimes does purchase grain in forward markets, it cannot eliminate the potential adverse effect of grain price changes.

PROCESSING: Once the chickens reach processing weight, they are transported in the Company's trucks to the Company's processing plants. These plants utilize modern, highly automated equipment to process and package the chickens. The Company periodically reviews possible application of new processing technologies in order to enhance productivity and reduce costs. The Company's six U.S. processing plants, two of which are located in Mt. Pleasant, Texas, and the remainder of which are located in Dallas, Nacogdoches and Lufkin, Texas, and DeQueen, Arkansas, have the capacity, under present U.S.D.A. inspection procedures, to produce approximately 1.3 billion pounds of dressed chicken annually. The Company's three processing plants located in Mexico, which perform fewer processing functions than the Company's U.S. facilities, have the capacity to process approximately 485 million pounds of dressed chicken annually.

PREPARED FOODS PLANT: The Company's prepared foods plant in Mt. Pleasant, Texas, was constructed in 1986 and has expanded significantly since that time. This facility has deboning lines, marination systems, batter/breading systems, fryers, ovens, both mechanical and cryogenic freezers, a variety of packaging systems and cold storage. This plant is currently operating at the equivalent of two shifts a day for six days a week. If necessary, the Company could add additional shifts during the seventh day of the week. The Company completed construction of a new prepared foods facility at its Dallas, Texas location during fiscal first quarter 1998. The Dallas, Texas facility is functionally equivalent to the Mt. Pleasant, Texas facility described above.

EGG PRODUCTION: The Company produces eggs at three farms near Pittsburg, Texas. One farm is owned by the Company, while two farms are operated under contract by an entity owned by a major stockholder of the Company. The eggs are cleaned, sized, graded and packaged for shipment at processing facilities located on the egg farms. The farms have a housing capacity for approximately 2.3 million producing hens and are currently housing approximately 2.0 million hens.

OTHER FACILITIES AND INFORMATION: The Company operates a rendering plant located in Mt. Pleasant, Texas, that currently processes by-products from approximately 8.2 million chickens weekly into protein products, which are used in the manufacture of chicken and livestock feed and pet foods. The Company operates a feed supply store in Pittsburg, Texas, from which it sells various bulk and sacked livestock feed products. The Company owns an office building in Pittsburg, Texas, which houses its executive offices, and an office building in Mexico City, which houses the Company's Mexican marketing offices.

Substantially all of the Company's U.S. property, plant and equipment is pledged as collateral on its secured debt.

ITEM 3. LEGAL PROCEEDINGS

From time to time the Company is named as a defendant or co-defendant in lawsuits arising in the course of its business. The Company does not believe that such pending lawsuits will have a material adverse impact on the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On June 30, 1998, the Company's shareholders approved an amendment to the Company's certificate of incorporation that reclassified the Company's existing common stock to Class B common stock ("Class B Stock") and created a new class of common stock designated as Class A common stock ("Class A Stock"). Under the reclassification, each outstanding share of the Company's existing common stock was reclassified into one share of Class B Stock. Each share of Class B Stock has substantially the same rights, powers and limitations as the Company's common stock outstanding immediately prior to such amendment, except that each share of Class B Stock entitles the holder thereof to 20 votes per share except as otherwise provided by law. Each share of the new Class A Stock is substantially identical to the shares of Class B Stock, except that each share of Class A Common Stock entitles the holder thereof to one vote per share on any matter submitted for a stockholder vote.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

QUARTERLY STOCK PRICES AND DIVIDENDS
high and low sales prices and dividends were:

QUARTER	Prices 1998 HIGH	Prices 1998 LOW	Prices 1997 HIGH	Prices 1997 LOW	DIVIDENDS 1998	DIVIDENDS 1997
First	$16 9/16	$12 3/4	$ 9	$ 7 3/4	$.015	$.015
Second	15 7/8	10 3/4	12 1/8	8 5/8	.015	.015
Third	19 11/16	13 13/16	12 3/4	9 1/2	.015	.015
Fourth	24 1/16	18 1/4	15 3/8	10 5/16	.015	.015

The Company's Class B common stock is traded on the New York Stock Exchange (ticker symbol "CHX"), no Class A common stock has been issued. The Company estimates there were approximately 13,000 holders (including individual participants in security position listings) of the Company's Class B common stock as of December 8, 1998. See Note F - Common Stock, of the Notes to Consolidated Financial Statements for additional discussion of the Company's common stock.

ITEM 6. SELECTED FINANCIAL DATA

S E L E C T E D F I N A N C I A L D A T A
Pilgrim's Pride Corporation

(IN THOUSANDS, EXCEPT PER SHARE DATA) Ten Years Ended September 26, 1998

	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
INCOME STATEMENT DATA:										
Net sales	$1,331,545	$1,277,649	$1,139,310	$931,806	$922,609	$887,843	$817,361	$786,651	$720,555	$661,077
Gross margin	136,103	114,467	70,640	74,144	110,827	106,036	32,802	75,567	74,190	83,356
Operating income (loss)	77,256	63,894	21,504(b)	24,930(b)	59,698	56,345	(12,475)	31,039	33,379	47,014
Income (loss) before income taxes and extraordinary charge	56,522	43,824	47	2,091	42,448	32,838	(33,712)	12,235	20,463	31,027
Income tax expense (benefit) (c)	6,512	2,788	4,551	10,058	11,390	10,543	(4,048)	(59)	4,826	10,745
Income (loss) before extraordinary charge	50,010	41,036	(4,504)	(7,967)	31,058	22,295	(29,664)	12,294	15,637	20,282
Extraordinary charge early repayment of debt, net of taxes	--	--	(2,780)	--	--	(1,286)	--	--	--	--
Net income (loss)	50,010	41,036	(7,284)	(7,967)	31,058	21,009	(29,664)	12,294	15,637	20,282
Per Common Share Data:										
Income (loss) before extraordinary charge	$1.81	$1.49	$(0.16)	$(0.29)	$1.13	$0.81	$(1.24)	$0.54	$0.69	$0.90
Extraordinary Charge--early repayment of debt	--	--	(0.10)	--	--	(0.05)	--	--	--	--
Net income loss	1.81	1.49	(0.26)	(0.29)	1.13	0.76	(1.24)	0.54	0.69	0.90
Cash dividends	0.06	0.06	0.06	0.06	0.06	0.03	0.06	0.06	0.06	0.06
Book value(d)	8.37	6.62	5.19	5.51	5.86	4.80	4.06	4.97	4.49	3.86
Balance Sheet Summary										
Working Capital	$147,040	$133,542	$88,455	$88,395	$99,724	$72,688	$11,227	$44,882	$54,161	$60,313
Total Assets	601,439	579,124	536,722	497,604	438,683	422,846	434,566	428,090	379,694	291,102
Notes payable and current maturities of long-term debt	5,889	11,596	35,850	18,187	4,493	25,643	86,424	44,756	30,351	9,528
Long-term debt, less current maturities	199,784	224,743	198,334	182,988	152,631	159,554	131,534	175,776	154,227	109,412
Total stockholders' equity	230,871	182,516	143,135	152,074	161,696	132,293	112,112	112,353	101,414	87,132
(KEY INDICATORS (AS A PERCENTAGE OF NET SALES):										
Gross margin	10.2%	9.0%	6.2%	8.0%	12.0%	11.9%	4.0%	9.6%	10.3%	12.6%
Selling, general and administrative expenses	4.4%	4.0%	4.3%	5.3%	5.5%	5.6%	5.7%	5.7%	5.7%	5.5%
Operating income (loss)	5.8%	5.0%	1.9%	2.7%	6.5%	6.3%	(1.6)%	3.9%	4.6%	7.1%
Interest expense, net	1.5%	1.7%	1.9%	1.9%	2.1%	2.9%	2.8%	2.5%	2.3%	2.7%
Net income (loss)	3.8%	3.2%	(0.6)%	(0.9)%	3.4%	2.4%	(3.6)%	1.6%	2.2%	3.1%

(a) Fiscal 1993 had 53 weeks
(b) The peso decline and the related economic recession in Mexico contributed significantly to the operating losses experienced by the Company's Mexico operations of $8.2 million and $17.0 million for fiscal years 1996 and 1995, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".
(c) The Company does not include income or losses from its Mexico operations in its determination of taxable income for U.S. income tax purposes based upon its determination that such earnings will be indefinitely reinvested in Mexico. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note D of the Consolidated Financial Statements of the Company.
(d) Amounts are based on end-of-period shares of common stock outstanding.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

GENERAL

Profitability in the chicken industry can be materially affected by the commodity prices of chicken and chicken parts, each of which are determined largely by supply and demand. As a result, the chicken industry as a whole has been characterized by cyclical earnings. Cyclical fluctuations in earnings of individual chicken companies can be mitigated somewhat by: (i) business strategy; (ii) product mix; (iii) sales and marketing plans, and (iv) operating efficiencies. In an effort to reduce price volatility and to generate higher, more consistent profit margins, the Company has concentrated on the production and marketing of prepared food products, which generally have higher margins than the Company's other products. Additionally, the production and sale in the U.S. of prepared foods products reduces the impact of feed grain costs on the Company's profitability. As further processing is performed, feed grain costs become a decreasing percentage of a product's total production costs.

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

	1998	1997	1996
Net sale	100.0%	100.0%	100.0%
Cost of sales	89.8	91.0	93.8
Gross profit	10.2	9.0	6.2
Selling, general and administrative expense	4.4	4.0	4.3
Operating income	5.8	5.0	1.9
Interest expense	1.5	1.7	1.9
Income before income taxes and extraordinary charge	4.2	3.4	0.0
Net income (loss)	3.8	3.2	(0.6)

RESULTS OF OPERATIONS

FISCAL 1998 COMPARED TO FISCAL 1997:

NET SALES. Consolidated net sales were $1.33 billion for fiscal 1998, an increase of $53.9 million, or 4.2% over fiscal 1997. The increase in consolidated net sales resulted from a $53.4 million increase in U.S. chicken sales to $911.6 million and a $3.1 million increase in Mexican chicken sales to $278.1 million offset partially by a $2.6 million decrease of sales of other U.S. products to $141.9 million. The increase in U.S. chicken sales was primarily due to a 3.9% increase in dressed pounds produced resulting primarily from the Company's expansion of existing facilities and the purchase of poultry assets capable of producing 650,000 chickens per week from Green Acre Foods, Inc., on April 15, 1997, and by a 2.3% increase in total revenue per dressed pound produced. The increase in Mexico chicken sales was primarily due to a 6.5% increase in total revenue per dressed pound offset partially by a 5.0% decrease in dressed pounds produced. Increased revenues per dressed pound produced in Mexico were primarily the result of higher sales prices as well as generally improved economic conditions in Mexico compared to the prior year.

COST OF SALES. Consolidated cost of sales was $1.2 billion in fiscal 1998, an increase of $32.3 million, or 2.8% over fiscal 1997. The increase resulted primarily from a $37.4 million increase in cost of sales of U.S. operations, offset partially by a $5.1 million decrease in the cost of sales in Mexico operations. The cost of sales increase in U.S. operations of $37.4 million was due to a 3.9% increase in dressed pounds produced and increased production of higher cost and margin products in prepared foods offset partially by a 16.5% decrease in feed ingredient costs per pound experienced during the period. The $5.1 million cost of sales decrease in Mexico operations was primarily due to a 5.0% decrease in dressed pounds produced partially offset by a 2.9% increase in average costs of sales per dressed pound produced.

GROSS PROFIT. Gross profit was $136.1 million for fiscal 1998, an increase of $21.6 million, or 18.9% over the same period last year. Gross profit as a percentage of sales increased to 10.2% in fiscal 1998 from 9.0% in fiscal 1997. The increased gross profit resulted from higher margins for poultry products in the U.S. and Mexico.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Consolidated selling, general and administrative expenses were $58.8 million in fiscal 1998 and $50.6 million in fiscal 1997. Consolidated selling, general and administrative expenses as a percentage of sales increased in fiscal 1998 to 4.4% compared to 4.0% in fiscal 1997 due primarily to higher administration costs.

OPERATING INCOME.Consolidated operating income was $77.3 million for fiscal 1998, an increase of $13.4 million, or 20.9% when compared to fiscal 1997, resulting primarily from higher margins experienced in the

U.S. and Mexico operations.

INTEREST EXPENSE. Consolidated net interest expense decreased to $20.2 million, or 8.7% in fiscal 1998, when compared to $22.1 million for fiscal 1997, due to lower outstanding debt levels.

MISCELLANEOUS, NET. Consolidated miscellaneous, net, a component of Other Expense (Income), was ($1.7) million in fiscal 1998, a $0.7 million decrease, or 30.4% when compared to ($2.4) million for fiscal 1997, which included a $2.2 million final settlement of claims resulting from the January 8, 1992, fire at the Company's prepared foods plant in Mt. Pleasant, Texas.

INCOME TAX EXPENSE. Consolidated income tax expense in fiscal 1998 increased to $6.5 million compared to an expense of $2.8 million in fiscal 1997. This increase resulted from higher U.S. earnings in fiscal 1998 than in fiscal 1997. While Mexico earnings were also higher in fiscal 1998 than in fiscal 1997, Mexico earnings are not currently subject to income taxes.

FISCAL 1997 COMPARED TO FISCAL 1996:

NET SALES. Consolidated net sales were $1.3 billion for fiscal 1997, an increase of $138.3 million, or 12.1% over fiscal 1996. The increase in consolidated net sales resulted from an $84.5 million increase in U.S. chicken sales to $858.1 million, a $46.9 million increase in Mexico chicken sales to $275.0 million and by a $7.0 million increase of sales of other U.S. products to $144.5 million. The increase in U.S. chicken sales was primarily due to a 14.0% increase in dressed pounds produced resulting primarily from the Company's expansion of existing facilities and the purchase of poultry producing assets capable of producing 650,000 chickens per week from Green Acre Foods, Inc. on April 15, 1997, offset partially by a 2.7% decrease in total revenue per dressed pound produced. The increase in Mexico chicken sales was primarily due to a 25.5% increase in total revenue per dressed pound partially offset by a 3.9% decrease in dressed pounds produced resulting from management's decision in fiscal 1996 to reduce production due to the recession in Mexico. Increased revenue per dressed pound produced in Mexico was primarily the result of higher sales prices as well as generally improved economic conditions in Mexico compared to the prior year. The increase in sales of other domestic products was primarily the result of increased sales of the company's chicken by-products group.

COST OF SALES. Consolidated cost of sales was $1.2 billion in fiscal 1997, an increase of $94.5 million, or 8.8% over fiscal 1996. The increase primarily resulted from a $91.7 million increase in cost of sales of U.S. operations, and a $2.8 million increase in the cost of sales in Mexico operations. The cost of sales increase in U.S. operations of $91.7 million was due to the 14.0% increase in dressed pounds produced and increased production of higher cost and margin products in prepared foods, partially offset by a decrease in feed ingredient cost when compared to fiscal 1996. The $2.8 million cost of sales increase in Mexico operations was primarily due to a 5.4% increase in average costs of sales per pound partially offset by a 3.9% decrease in dressed pounds produced. The increase in average costs of sales per pound was primarily the result of cost adjusting upward due to generally improved economic conditions in Mexico compared to the prior year offset partially by lower feed ingredient cost experienced in the period.

GROSS PROFIT. Gross profit as a percentage of sales increased to 9.0% in fiscal 1997 from 6.2% in fiscal 1996. The increased gross profit resulted mainly from significantly higher margins in Mexico.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Consolidated selling, general and administrative expenses were $50.6 million in fiscal 1997, and $49.1 million in fiscal 1996. Consolidated selling, general and administrative expenses as a percentage of sales decreased in fiscal 1997 to 4.0% compared to 4.3% in fiscal 1996. The decrease in selling, general and administrative expenses as a percent of sales was primarily due to increased sales, while selling, general and administrative expenses remained relatively constant.

OPERATING INCOME. Consolidated operating income was $63.9 million for fiscal 1997, an increase of $42.4 million, or 197.1% when compared to fiscal 1996, resulting primarily from higher margins experienced in the Mexico operations.

INTEREST EXPENSE. Consolidated net interest expense increased slightly to $22.1 million, or 2.5% in fiscal 1997, when compared to $21.5 million in fiscal 1996, due to slightly higher levels of outstanding indebtedness in 1997. As a percentage of sales, however, interest expense decreased to 1.7% in fiscal 1997 compared to 1.9% in fiscal 1996.

MISCELLANEOUS EXPENSE. Consolidated miscellaneous, net, a component of "Other Expense

(Income)", was ($2.4) million in fiscal 1997 and includes a $2.2 million final settlement of claims resulting from the January 8, 1992, fire at the Company's prepared foods plant in Mt. Pleasant, Texas.

INCOME TAX EXPENSE. Consolidated income tax expense in fiscal 1997 decreased to $2.8 million compared to an expense of $4.6 million in fiscal 1996. The lower consolidated income tax expense in contrast to higher consolidated income resulted from increased Mexico earnings that are not currently subject to income taxes.

LIQUIDITY AND CAPITAL RESOURCES

At September 26, 1998, the Company's working capital increased to $147.0 million and its current ratio increased to 2.32 to 1 compared with working capital of $133.5 million and a current ratio of 2.14 to 1 at September 27, 1997. Strong profits were primarily responsible for the increases in working capital and current ratio from September 27, 1997, to September 26, 1998.

Trade accounts and other receivables were $81.8 million at September 26, 1998, a $3.8 million increase from September 27, 1997. The 4.9% increase was due primarily to higher net sales and increased sales of prepared foods products, which normally have longer credit terms than fresh chicken sales.

Inventories were $141.7 million at September 26, 1998, compared to $146.2 million at September 27, 1997. The $4.5 million, or 3.1% decrease was due primarily to lower costs in the live chicken and hen inventories resulting from lower feed costs.

Capital expenditures for the fiscal 1998 were $53.5 million and were primarily incurred to expand certain facilities, improve efficiencies, reduce costs and for the routine replacement of equipment. The Company anticipates that it will spend approximately $95.0 million for capital expenditures in fiscal year 1999 and expects to finance such expenditures with available operating cash flows and long-term financing.

Cash flows provided by operating activities were $85.0 million, $49.6 million and $11.4 million in fiscal 1998, 1997 and 1996, respectively. The significant increase in cash flows provided by operating activities for fiscal 1998 when compared to fiscal 1997 was due primarily to increased net income, a reduction in inventory levels as discussed above, and a substantially smaller increase in accounts receivable for fiscal 1998, when compared to fiscal 1997. The significantincrease in cash flows provided by operating activities for fiscal 1997, when compared to fiscal 1996, was due primarily to net income for fiscal 1997, compared to a net loss in fiscal 1996.

Cash flows provided by (used in) financing activities were ($32.5) million, $348,000 and $27.3 million in fiscal 1998, 1997 and 1996, respectively. The cash provided by (used in) financing activities primarily reflects the net proceeds (payments) from notes payable and long-term financing and debt retirements.

At September 26, 1998, the Company's stockholders' equity increased to $230.9 million from $182.5 million at September 27, 1997. Total debt to capitalization decreased to 47.1% at September 26, 1998, compared to 56.4% at September 27, 1997.

The Company maintains $70 million in revolving credit facilities and $45 million in secured term borrowing facilities. The credit facilities provide for interest at rates ranging from LIBOR plus one and three-eighths percent to LIBOR plus two percent and are secured by inventory and fixed assets or are unsecured. As of October 30, 1998, $63.3 million was available under the revolving credit facilities and $30.8 million was available under the term borrowing facilities.

On June 26, 1998, the Company entered into an asset sale agreement to sell up to $60 million of accounts receivable. Under this agreement, as the sold accounts receivable are collected, new qualifying accounts can be substituted thus maintaining the maximum balance allowed to be outstanding at a rate approximating .425% over commercial paper. As of September 26, 1998, no accounts receivable had been sold under this agreement. Any such sales, however, are expected to be recorded as a sale in accordance with FASB Statement No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.

The Company's deferred income taxes have resulted primarily from the Company's use of the cash method of accounting for periods before July 2, 1988. The "Omnibus Budget Reconciliation Act" of 1987 required certain family-owned farming businesses to switch to the accrual method of accounting and provided that such corporations establish a suspense account in lieu of taking the adjustment into taxable income currently. "The Taxpayer Relief Act of 1997" requires that this suspense account be taken into income ratably over 20 years beginning in fiscal 1998, however, any remaining balance in the suspense account will be accelerated if the Company ceases to be a family-owned corporation. A "family-owned" corporation is one in which at least 50% of the total combined voting power of classes of stock of the corporation are owned by members of the same family. The Company believes that it will remain a family-owned corporation for the foreseeable future.

MARKET RISK SENSITIVE INSTRUMENTS AND POSITIONS

The risk inherent in the Company's market risk sensitive instruments and positions is the potential loss arising from adverse changes in the price of feed ingredients, foreign currency exchange rates and interest rates 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 management may take to mitigate its exposure to such changes. Actual results may differ.

FEED INGREDIENTS. The Company is a purchaser of certain commodities, primarily corn and soybean meal. As a result, the Company's earnings are affected by changes in the price and availability of such feed ingredients. As market conditions dictate, the Company from time to time will lock-in future feed ingredient prices, using various hedging techniques including forward purchase agreements with suppliers and futures contracts. The Company does not use such financial instruments for trading purposes and is not a party to any leveraged derivatives. Market risk is estimated as a hypothetical 10% increase in the weighted-average cost of the Company's primary feed ingredients as of September 26, 1998. Based on projected 1999 feed consumption, such an increase would result in an increase to cost of sales of approximately $16.3 million in 1999, after considering the effect of forward purchase commitments and future contracts outstanding as of September 26, 1998. As of September 26, 1998, the Company had hedged approximately 45.6% of its 1999 feed requirements.

FOREIGN CURRENCY. The Company's earnings are affected by foreign exchange rate fluctuations related to the Mexican peso net monetary position of its Mexico subsidiaries. The company primarily manages this exposure by attempting to minimize its Mexican peso net monetary position, but has also from time to time considered executing hedges to help minimize this exposure. However, such instruments have historically not been economically feasible. The Company is also exposed to the effect of potential exchange rate fluctuations to the extent that amounts are repatriated from Mexico to the United States. However, the company currently anticipates that the cash flows of its Mexico subsidiaries will continue to be reinvested in its Mexico operations. In addition, the Mexican peso exchange rate can directly and indirectly impact the Company's results of operations and financial position in several manners, including potential economic recession in Mexico resulting from a devalued peso. The impact on the Company's financial position and results of operations of a hypothetical change in the exchange rate between the U.S. dollar and the Mexican peso cannot be reasonably estimated. Foreign currency exchange losses, representing the decline in the U.S. dollar value of the net monetary assets of the Company's Mexico subsidiaries, were $2.3 million, $0.4 million and $1.3 million for 1998, 1997 and 1996, respectively. The operating loss of the company's Mexico subsidiaries of $8.2 million in 1996 was primarily the result of the peso devaluation and other economic factors at least partially attributable to the peso devaluation. On December 3, 1998, the Mexican peso closed at 10.0 to 1 U.S. dollar, a decrease from 10.24 at September 26, 1998. No assurance can be given as to the future valuation of the Mexican peso and how further movements in the peso could affect future earnings of the Company.

INTEREST RATES. The Company's earnings are also affected by changes in interest rates due to the impact those changes have on its variable-rate debt instruments. The Company has variable-rate debt instruments representing approximately 22.5% of its total long-term debt at September 26, 1998. If interest rates average 25 basis points more in 1999, than they did during 1998, the Company's interest expense would be increased by $0.1 million. These amounts are determined by considering the impact of the hypothetical interest rates on the Company's variable-rate long-term debt at September 26, 1998.

Market risk for fixed-rate long-term debt is estimated as the potential increase in fair value resulting from a hypothetical 25 basis points decrease in interest rates and amounts to approximately $0.7 million, using discounted cash flow analysis.

NEW ACCOUNTING PRONOUNCEMENTS

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133), which is required to be adopted in years beginning after June 15, 1999. SFAS 133 permits early adoption as of the beginning of any fiscal quarter after its issuance. SFAS 133 will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Company is currently evaluating the impact of SFAS 133; however, it is not expected to have a material impact on the Company's financial condition or results of operations.

DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION. In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information (SFAS 131), effective for years beginning after December 15, 1997. SFAS No. 131 supersedes SFAS No. 14, Financial Reporting Segments of a Business Enterprise, and requires that a public Company report annual and interim financial descriptive information about its reportable operating segments pursuant to criteria that differ from current accounting practice. Because this statement addresses how supplemental financial information is disclosed in annual and interim reports, the adoption will have no impact on the Company's financial statements, but may affect the disclosure of segment information.

IMPACT OF YEAR 2000

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Company's computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

The Company has determined that it will be required to modify or replace portions of its software so that its computer systems will function properly with respect to dates in the year 2000 and thereafter. To date, the Company has updated substantially all of its computer systems in the U.S. and is in the process of updating its systems in Mexico. The Company anticipates completing the remaining portion of its Year 2000 project by mid-1999. The Company presently believes that with these modifications and replacements, the Year 2000 Issue will not pose significant operational problems for its computer systems.

Systems assessments and minor system modifications were completed using existing internal resources and as a result, incremental costs were minimal. System replacements, consisting primarily of capital projects, were initiated for other business purposes while at the same time achieving Year 2000 compliance. System replacement projects were completed primarily using external resources. The total cost of the Year 2000 project is not expected to have a material effect on the Company's results of operations.

Additionally, the Company will be initiating communications with all of its significant suppliers and large customers to determine the extent to which the Company's interface systems are vulnerable to those third parties' failure to remediate their own Year 2000 Issues. However, there can be no assurance that the systems of other parties upon which the Company relies will be converted on a timely basis. The Company's business, financial condition, or results of operations could be materially adversely impacted by the failure of its systems and applications or those operated by others to properly operate or manage dates beyond 1999.

The Company believes that its initiatives and its existing business recovery plans are adequate to address reasonably likely Year 2000 Issues. If unforeseen circumstances arise, the Company will attempt to develop contingency plans for these situations.

IMPACT OF INFLATION

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements together with the report of independent auditors, and financial statement schedules are included on pages 38 through 49 of this document. Financial statement schedules other than those included herein have been omitted because the required information is contained in the consolidated financial statements or related notes, or such information is not applicable.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

NOT APPLICABLE

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT

Reference is made to "Election of Directors" on pages 3 through 5 of Registrant's Proxy Statement for its 1999 Annual Meeting of Stockholders, which section is incorporated herein by reference.

Referece is made to "Compliance with Section 16(a) of the Exchange Act" on page 12 of Registrant's Proxy Statement for its 1999 Annual Meeting of Stockholders, which section is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information responsive to Items 11, 12 and 13 is incorporated by reference from sections entitled "Security Ownership", "Election of Directors", "Executive Compensation", and "Certain Transactions" of the Registrant's Proxy Statement for its 1999 Annual Meeting of Stockholders.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)(1) The financial statementslisted in the accompanying index to financial statements and schedules are filed as part of this report.

(2) All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are required under the related instructions or are applicable and therefore have been omitted.

(3) The financial statements schedule entitled Valuation and Qualifying Accounts and Reserves is filed as part of this report on page 51.

(4) On June 30, 1998 the Company filed a current report on Form 8-K related to the reclassification of its common stock.

(5) Exhibits

Exhibit
NUMBER

2.1 Agreement and Plan of Reorganization dated September 15, 1986, by and among Pilgrim's Pride Corporation, a Texas corporation; Pilgrim's Pride Corporation, a Delaware corporation; and Doris Pilgrim Julian, Aubrey Hal Pilgrim, Paulette Pilgrim Rolston, Evanne Pilgrim, Lonnie "Bo" Pilgrim, Lonnie Ken Pilgrim, Greta Pilgrim Owens and Patrick Wayne Pilgrim (incorporated by reference from Exhibit 2.1 to the Company's Registration Statement on Form S-1 (No. 33-8805) effective November 14, 1986).
3.1 Certificate of Incorporation of the Company (incorporated by reference from Exhibit 3.1 of the Company's Registration Statement on Form S-1 (No. 33-8805) effective November 14, 1986).
3.2 Amended and Restated Corporate Bylaws of Pilgrim's Pride Corporation, a Delaware Corporation, effective September 30, 1998.
4.1 Certificate of Incorporation of the Company (incorporated by reference from Exhibit 3.1 of the Company's Registration Statement on Form S-1 (No. 33-8805) effective November 14, 1986).
4.2 Amended and Restated Corporate Bylaws of Pilgrim's Pride Corporation, a Delaware Corporation, effective December 4, 1996 (incorporated by reference from Exhibit 3.3 of the Company's Quarterly Report on Form 10-Q for the three months ended March 29, 1997).
4.3 Specimen Certificate for shares of Common Stock, par value $.01 per share, of the Company (incorporated by reference from Exhibit 4.6 of the Company's Form 8 filed on July 1, 1992).
4.4 Form of Indenture between the Company and Ameritrust Texas National Association relating to the Company's 10 7/8% Senior Subordinated Notes Due 2003 (incorporated by reference from Exhibit 4.6 of the Company's Registration Statement on Form S-1 (No. 33-59626) filed on March 16, 1993).
4.5 Form of 10 7/8% Senior Subordinated Note Due 2003 (incorporated by reference from Exhibit 4.8 of the Company's Registration Statement on Form S-1 (No. 33-61160) filed on June 16, 1993).
10.1 Pilgrim's Industries, Inc. Profit Sharing Retirement Plan, restated as of July 1, 1987 (incorporated by reference from Exhibit 10.1 of the Company's Form 8 filed on July 1, 1992).
10.2 Bonus Plan of the Company (incorporated by reference from Exhibit 10.2 to the Company's Registration Statement on Form S-1 (No. 33-8805) effective November 14, 1986).
10.3 Stock Purchase Agreement dated May 12, 1992, between the Company and Archer Daniels Midland Company (incorporated by reference from Exhibit 10.45 of the Company's Form 10-K for the year ended September 26, 1992).
10.4 Employee Stock Investment Plan of the Company (incorporated by reference from Exhibit 10.28 of the Company's Registration Statement on Form S-1 (No. 33-21057) effective May 2, 1988).
10.5 Promissory Note dated September 20, 1990, by and between the Company and Hibernia National Bank of Texas (incorporated by reference from

Exhibit 10.42 of the Company's Form 8 filed on July 1, 1992).

10.6 Loan Agreement dated October 16, 1990, by and among the Company, Lonnie "Bo" Pilgrim and North Texas Production Credit Association, with related Variable Rate Term Promissory Note and Deed of Trust (incorporated by reference from Exhibit 10.43 of the Company's Form 8 filed on July 1, 1992).

10.7 Secured Credit Agreement dated May 27, 1993, by and among the Company and Harris Trust and Savings Bank, and FBS AG Credit, Inc., Internationale Nederlanden Bank, N.V., Boatmen's First National Bank of Kansas City, and First Interstate Bank of Texas, N.A. (incorporated by reference from Exhibit 10.31 of the Company's Registration Statement on Form S-1 (No. 33-61160) filed on June 16, 1993).

10.8 First Amendment to Secured Credit Agreement dated June 30, 1994 to the Secured Credit Agreement dated May 27, 1993, by and among the Company and Harris Trust and Savings Bank, and FBS AG Credit, Inc., Internationale Nederlanden Bank N.V., Boatmen's First National Bank of Kansas City and First Interstate Bank of Texas, N.A. (incorporated by reference from Exhibit 10.33 of the Company's annual report on Form 10-K for the fiscal year ended September 28, 1996).

10.9 Second Amendment to Secured Credit Agreement dated December 6, 1994 to the Secured Credit Agreement dated May 27, 1993, by and among the Company and Harris Trust and Savings Bank, and FBS AG Credit, Inc., Internationale Nederlanden Bank N.V., Boatmen's First National Bank of Kansas City and First Interstate Bank of Texas, N.A. (incorporated by reference from Exhibit 10.36 of the Company's annual report on Form 10-K for the fiscal year ended September 28, 1996).

10.10 Third Amendment to Secured Credit Agreement dated June 30, 1995 to the Secured Credit Agreement dated May 27, 1993, by and among the Company and Harris Trust and Savings Bank, and FBS AG Credit, Inc., Internationale Nederlanden Bank N.V., (incorporated by reference from Exhibit 10.37 of the Company's annual report of Form 10-K for the fiscal year ended September 28, 1996).

10.11 Second Amended and Restated Loan and Security Agreement dated July 31, 1995, by and among the Company, the banks party thereto and Creditanstalt -Bankverein, as agent (incorporated by reference from Exhibit 10.38 of the Company's annual report on Form 10-K for the fiscal year ended September 28, 1996).

10.12 Revolving Credit Loan Agreement dated March 27, 1995 by and among the Company and Agricultural Production Credit Association (incorporated by reference from Exhibit 10.39 of the Company's annual report on Form 10-K for the fiscal year ended September 28, 1996).

10.13 First Supplement to Revolving Credit Loan Agreement dated July 6, 1995 by and among the Company and Agricultural Production Credit Association (incorporated by reference from Exhibit 10.40 of the Company's annual report on Form 10-K for the fiscal year ended September 28, 1996).

10.14 Credit Agreement dated as of January 31, 1996 is entered into among Pilgrim's Pride, S.A. de C.V., and Internationale Nederlanden (U.S.) Capital Corporation, Pilgrim's Pride Corporation, Avicola Pilgrim's Pride de Mexico, S.A. de C.V., Compania Incubadora Avicola Pilgrim's Pride, S.A. de C.V., Productora Y Distribuidora de Alimentos, S.A. de C.V., Immobiliaria Avicola Pilgrim's Pride, S. De R.L. de C.V. and C.I.A. Incubadora Hidalgo, S.A. de C.V. (incorporated by reference from Exhibit 10.42 of the Company's annual report on Form 10-K for the fiscal year ended September 28, 1996).

10.15 Fourth Amendment to Secured Credit Agreement dated June 6, 1996 to the Secured Credit Agreement dated May 27, 1993, by and among the Company and Harris Trust and Savings Bank, and FBS AG Credit, Inc., Internationale Nederlanden Bank N.V., successor to First Interstate Bank of Texas, N.A. (incorporated by reference from Exhibit 10.43 of the Company's annual report on Form 10-K for the fiscal year ended September 28, 1996).

10.16 Second Supplement to Revolving Credit Loan Agreement dated June 28, 1996 by and among the Company and Agricultural Production Credit Association (ncorporated by reference from Exhibit 10.44 of the Company's annual report on Form 10-K for the fiscal year ended September 28, 1996).

10.17 Third Supplement to Revolving Credit Loan Agreement dated August 22, 1996 by and among the Company and Agricultural Production Credit Association (incorporated by reference from Exhibit 10.45 of the Company's annual report on Form 10-K for the fiscal year ended September 28, 1996).

10.18 Note Purchase Agreement dated April 14, 1997 by and between John Hancock Mutual Life Insurance Company and Signature 1A (Cayman), Ltd. and the Company (incorporated by reference from Exhibit 10.46 of the Company's Quarterly Report on Form 10-Q for the three months ended March 29, 1997).

10.19 Guaranty Fee Agreement between Pilgrim's Pride Corporation and Certain Shareholders dated November 28, 1996 (incorporated by reference from Exhibit 10.47 of the Company's Quarterly Report on Form 10-Q for the three months ended March 29, 1997).

10.20 Aircraft Lease Extension Agreement between B.P. Leasing Co., (L.A. Pilgrim, Individually) and Pilgrim's Pride Corporation, (formerly Pilgrim's Industries, Inc.) effective November 15, 1992 (incorporated by reference from Exhibit 10.48 of the Company's Quarterly Report on Form 10-Q for the three months ended March 29, 1997).

10.21 Broiler Grower Contract dated May 6, 1997 between Pilgrim's Pride Corporation and Lonnie "Bo" Pilgrim (Farm 30) (incorporated by reference from Exhibit 10.49 of the Company's Quarterly Report on Form 10- for the three months ended March 29, 1997).

10.22 Commercial Egg Grower Contract dated May 7, 1997 between Pilgrim's Pride Corporation and Pilgrim Poultry G.P. (incorporated by reference from Exhibit 10.50 of the Company's Quarterly Report on Form 10-Q for the three months ended March 29, 1997).

10.23 Agreement dated October 15, 1996 between Pilgrim's Pride Corporation and Pilgrim Poultry G.P. (incorporated by reference from Exhibit 10.51 of the Company's Quarterly Report on Form 10-Q for the three months ended March 29, 1997).

10.24 Heavy Breeder Contract dated May 7, 1997 between Pilgrim's Pride Corporation and Lonnie "Bo" Pilgrim (Farms 44, 45 & 46) (incorporated by reference from Exhibit 10.51 of the Company's Quarterly Report on Form 10-Q for the three months ended March 29, 1997).

10.25 Broiler Grower Contract dated January 9, 1997 by and between Pilgrim's Pride and O.B. Goolsby, Jr. (incorporated by reference from Exhibit 10.25 of the Company's Registration Statement on Form S-1 (No. 333-29163) effective June 27, 1997).

10.26 Broiler Grower Contract dated January 15, 1997 by and between Pilgrim's Pride Corporation and B.J.M. Farms. (incorporated by reference from Exhibit 10.26 of the Company's Registration Statement on Form S-1 (No. 333-29163) effective June 27, 1997).

10.27 Broiler Grower Agreement dated January 29, 1997 by and between Pilgrim's Pride Corporation and Clifford E. Butler (incorporated by reference from Exhibit 10.27 of the Company's Registration Statement on Form S-1 (No. 333-29163) effective June 27, 1997).

10.28 Secured Term Credit Agreement dated June 5, 1997 by and among Pilgrim's Pride Corporation and Harris Trust and Savings Bank, and FBS AG Credit, Inc., CoBank, ACB, ING (U.S.) Capital Corporation, Wells Fargo Bank (Texas) and N.A., Caisse National de Credit Agricole, Chicago Branch.*

10.29 Amended and Restated Secured Credit Agreement dated August 11, 1997 to the Secured Credit Agreement dated May 27, 1993 by and among the Company and Harris Trust and Savings Bank, and FBS AG Credit, Inc., CoBank, ACB, ING (U.S.) Capital Corporation, Wells Fargo Bank (Texas) and N.A., Caisse National de Credit Agricole, Chicago Branch.*

10.30 Second Amendment to Second Amended and Restated Loan and Security Agreement dated September 18, 1997 by and among the Company, the banks party thereto and Creditanstalt-Bankverein, as agent.*

10.31 Guaranty Fee Agreement between Pilgrim's Pride Corporation and Certain Shareholders dated July 23, 1997.*

10.32 Revolving Credit Agreement dated March 2, 1998 by and between Pilgrim's Pride de Mexico, S.A. de C.V., (the borrower); Avicola Pilgrim's Pride de Mexico, S.A. de C.V. (the Mexican Guarantor), Pilgrim's Pride Corporation (the U.S. Guarantor), and COAMERICA Bank (the bank), (incorporated by reference from Exhibit 10.32 of the Company's Quarterly report on form 10-Q for the three months ended March 28, 1998.

10.33 Receivables Purchase Agreement between Pilgrim's Pride Funding Corporation, as Seller, Pilgrim's Pride Corporation, as Servicer, Pooled Accounts Receivable Capital Corporation, as Purchaser, and Nesbitt Burns Securities Inc., as Agent (incorporated by reference from Exhibit 10.33 of the Company's Quarterly report on form 10-Q for the three months ended June 27, 1998).

10.34 Purchase and Contribution Agreement Dated as of June 26, 1998 between Pilgrim's Pride Funding Corporation and Pilgrim's Pride Corporation (incorporated by reference from Exhibit 10.34 of the Company's Quarterly report on form 10-Q for the three months ended June 27, 1998).

10.35 Second Amendment to Security Agreement Re: Accounts Receivable, Farm Products and Inventory between Pilgrim's Pride Corporation and Harris Trust and Savings Bank (incorporated by reference from Exhibit 10.35 of the Company's Quarterly report on form 10-Q for the three months ended June 27, 1998).

10.36 First Amendment to Amended and Restated Secured Credit Agreement between Pilgrim's Pride Corporation and Harris Trust and Savings Bank, U.S. Bancorp Ag Credit, Inc., CoBank, ACB, ING (U.S.) Capital Corporation ("ING"), Wells Fargo Bank, N.A. and Credit Agricole Indosuez (incorporated by reference from Exhibit 10.33 of the Company's Quarterly report on form 10-Q for the three months ended June 27, 1998).

21.1 Subsidiaries of Registrant.*

23.1 Consent of Ernst & Young LLP.*

* Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the issuer has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 10th day of December 1998.

PILGRIM'S PRIDE CORPORATION

By: /s/ R.A. Cogdill

Richard A. Cogdill
Chief Financial Officer
Secretary and Treasurer

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

SIGNATURE	TITLE	DATE
/s/ Lonnie "Bo" Pilgrim Lonnie "Bo" Pilgrim	Chairman Board of Directors	12/10/98
/s/ Clifford E. Butler Clifford E. Butler	Vice Chairman Board of Directors	12/10/98
/s/ David Van Hoose		

______________________ David Van Hoose	Chief Executive Officer President Chief Operating Officer Director	12/10/98
/s/ Richard A. Cogdill ______________________ Richard A. Cogdill	Executive Vice President Chief Financial Officer Secretary and Treasurer Director	12/10/98
/s/ Lonnie Ken Pilgrim ______________________ Lonnie Ken Pilgrim	Senior Vice President and Director of Transportation Director	12/10/98
/s/ Charles L. Black ______________________ Charles L. Black	Director	12/10/98
______________________ Robert E. Hilgenfeld	Director	12/10/98
______________________ Vance C. Miller	Director	12/10/98
______________________ James J. Vetter, Jr.	Director	12/10/98
______________________ Donald L. Wass	Director	12/10/98

REPORT OF ERNST & YOUNG LLP,
INDEPENDENT AUDITORS
Pilgrim's Pride Corporation

Stockholders and Board of Directors
Pilgrim's Pride Corporation

We have audited the accompanying consolidated balance sheets of Pilgrim's Pride Corporation and subsidiaries at September 26, 1998, and September 27, 1997, and the related consolidated statements of income (loss), stockholders' equity and cash flows for each of the three years in the period ended September 26, 1998. Our audits also included the financial statement schedule listed in the index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pilgrim's Pride Corporation as of at September 26, 1998, and September 27, 1997, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 26, 1998, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements, taken as a whole, presents fairly in all material respects the information set forth therein.

ERNST & YOUNG LLP

Dallas, Texas
November 4, 1998

CONSOLIDATED BALANCE SHEETS
Pilgrim's Pride Corporation

(IN THOUSANDS) TWO YEARS ENDED SEPTEMBER 26, 1998

ASSETS	1998	1997
CURRENT ASSETS:		

Cash and cash equivalents	$ 25,125	$ 20,338
Trade accounts and other receivables, less allowance for doubtful accounts	81,813	77,967
Inventories	141,684	146,180
Deferred income taxes	7,010	3,998
Prepaid expenses and other current assets	2,902	2,664
Total Current Assets	258,534	251,147
OTHER ASSETS	11,757	18,094
PROPERTY, PLANT AND EQUIPMENT:		
Land	26,404	25,737
Buildings, machinery and equipment	470,763	436,783
Autos and trucks	35,547	33,278
Construction-in-progress	29,385	14,863
	562,099	510,661
Less accumulated depreciation	230,951	200,778
	331,148	309,883
	$601,439	$579,124
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 70,069	$ 71,225
Accrued expenses	35,536	34,784
Current maturities of long-term debt	5,889	11,596
Total Current Liabilities	111,494	117,605
Long-Term Debt, less current maturities	199,784	224,743
Deferred Income Taxes	58,401	53,418
Minority Interest in Subsidiary	889	842
Commitments and Contingencies	--	--
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value, authorized 5,000,000 shares; none issued	--	--
Common stock - Class A, $.01 par value, authorized 100,000,000 shares; none issued	--	--
Common stock - Class B, $.01 par value, authorized 60,000,000 shares; 27,589,250 issued and outstanding in 1998 and 1997	276	276
Additional paid-in capital	79,763	79,763
Retained earnings	150,832	102,477
Total Stockholders' Equity	230,871	182,516
	$601,439	$579,124
Total Stockholders' Equity		

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME (LOSS)
Pilgrim's Pride Corporation

(IN THOUSANDS, EXCEPT PER SHARE DATA)	THREE YEARS ENDED SEPTEMBER 26, 1998		
	1998	1997	1996
NET SALES	$1,331,545	$1,277,649	$1,139,310
COST AND EXPENSES:			
Cost of sales	1,195,442	1,163,152	1,068,670
Selling, general and administrative	58,847	50,603	49,136
	1,254,289	1,213,755	1,117,806
Operating Income	77,256	63,894	21,504
OTHER EXPENSES (INCOME):			
Interest expense, net	20,148	22,075	21,539
Foreign exchange loss	2,284	434	1,275
Miscellaneous, net	(1,698)	(2,439)	(1,357)
	20,734	20,070	21,457
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY CHARGE	56,522	43,824	47
Income tax expense	6,512	2,788	4,551
NET INCOME (LOSS) BEFORE EXTRAORDINARY CHARGE	50,010	41,036	(4,504)
Extraordinary charge-early repayment of debt, net of tax	--	--	(2,780)
NET INCOME (LOSS)	$ 50,010	$ 41,036	$ (7,284)
Net income (loss) per common share before extraordinary charge - basic and diluted	$1.81	$1.49	$(0.16)
Extraordinary charge per common share - basic and diluted	--	--	(0.10)
NET INCOME (LOSS) PER COMMON SHARE - BASIC AND DILUTED	$ 1.81	$ 1.49	$ (0.26)

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF
STOCKHOLDERS' EQUITY
Pilgrim's Pride Corporation

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Number of Shares	Class B Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance at September 30, 1995	27,589,250	$276	$79,763	$72,035	$152,074
Net loss for year				(7,284)	(7,284)
Cash dividends declared ($.06 per share)				(1,655)	(1,655)
Balance at September 28, 1996	27,589,250	276	79,763	63,096	143,135
Net income for year				41,036	41,036
Cash dividends declared ($.06 per share)				(1,655)	(1,655)
Balance at September 27, 1997	27,589,250	276	79,763	102,477	182,516
Net income for year				50,010	50,010
Cash dividends declared ($.06 per share)				(1,655)	(1,655)
Balance at September 26, 1998	27,589,250	$ 276	$ 79,763	$150,832	$230,871

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Pilgrim's Pride Corporation

(IN THOUSANDS, EXCEPT PER SHARE DATA)	THREE YEARS ENDED SEPTEMBER 26, 1998		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 50,010	$41,036	$ (7,284)
Adjustments to reconcile net income (loss) to cash			
Provided by operating activities:			
Depreciation and amortization	32,591	29,796	28,024
(Gain) loss on property disposals	132	874	(211)
Provision for doubtful accounts	409	(60)	1,003
Deferred income taxes	571	2,613	(354)
Extraordinary charge	--	--	4,587
Changes in operating assets and liabilities:			
Accounts and other receivables	(4,255)	(15,213)	(6,858)
Inventories	4,496	(9,314)	(24,830)
Prepaid expenses and other current assets	(246)	(999)	(674)
Accounts payable and accrued expenses	996	1,056	18,165
Other	312	(174)	(177)
Cash Provided by Operating Activities	85,016	49,615	11,391
INVESTING ACTIVITIES:			
Acquisitions of property, plant and equipment	(53,518)	(50,231)	(34,314)
Proceeds from property disposals	5,629	3,853	1,468
Other, net	595	(1,291)	312
Cash Used in Investing Activities	(47,294)	(47,669)	(32,534)
FINANCING ACTIVITIES:			
Proceeds from notes payable to banks	35,500	68,500	91,000
Repayments on notes payable to banks	(35,500)	(95,500)	(77,000)
Proceeds from long-term debt	21,125	39,030	51,028
Payments on long-term debt	(51,968)	(10,027)	(32,140)
Cash dividends paid	(1,655)	(1,655)	(1,655)
Extraordinary charge, cash items	--	--	(3,920)
Cash Provided by (Used in) Financing Activities	(32,498)	348	27,313
Effect of exchange rate changes on cash and cash equivalents	(437)	4	(22)
Increase in cash and cash equivalents	4,787	2,298	6,148
Cash and cash equivalents at beginning of year	20,338	18,040	11,892
CASH AND CASH EQUIVALENTS AT END OF YEAR:	$ 25,125	$20,338	$18,040
SUPPLEMENTAL DISCLOSURE INFORMATION:			
Cash paid during the year for:			
Interest (net of amount capitalized)	$20,979	$22,026	$20,310
Income taxes	$ 4,543	$ 2,021	$ 4,829

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pilgrim's Pride Corporation

NOTE A - BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pilgrim's Pride Corporation ("the Company") is a vertically integrated producer of chicken products, controlling the breeding, hatching and growing of chickens and the processing, preparation and packaging of its product lines. The Company is the fourth largest producer of chicken in the United States, with production and distribution facilities located in Texas, Arkansas, Oklahoma and Arizona, and is the second largest producer of chicken in Mexico, with production and distribution facilities located in Mexico City and the states ofCoahuila, San Louis Potosi, Queretaro and Hidalgo. The Company's chicken products consist primarily of prepared foods, which include portion-controlled breast fillets, tenderloins and strips, formed nuggets and patties, bone-in chicken parts,fresh foodservice chicken, pre-packaged chicken, and bulk packaged chicken.

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of Pilgrim's Pride Corporation and its wholly and majority owned subsidiaries. Significant intercompany accounts and transactions have been eliminated.

The financial statements of the Company's Mexico subsidiaries are re-measured as if the U.S. dollar were the functional currency. Accordingly, assets and liabilities of the Mexico subsidiaries are translated at end-of- period exchange rates, except for non-monetary assets which are translated at equivalent dollar costs at dates of acquisition using historical rates. Operations are translated at average exchange rates in effect during the period. Foreign exchange (gains) losses are separately stated as components of "Other expenses (income)" in the Consolidated Statement of Income (Loss).

CASH EQUIVALENTS: The Company considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

ACCOUNTS RECEIVABLE: The Company does not believe it has significant concentrations of credit risk in its accounts receivable, which are generally unsecured. Credit evaluations are performed on all significant customers and updated as circumstances dictate. Allowances for doubtful accounts were $3.7 million and $3.8 million at September 26, 1998 and September 27, 1997, respectively.

INVENTORIES:

Live chicken inventories are stated at the lower of cost or market and breeder hens at the lower of cost, less accumulated amortization, or market. The costs associated with breeder hens are accumulated up to the production stage and amortized over the productive lives using the straight-line method. Finished chicken products, feed, eggs and other inventories are stated at the lower of cost (first-in, first-out method) or market. Occasionally, the Company hedges a portion of its purchases of major feed ingredients using futures contracts to minimize the risk of adverse price fluctuations. The changes in market value of such agreements have a high correlation to the price changes of the feed ingredients being hedged. Gains and losses on the hedge transactions are deferred and recognized as a component of cost of sales when products are sold. Gains and losses on the futures contracts would be recognized immediately were the changes in the market value of the agreements to cease to have a high correlation to the price changes of the feed ingredients being hedged.

PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment is stated at cost. For financial reporting purposes, depreciation is computed using the straight-line method over the estimated useful lives of these assets. Depreciation expense was $31.5 million, $28.7 million and $26.8 million in 1998, 1997 and 1996, respectively.

NET INCOME (LOSS) PER COMMON SHARE: Net income (loss) per share is based on the weighted average number of shares of common stock outstanding during the year. The weighted average number of shares outstanding (basic and diluted) was 27,589,250 in all periods.

In February 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 128, EARNINGS PER SHARE (SFAS 128), which the Company was required to adopt in the first quarter of 1998. The adoption of SFAS 128 had no impact on the reporting of earnings per share.

USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - INVENTORIES

Inventories consist of the following:

(IN THOUSANDS)	1998	1997
Live chicken and hens	$ 61,295	$ 68,034
Feed, eggs and other	46,199	43,878
Finished chicken	34,190	34,268
products	$141,684	$146,180

NOTE C - NOTES PAYABLE AND LONG- TERM DEBT

The Company maintains $70 million in revolving credit facilities and $45 million in secured term borrowing facilities. The credit facilities provide for interest at rates ranging from LIBOR plus one and three-eighths percent to LIBOR plus two percent and are secured by inventory and fixed assets. At September 26, 1998, $63.3 million was available under the revolving credit facilities and $30.8 million was available under the term borrowing facilities. Annual maturities of long-term debt for the five years subsequent to September 26, 1998 are: 1999 - $5.7 million; 2000 - $10.0 million; 2001 - $10.2 million; 2002 - $10.4 million and 2003 - $126.3 million. During 1996, the Company retired certain debt prior to its scheduled maturity. These repayments resulted in an extraordinary charge of $2.8 million, net of $1.8 million tax benefit.

The Company is required, by certain provisions of its debt agreements, to maintain levels of working capital and net worth, to limit dividends to a maximum of $1.7 million per year, to maintain various fixed charge, leverage, current and debt-to-equity ratios, and to limit annual capital expenditures. Substantially all of the Company's domestic property, plant and equipment is pledged as collateral on its long- term debt and credit facilities.

Total interest was $21.6 million in 1998 and $23.4 million in 1997 and 1996. Interest related to new construction capitalized in 1998, 1997 and 1996 was $1.7 million, $.5 million and $1.3 million, respectively.

The fair value of long-term debt, at September26, 1998 and September27, 1997, based upon quoted market prices for the same or similar issues where available or by using discounted cash flow analysis, was approximately $206.7 million and $241.4 million, respectively. Long-term debt consist of the following:

(IN MILLIONS)

	Maturity	1998	1997
Senior subordinated notes, interest at 10 7/8% (effective rate of 11 1/8%)	2003	$95,512	$99,118
Notes payable to an insurance company at 7.11% - 7.21%	2006	56,554	59,543
Notes payable to bank at LIBOR plus 1.8% in 1998 and 2% in 1997	2003	32,000	40,000
Notes payable to an agricultural lender at a rate approximating LIBOR plus 1.65%	2003	14,224	28,871
Other notes payable	Various	7,383	8,807
		205,673	236,339
Less current maturities		5,889	11,596
		$199,784	$224,743

NOTE D - INCOME TAXES

Income (loss) before income taxes and extraordinary charge after allocation of certain expenses to foreign operations for 1998, 1997 and 1996 was $23.7 million, $15.8 million and $16.3 million, respectively, for U.S. operations, and $32.8 million, $28 million and ($16.3) million, respectively, for foreign operations. The provisions for income taxes are based on pre-tax financial statement income.

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

(IN THOUSANDS)	1998	1997	1996
Current:			
Federal	$4,985	$1,113	$3,005
Foreign	948	245	817
State and other	8	(1,183)	1,083
	5,941	175	4,905
Deferred	571	2,613	(354)
	$6,512	$ 2,788	$ 4,551

The following is a reconciliation between the statutory U.S. federal income tax rate and the Company's effective income tax rate:

(IN THOUSANDS)	1998	1997	1996
Federal income tax rate	35.0%	35.0%	35.0%
State tax rate, net	(0.4)	(0.8)	1,674.1
Effect of Mexico loss being non-deductible in U.S.	-	-	6,252.3
Difference in U.S. Statutory tax rate and Mexico effective tax rate	(23.1)	(27.8)	1,649.3
Other, net	-	-	0.2
	11.5%	6.4%	9,610.9%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

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

(IN THOUSANDS)	1998	1997
Deferred tax liabilities:		
Tax over book depreciation	$25,304	$24,584
Prior use of cash accounting	32,905	34,223
Other	1,059	823
Total deferred tax liabilities	59,268	59,630
Deferred tax assets:		
AMT credit carryforward	234	3,518
Expense deductible in different years	7,643	6,692
Total deferred tax asset	7,877	10,210
Net deferred tax liabilities	$51,391	$49,420

The Company has not provided any U.S. deferred income taxes on the undistributed earnings of its Mexico subsidiaries based upon its determination that such earnings will be indefinitely reinvested. As of September 26, 1998, the cumulative undistributed earnings of these subsidiaries were approximately $94.4 million. If such earnings were not considered indefinitely reinvested, deferred U.S. and foreign income taxes would have been provided, after consideration of estimated foreign tax credits. However, determination of the amount of deferred federal and foreign income taxes is not practical.

NOTE E - ACCOUNTS RECEIVABLE

On June 26, 1998, the Company entered into an asset sale agreement to sell up to $60 million of accounts receivable. Under this agreement, as the sold accounts receivable are collected, new qualifying accounts can be substituted thus maintaining the maximum balance allowed to be outstanding at a rate approximating .425% over commercial paper. As of September 26, 1998,no accounts receivable had been sold under this agreement. Any such sales, however, are expected to be recorded as a sale in accordance with FASB Statement No. 125, Accounting for Transfers and Servicing of FinancialAssets and Extinguishments of Liabilities.

NOTE F - COMMON STOCK

On June 30, 1998, the Company's shareholders approved an amendment to the Company's certificate of incorporation that reclassified the Company's existing common stock to Class B common stock ("Class B Stock") and created a new class of common stock designated as Class A common stock ("Class A Stock"). Under the reclassification, each outstanding share of the Company's existing common stock was reclassified into one share of Class B Stock. Each shareof Class B Stock has substantially the same rights, powers and limitationsas the Company's common stock outstanding immediately prior to such amendment, except that each share of Class B Stock entitles the holder thereof to 20 votes per share except as otherwise provided by law. Each share of the new Class A Stock is substantially identical to the shares of Class B Stock, except that each share of Class A Common Stock entitles the holder thereof to one vote per shareon any matter submitted for a stockholder vote.

NOTE G - SAVINGS PLAN

The Company maintains a Section 401 (k) Salary Deferral Plan (the "Plan"). Under the Plan, eligible U.S. employees may voluntarily contribute a percentage of their compensation. The Plan provides for a contribution of up to four percent of compensation subject to an overall Company contribution limit of five percent of the U.S. operation's income before taxes. Under this plan, the Company's expenses were $1.7 million, $1.2 million and $1.0 million in 1998, 1997 and 1996, respectively.

NOTE H- RELATED PARTY TRANSACTIONS

The major stockholder of the Company owns an egg laying and a chicken growing operation. Transactions with related entities are summarized as follows:

(IN THOUSANDS)	1998	1997	1996
Contract egg grower fees to major Stockholder	$ 4,989	$ 4,926	$ 4,697
Chick, feed and other sales to major stockholder	21,396	20,116	18,057
Live chicken purchases from major stockholder	21,883	20,442	18,112

The Company leases an airplane from its major stockholder under an operating lease agreement. The terms of the lease agreement require monthly payments of $33,000 plus operating expenses. Lease expense was $396,000 for each of the years 1998, 1997 and 1996. Operating expenses were $52,950, $107,000 and $88,000 in 1998, 1997 and 1996, respectively.

NOTE I-COMMITMENTS AND CONTINGENCIES

The Consolidated Statements of Income (Loss)include rental expense for operating leases of approximately $14.3 million, $11.3 million and $10.1 million in 1998, 1997 and 1996, respectively. The Company's future minimum lease commitments under non- cancelable operating leases are as follows: 1999 - $12.7 million; 2000 - $11.6 million; 2001 - $9.6 million; 2002 - $6.5 million; 2003 - $5.4 million and thereafter $7.3 million. At September 26, 1998, the Company had $6.7 million in letters of credit outstanding relating to normal business transactions.

The Company is subject to various legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the Company.

NOTE J-BUSINESS SEGMENTS

The Company operates in a single business segment as a producer of agricultural products and conducts separate operations in the United States and Mexico.

Inter- area sales, which are not material, are accounted for at prices comparable to normal trade customer sales. Identifiable assets by geographic area are those assets which are used in the Company's operations in each area.

Information about the Company's operations in these geographic areas is as follows:

(IN THOUSANDS)	1998	1997	1996
Sales to unaffiliated Customers:			
United States	$1,053,458	$1,002,652	$911,181
Mexico	278,087	274,997	228,129
	$1,331,545	$1,277,649	$1,139,310
Operating income (loss):			
United States	$36,279	$29,321	$29,705
Mexico	40,977	34,573	(8,201)
	$77,256	63,894	$21,504
Identifiable assets:			
United States	$424,591	$404,213	$363,543
Mexico	176,848	174,911	173,179
	$601,439	$579,124	$536,722

The operating loss in Mexico in 1996 was primarily the result of currency devaluation and other economic factors. As of September 26, 1998 the Company had net assets in Mexico of $150 million.

NOTE K-QUARTERLY RESULTS (UNAUDITED)

(IN THOUSANDS, EXCEPT PER SHARE DATA) YEAR ENDED SEPTEMBER 26, 1998

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
Net Sales	$337,887	$324,446	$328,500	$340,712	$1,331,545
Gross Profit	29,380	26,861	32,736	47,126	136,103
Operating income	15,371	11,398	19,043	31,444	77,256
Net income	11,117	6,768	11,835	20,290	50,010
Per Share:					
Net income	0.40	.25	.43	.73	1.81
Cash dividends	.015	.015	.015	.015	.06
Market price:					
High	16 9/16	15 7/8	19 11/16	24 1/16	24 1/16
Low	12 3/4	10 3/4	13 13/16	18 1/4	10 3/4

(IN THOUSANDS, EXCEPT PER SHARE DATA) YEAR ENDED SEPTEMBER 27, 1997

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
Net sales	$297,806	$303,401	$335,168	$341,274	$1,277,649
Gross profit	30,267	23,085	27,285	33,860	114,497
Operating income	16,314	9,660	12,627	25,293	63,894
Net income	10,105 (a)	4,954	7,286	18,691	41,036 (a)
Per Share:					
Net income	.37 (a)	.18	.26	.68	1.49 (a)
Cash dividends	.015	.015	.015	.015	0.06
Market price:					
High	9	12 1/8	12 3/4	15 3/8	15 3/8
Low	7 3/4	8 5/8	9 1/2	10 5/16	7 3/4

(a) Includes $2.2 million ($1.3 million net of taxes) of other income arising from the final settlement of claims arising from a January 1992 fire at the Company's prepared foods plant.

PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES

SCHEUDLE II-VALUATION AND QUALIFYING ACCOUNTS

COL. A	COL. B	COL. C		COL. D	COL. E
		ADDITIONS			
DESCRIPTION	BALANCE AT BEGINNING	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS-	BALANCE AT END OF PERIOD
YEAR ENDED SEPTEMBER 26, 1998: RESERVES AND ALLOWANCES DEDUCTED FROM ASSET ACCOUNTS: ALLOWANCE FOR DOUBTFUL ACCOUNTS	$3,823,000	$ 409,000	$ --	$ 538,000	$ 3,694,000
YEAR ENDED SEPTEMBER 27, 1997: RESERVES AND ALLOWANCES DEDUCTED FROM ASSET ACCOUNTS: ALLOWANCE FOR DOUBTFUL ACCOUNTS	$3,985,000	$ (60,000)	$ --	$ 102,000	$ 3,823,000
YEAR ENDED SEPTEMBER 28, 1996: RESERVES AND ALLOWANCES DEDUCTED FROM ASSET ACCOUNTS: ALLOWANCE FOR DOUBTFUL ACCOUNTS	$4,280,000	$ 1,003,000	$ --	$ 1,298,000	$ 3,985,000

EXHIBIT
22-
SUBSIDIARIES OF REGISTRANT

1. AVICOLA PILGRIM'S PRIDE DE MEXICO, S.A. DE C.V.
2. CIA. INCUBADORA HIDALGO, S.A. DE C.V.
3. INMOBILIARIA AVICOLA PILGRIM'S PRIDE, S. DE R.L. DE C.V.
4. PILGRIM'S PRIDE, S.A. DE C.V.
5. PRODUCTORA Y DISTRIBUIDORA DE ALIMENTOS, S.A. DE C.V.
6. GALLINA PESADA S.A. DE C.V.
7. PILGRIM'S PRIDE FUNDING CORPORATION
8. PILGRIM'S PRIDE INTERNATIONAL, INC.
9. PPC OF DELAWARE BUSINESS TRUST

EXHIBIT
23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 3- 12043) of Pilgrim's Pride Corporation of our report dated November 4, 1998, with respect to the consolidated financial statements of Pilgrim's Pride Corporation included in this Annual Report (Form 10-K) and schedule for the year ended September 26, 1998.

Ernst & Young LLP

Dallas, Texas
December 10, 1998

YEAR
SEP-26-1998
SEP-26-1998
25125
0
81813
0
141684
258534
562099
230951
601439
111494
199784
0
0
276
230595
601439
1331545
1331545
1195442
1254289
20734
409
20148
56522
6512
50010
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50010
1.81
1.81

*   *   *   *   *

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)

AMENDED AND RESTATED
CORPORATE BYLAWS

OF

PILGRIM'S PRIDE CORPORATION
(a Delaware Corporation)

ARTICLE

NAME AND OFFICESARTICLE 1   NAME AND OFFICES

.   NAME1.1   NAME.   The name of the Corporation is PILGRIM'S PRIDE CORPORATION, hereinafter referred to as the "Corporation."

.   REGISTERED OFFICE AND AGENT1.2   REGISTERED OFFICE AND AGENT. The Corporation shall establish, designate and continuously maintain a registered office and agent in the State of Delaware, subject to the following provisions:

()   REGISTERED OFFICE(A)   REGISTERED OFFICE. The Corporation shall establish and continuously maintain in the State of Delaware a registered office which may be, but need not be, the same as its place of business.

()   REGISTERED AGENT(B)   REGISTERED AGENT.   The Corporation shall designate and continuously maintain in the State of Delaware a registered agent, which agent may be either an individual resident of the State of Delaware whose business office is identical with such registered office, or a domestic corporation or a foreign corporation authorized to transact business in the State of Delaware, having a business office identical with such registered office.

()   CHANGE   OF REGISTERED OFFICE OR AGENT(C)   CHANGE   OF REGISTERED OFFICE OR AGENT. The Corporation may change its registered office or change its registered agent, or both, upon the filing in the Office of the Secretary of State of Delaware of a statement setting forth the facts required by law, and executed for the Corporation by its President, a Vice President or other duly authorized officer.

.   OTHER OFFICES1.3   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

STOCKHOLDERSARTICLE 2 STOCKHOLDERS

.   PLACE OF MEETINGS2.1   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.

. ANNUAL MEETINGS2.2 ANNUAL MEETINGS. The annual meeting of the stockholders for the election of Directors and for the transaction of such other business as may properly come before the meeting shall be held within one hundred twenty (120) days after the close of the fiscal year of the Corporation on a day during such period to be selected by the Board of Directors; provided, however, that the failure to hold the annual meeting within the designated period of time or on the designated date shall not work a forfeiture or dissolution of the Corporation.

. SPECIAL MEETINGS2.3 SPECIAL MEETINGS. Special meetings of the stockholders, for any purpose or purposes, may be called by the Board of Directors, Chairman of the Board, Vice Chairman of the Board, Chief Executive Officer or President. 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.

. NOTICE2.4 NOTICE. Written or printed notice of the meeting stating the place, day and hour of the 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, either personally or by mail, by or at the direction of the Board of Directors, Chairman of the Board, Vice Chairman of the Board, Chief Executive Officer, President, or Secretary, to each stockholder of record entitled to vote at such meeting as determined in accordance with the provisions of Section 2.10 hereof. 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 transfer books of the Corporation.

. VOTING LIST.5 VOTING LIST. The officer or agent having charge and custody of the stock transfer books 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 having voting privileges registered in the name of each stockholder. 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 either at the principal office of the Corporation or at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. 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 ledger or transfer book, or a duplicate thereof, shall be prima facie evidence as to identity of the stockholders entitled to examine such list or stock ledger or transfer book and to vote at any such meeting of the stockholders. The failure to comply with the requirements of this Section shall not affect the validity of any action taken at said meeting.

. QUORUM2.6 QUORUM. The holders of a majority of the shares 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 provided by statute, the Certificate of Incorporation or these Bylaws. If, however, such quorum shall not be present or represented at any such meeting of the stockholders, the stockholders entitled to vote thereat, present in person, or represented by proxy, 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. At such reconvened meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. 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.

. REQUISITE VOTE2.7 REQUISITE VOTE. If a quorum is present at any meeting, the vote of the holders of a majority of the outstanding shares of capital stock having voting power, 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.

. WITHDRAWAL OF QUORUM2.8 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.

. VOTING AT MEETING2.9 VOTING AT MEETING. Voting at meetings of stockholders shall be conducted and exercised subject to the following procedures and regulations:

() VOTING POWER(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 one (1) vote for each such share held in his name on the books of the Corporation, except to the extent otherwise specified by the Certificate of Incorporation or Certificate of Designations pertaining to a series of preferred stock.

() EXERCISE OF VOTING POWER; PROXIES(B) EXERCISE OF VOTING POWER; PROXIES. Each stockholder entitled to vote at a meeting or to express consent or dissent to corporate action in writing without 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 subscribed by such stockholder or by his duly authorized attorney-in-fact; 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 execution of such written instrument of appointment, 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: (a) a pledgee; (b) a person who purchased or agreed to purchase or owns or holds an option to purchase the shares voted; (c) a creditor of the Corporation who extended its credit under terms requiring the appointment; (d) an employee of the Corporation whose employment contract requires the appointment; or (e) a party to a voting agreement created under Section 218 of the General Corporation Law of Delaware, as amended. 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.

() ELECTION OF DIRECTORS(C) ELECTION OF DIRECTORS. In all elections of Directors cumulative voting shall be prohibited.

. RECORD DATE2.10 RECORD DATE. As more specifically provided in Article 7, Section 7.7 hereof, the Board of Directors may fix in advance a record date for the purpose of determining stockholders entitled to notice of or to vote at a meeting of stockholders, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be less than ten (10) nor more than sixty (60) days prior to such meeting. In the absence of any action by the Board of Directors fixing the record date, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day before the day on which notice of the meeting is given, or, if notice is waived, at the close of business on the day before the meeting is held.

. ACTION WITHOUT MEETINGS2.11 ACTION WITHOUT MEETINGS. Any action permitted or required to be taken at a meeting of the stockholders of the Corporation may be taken without a meeting, without prior notice, and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holder or holders of the outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted, and such written consent shall have the same force and effect as the requisite vote of the stockholders thereon. Any such executed written consent, or an executed counterpart thereof, shall be placed in the minute book of the Corporation. Every written consent shall bear the date of signature of each stockholder who signs the consent. No written consent shall be effective to take the action that is the subject of the consent unless, within sixty (60) days after the date of the earliest dated consent delivered to the Corporation in the manner required under Section 2.12 hereof, a consent or consents signed by the holders of the minimum number of shares of the capital stock issued and outstanding and entitled to vote on and approve the action that is the subject of the consent are delivered to the Corporation. Prompt notice of the taking of any action by stockholders without a meeting by less than unanimous written consent shall be given to those stockholders who did not consent in writing to the action.

. RECORD DATE FOR ACTION WITHOUT MEETINGS2.12 RECORD DATE FOR ACTION WITHOUT MEETINGS. Unless a record date shall have previously been fixed or determined by the Board of Directors as provided in Section 2.10 hereof, whenever action by stockholders is proposed to be taken by consent in writing without a meeting of stockholders, the Board of Directors may fix a record date for the purpose of determining stockholders entitled to consent to that action, which record date shall not precede, and shall not be more than ten (10) days after, the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors and the prior action of the Board of Directors is not required by statute or the Certificate of Incorporation, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office, its principal place of business, or an officer or agent of the Corporation having custody of the books in which proceedings of meetings of stockholders are recorded. Delivery shall be by hand or by certified or registered mail, return receipt requested. Delivery to the Corporation's principal place of business shall be addressed to the Chairman of the Board of the Corporation. If no record date shall have been fixed by the Board of Directors and prior action of the Board of Directors is required by statute, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts a resolution taking such prior action.

. PREEMPTIVE RIGHTS2.13 PREEMPTIVE RIGHTS. No holder of shares of capital stock of the Corporation shall, as such holder, have any right to purchase or subscribe for any capital stock of any class which the Corporation may issue or sell, whether or not exchangeable for any capital stock of the Corporation of any class or classes, whether issued out of unissued shares authorized by the Certificate of Incorporation, as amended, or out of shares of capital stock of the Corporation acquired by it after the issue thereof; nor shall any holder of shares of capital stock of the Corporation, as such holder, have any right to purchase, acquire or subscribe for any securities which the Corporation may issue or sell whether or not convertible into or exchangeable for shares of capital stock of the Corporation of any class or classes, and whether or not any such securities have attached or appurtenant thereto warrants, options or other instruments which entitle the holders thereof to purchase, acquire or subscribe for shares of capital stock of any class or classes.

ARTICLE

DIRECTORS3 DIRECTORS

. MANAGEMENT POWERS3.1 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 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.

. NUMBER AND QUALIFICATION3.2 NUMBER AND QUALIFICATION. The Board of Directors shall consist of not less than one (1) member. The number of Directors shall initially be fixed by the incorporator and thereafter from time to time by the Board of Directors. Directors need not be residents of the State of Delaware nor stockholders of the Corporation. Each Director shall qualify as a Director following election as such by agreeing to act or acting in such capacity. The number of Directors shall be fixed, and may be increased or decreased, from time to time by resolution of the Board of Directors without the necessity of a written amendment to the Bylaws of the Corporation; provided, however, no decrease shall have the effect of shortening the term of any incumbent Director.

. ELECTION AND TERM3.3 ELECTION AND TERM. Members of the Board of Directors shall hold office until the annual meeting of the stockholders of the Corporation and until their successors shall have been elected and qualified. At the annual meeting of stockholders, the stockholders entitled to vote in an election of Directors shall elect Directors to hold office until the next succeeding annual meeting of the stockholders. Each Director shall hold office for the term for which he is elected, and until his successor shall be elected and qualified or until his death, resignation or removal, if earlier.

. VOTING ON DIRECTORS3.4 VOTING ON DIRECTORS. Directors shall be elected by the vote of the holders of a plurality 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.

. VACANCIES AND NEW DIRECTORSHIPS3.5 VACANCIES AND NEW DIRECTORSHIPS. Vacancies and newly created directorships resulting from any increase in the authorized number of Directors elected by all the stockholders having the right to vote as a single class may be filled by the affirmative vote of a majority of the Directors then in office, although less than a quorum, or by a sole remaining Director, or by the requisite vote of the stockholders at an annual meeting of the stockholders or at a special meeting of the stockholders called for that purpose, and the Directors so elected shall hold office until their successors are elected and qualified. If the holders of any class or classes of stock or series of stock of the Corporation are entitled to elect one or more Directors by the Certificate of Incorporation or Certificate of Designations applicable to such class or series, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the Directors elected by such class or classes or series thereof then in office, or by a sole remaining Director so elected, and the Directors so elected shall hold office until the next election of the class for which such Directors shall have been chosen, and until their successors shall be elected and qualified. For purposes of these Bylaws, a "vacancy" shall be defined as an unfilled directorship arising by virtue of the death, resignation or removal of a Director theretofore duly elected to serve in such capacity in accordance with the relevant provisions of these Bylaws.

. REMOVAL3.6 REMOVAL. Any Director 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 in number of shares of the stockholders present in person or by proxy at any meeting and entitled to vote for the election of such Director, provided notice of intention to act upon such matter shall have been given in the notice calling such meeting.

. MEETINGS3.7 MEETINGS. The meetings of the Board of Directors shall be held and conducted subject to the following regulations:

() PLACE(A) PLACE. Meetings of the Board of Directors of the Corporation, 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.

() ANNUAL MEETING(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.

() REGULAR MEETINGS(C) REGULAR MEETINGS. Regular meetings of the Board of Directors may be held without notice at such time and at such place or places as shall from time to time be determined and designated by the Board.

() SPECIAL MEETINGS(D) SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by the Chairman of the Board, Vice Chairman of the Board, Chief Executive Officer or President of the Corporation on notice of two (2) days to each Director either personally or by mail or by telegram, telex or facsimile transmission and delivery. Special meetings of the Board of Directors shall be called by the Chairman of the Board, Vice Chairman of the Board, Chief Executive Officer, President or Secretary in like manner and on like notice on the written request of two (2) Directors.

() NOTICE AND WAIVER OF NOTICE(E) NOTICE AND WAIVER OF NOTICE. Attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where a Director attends for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. 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.

() QUORUM(F) QUORUM. At all meetings of the Board of Directors, a majority of the number of Directors 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.

() REQUISITE VOTE(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 is required by statute, the Certificate of Incorporation or these Bylaws.

. ACTION WITHOUT MEETINGS3.8 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, if prior to such action a written consent thereto is signed by all members of the Board or of such committee, as the case may be, and such written consent is filed in the minutes or proceedings of the Board of Directors or committee.

. COMMITTEES3.9 COMMITTEES. Committees designated and appointed by the Board of Directors shall function subject to and in accordance with the following regulations and procedures:

() DESIGNATION AND APPOINTMENT(A) DESIGNATION AND APPOINTMENT. The Board of Directors may, by resolution adopted by a majority of the entire Board, designate and appoint one or more committees under such name or names and for such purpose or function as may be deemed appropriate.

() MEMBERS; ALTERNATE MEMBERS; TERMS(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 the Executive Committee, shall be the Chief Executive Officer of the Company. 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 entire Board, replace absent or disqualified members at any meeting of that committee. 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.

() AUTHORITY(C) AUTHORITY. Each committee, to the extent provided in the resolution of the Board 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 entire Board of Directors.

() RECORDS(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.

() CHANGE IN NUMBER(E) CHANGE IN NUMBER. The number of members or alternate members of any committee appointed by the Board of Directors, as herein provided, may be increased or decreased (but not below two) from time to time by appropriate resolution adopted by a majority of the entire Board of Directors.

() VACANCIES(F) VACANCIES. Vacancies in the membership of any committee designated and appointed hereunder shall be filled by the Board of Directors, at a regular or special meeting of the Board of Directors, in a manner consistent with the provisions of this Section 3.9.

() REMOVAL(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 entire Board, whenever in its judgment the best interests of the Corporation will be served thereby.

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

() QUORUM; REQUISITE VOTE(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.

() COMPENSATION(j) COMPENSATION. Appropriate compensation for members and alternate members of any committee appointed pursuant to the authority hereof may be authorized by the action of a majority of the entire Board of Directors pursuant to the provisions of Section 3.10 hereof.

() ACTION WITHOUT MEETINGS(K) ACTION WITHOUT MEETINGS. Any action required or permitted to be taken at a meeting of any committee may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all members of such committee. Such consent shall have the same force and effect as a unanimous vote at a meeting. The signed consent, or a signed copy, shall become a part of the record of such committee.

() RESPONSIBILITY(L) 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.

. COMPENSATION.10 COMPENSATION. By appropriate resolution of the Board of Directors, the Directors may be reimbursed their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum (as determined from time to time by the vote of a majority of the Directors then in office) for attendance at each meeting of the Board of Directors or a stated salary as Director, or both. No such payment shall preclude any Director from serving the Corporation in another capacity and receiving compensation therefor. Members of special or standing committees may, by appropriate resolution of the Board of Directors, be allowed similar reimbursement of expenses and compensation for attending committee meetings.

. MAINTENANCE OF RECORDS3.11 MAINTENANCE OF RECORDS. The Directors may keep the books and records of the Corporation, except such as are required by law to be kept within the State, outside the State of Delaware or at such place or places as they may, from time to time, determine.

. INTERESTED DIRECTORS AND OFFICERS3.12 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 firm of which one or more of its Directors or officers are members or employees, or in which they are interested, or between the Corporation and any corporation or association of which one or more of its Directors or officers are stockholders, members, directors, officers, or employees, or in which they are interested, shall be void or voidable solely for this reason, or solely because of the presence of such Director or Directors or officer or officers at the meeting of the Board of Directors of the Corporation, which acts upon, or in reference to, such contract, or transaction, if (a) the material facts of such relationship or interest shall be disclosed or known to the Board of Directors and the Board of Directors shall, nevertheless in good faith, authorize, approve and ratify such contract or transaction by a vote of a majority of the Directors present, such interested Director or Directors to be counted in determining whether a quorum is present, but not to be counted in calculating the majority of such quorum necessary to carry such vote; (b) the material facts of such relationship or interest 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

NOTICESARTICLE 4 NOTICES

. METHOD OF NOTICE4.1 METHOD OF NOTICE. Whenever under the provisions of the General Corporation Law of Delaware 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 mean personal notice, but such notice may be given in writing and delivered personally, through the United States mail, by a recognized delivery service (such as Federal Express) or by means of telegram, telex or facsimile 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 when transmitted by telex or facsimile transmission or personally delivered, as the case may be.

. WAIVER4.2 WAIVER. Whenever any notice whatever is required to be given under the provisions of the General Corporation Law of Delaware 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, 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 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 to the transaction of any business because the meeting is not lawfully called or convened.

ARTICLE

OFFICERS AND AGENTSARTICLE 5 OFFICERS AND AGENTS

. DESIGNATION5.1 DESIGNATION. The officers of the Corporation shall be chosen by the Board of Directors and shall consist of the offices of:

() Chairman of the Board, Vice Chairman of the Board, Chief Executive Officer, Chief Operating Officer, President, Vice President, Treasurer and Secretary; and

() Such other offices and officers (including one or more additional Vice Presidents) and assistant officers and agents as the Board of Directors shall deem necessary.

. ELECTION OF OFFICERS5.2 ELECTION OF OFFICERS. Each officer designated in Section 5.1(a) hereof 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 officer or agent designated in Section 5.1(b) above may be elected by the Board of Directors at any meeting.

. QUALIFICATIONS5.3 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.

. TERM OF OFFICE5.4 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, 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.

. AUTHORITY.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.

. REMOVAL5.6 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 whenever in its judgment the best interests of the Corporation will be served thereby. 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.

. VACANCIES5.7 VACANCIES. Any vacancy occurring in any office of the Corporation (by death, resignation, removal or otherwise) shall be filled by the Board of Directors.

. COMPENSATION.8 COMPENSATION. The compensation of all officers and agents of the Corporation shall be fixed from time to time by the Board of Directors.

. CHAIRMAN OF THE BOARD5.9 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 Vice Chairman to preside in his stead. The Chairman of the Board shall advise and counsel the Vice Chairman of the Board, the Chief Executive Officer and other officers of the Corporation and shall 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.

. VICE CHAIRMAN.10 VICE CHAIRMAN. The Vice Chairman shall have the power to call special meetings of the stockholders and of the Directors for any purpose or purposes, and, in the absence of the Chairman of the Board, the Vice Chairman shall preside at all meetings of the Board of Directors. The Vice Chairman shall advise and counsel the other officers of the Corporation and shall 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. The Vice Chairman shall be authorized to execute promissory notes, bonds, mortgages 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.

. CHIEF EXECUTIVE OFFICER5.11 CHIEF EXECUTIVE OFFICER. Subject to the supervision of the Board of Directors, 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 may execute contracts, including sales and purchase contracts, having a limited duration or effective maturity of less than one year. In the absence of the Chairman of the Board and the Vice Chairman, the Chief Executive Officer shall preside at all meetings of the stockholders and the Board of Directors. The Chief Executive Officer shall be ex officio a member of the Executive Committee, if any, of 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.

. [RESERVED]5.12 [RESERVED].

. CHIEF OPERATING OFFICER5.13 CHIEF OPERATING OFFICER. Subject to the supervision of the Chairman of the Board, the Chief Operating Officer shall have general supervision of the day to day operations of the Corporation. The Chief Operating Officer shall be ex officio a member of the Executive Committee, if any, of the Board of Directors. 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 Chairman of the Board and Board of Directors may from time to time prescribe.

. PRESIDENT.14 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 the 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.

. VICE PRESIDENTS5.15 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.

. SECRETARY.16 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, Chairman of the Board, Vice Chairman of the Board, Chief Executive 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.

. ASSISTANT SECRETARIES5.17 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.

. TREASURER.18 TREASURER. The Treasurer shall be the chief financial officer 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 Chairman of the Board 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.

. ASSISTANT TREASURERS5.19 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

INDEMNIFICATIONARTICLE 6 INDEMNIFICATION

. MANDATORY INDEMNIFICATION6.1 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 any threatened, pending or completed action, claim, suit or proceeding, whether civil, criminal, administrative or investigative, any appeal in such an action, suit or proceeding, and any inquiry or investigation that could lead to such an action, 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, shall be indemnified and held harmless by the Corporation from and against any judgments, penalties (including excise taxes), fines, amounts paid in settlement and reasonable expenses (including court costs and attorneys' fees) actually incurred by such person in connection with such Proceeding if it is determined that he acted in good faith and reasonably believed (i) in the case of conduct in his official capacity on behalf of the Corporation that his conduct was in the Corporation's best interests, (ii) in all other cases, that his conduct was not opposed to the best interests of the Corporation, and (iii) with respect to any Proceeding which is a criminal action, that he had no reasonable cause to believe his conduct was unlawful; provided, however, that in the event a determination is made that such person is liable to the Corporation or is found liable on the basis that personal benefit was improperly received by such person, the indemnification is limited to reasonable expenses actually incurred by such person in connection with the Proceeding and shall not be made in respect of any Proceeding in which such person shall have been found liable for willful or intentional misconduct in the performance of his duty to the Corporation. The termination of any Proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself be determinative of whether the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any Proceeding which is a criminal action, had reasonable cause to believe that his conduct was unlawful. A person shall be deemed to have been found liable in respect of any claim, issue or matter only after the person shall have been so adjudged by a court of competent jurisdiction after exhaustion of all appeals therefrom.

. DETERMINATION OF INDEMNIFICATION6.2 DETERMINATION OF INDEMNIFICATION. Any indemnification under the foregoing Section 6.1 (unless ordered by a court of competent jurisdiction) shall be made by the Corporation only upon a determination that indemnification of such person is proper in the circumstances by virtue of the fact that it shall have been determined that such person has met the applicable standard of conduct. Such determination shall be made (1) by a majority vote of a quorum consisting of Directors who at the time of the vote are not named defendants or respondents in the Proceeding; (2) if such quorum cannot be obtained, by a majority vote of a committee of the Board of Directors, designated to act in the matter by a majority of all Directors, consisting of two or more Directors who at the time of the vote are not named defendants or respondents in the Proceeding; (3) by special legal counsel (in a written opinion) selected by the Board of Directors or a committee of the Board by a vote as set forth in Subsection (1) or (2) of this Section, or, if such quorum cannot be established, by a majority vote of all Directors (in which Directors who are named defendants or respondents in the Proceeding may participate); or (4) by the stockholders of the Corporation in a vote that excludes the shares held by Directors who are named defendants or respondents in the Proceeding.

. ADVANCE OF EXPENSES6.3 ADVANCE OF EXPENSES. Reasonable expenses, including court costs and attorneys' fees, incurred by a person who was or is a witness or who was or is named as a defendant or respondent in 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, shall be paid by the Corporation at reasonable intervals in advance of the final disposition of such Proceeding, and without the determination set forth in Section 6.2, upon receipt by the Corporation of a written affirmation by such person of his good faith belief that he has met the standard of conduct necessary for indemnification under this Article 6, and a written undertaking by or on behalf of such person to repay the amount paid or reimbursed by the Corporation if it is ultimately determined that he is not entitled to be indemnified by the Corporation as authorized in this Article 6. Such written undertaking shall be an unlimited obligation of such person and it may be accepted without reference to financial ability to make repayment.

. PERMISSIVE INDEMNIFICATION6.4 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, to the same extent, following the same determinations and upon the same conditions as are required for the indemnification of and advancement of expenses to Directors and officers of the Corporation.

. NATURE OF INDEMNIFICATION6.5 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, shall continue as to a person who has ceased to be a Director, officer, employee or agent of the Corporation and shall inure to the benefit of the heirs, executors and administrators of such person.

. INSURANCE.6 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. If the insurance or other arrangement is with a person or entity that is not regularly engaged in the business of providing insurance coverage, the insurance or arrangement may provide for payment of a liability with respect to which the Corporation would not have the power to indemnify the person only if including coverage for the additional liability has been approved by the stockholders of the Corporation. 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, (1) create a trust fund; (2) establish any form of self-insurance; (3) secure its indemnity obligation by grant of a security interest or other lien on the assets of the Corporation; or (4) 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 the Directors participating in the approval is a beneficiary of the insurance or arrangement.

. NOTICE6.7 NOTICE. Any indemnification or advance of expenses to a present or former Director or officer of the Corporation in accordance with this Article 6 shall be reported in writing to the stockholders of the Corporation with or before the notice or waiver of notice of the next stockholders' meeting or with or before the next submission of a consent to action without a meeting and, in any case, within the next twelve month period immediately following the indemnification or advance.

ARTICLE

STOCK CERTIFICATES AND TRANSFER REGULATIONSARTICLE 7 STOCK CERTIFICATES AND TRANSFER REGULATIONS

. DESCRIPTION OF CERTIFICATES7.1 DESCRIPTION OF CERTIFICATES. The shares of the capital stock of the Corporation shall be represented by certificates in the form approved by the Board of Directors and signed in the name of the Corporation by the Chairman of the Board, Vice Chairman of the Board, Chief Executive Officer, Chief Operating Officer, President or a Vice President and the Secretary or an Assistant Secretary of the Corporation, and sealed with the seal of the Corporation or a facsimile thereof. 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.

. ENTITLEMENT TO CERTIFICATES7.2 ENTITLEMENT TO CERTIFICATES. Every holder of the capital stock in the Corporation shall be entitled to have a certificate signed in the name of the Corporation by the Chairman of the Board, Vice Chairman of the Board, Chief Executive Officer, Chief Operating Officer, President or a Vice President and the Secretary or an Assistant Secretary of the Corporation, certifying the class of capital stock and the number of shares represented thereby as owned or held by such stockholder in the Corporation.

. SIGNATURES7.3 SIGNATURES. The signatures of the Chairman of the Board, Vice Chairman of the Board, Chief Executive Officer, Chief Operating Officer, President, Vice President, 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, whether because of death, resignation, removal or otherwise, before such certificate or certificates are issued and delivered 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 of the Corporation.

. ISSUANCE OF CERTIFICATES7.4 ISSUANCE OF CERTIFICATES. Certificates evidencing shares of its capital stock (both treasury and authorized but unissued) may be issued for such consideration (not less than par value, except for treasury shares which may be issued for such consideration) and to such persons as the Board of Directors may determine from time to time. Shares shall not be issued until the full amount of the consideration, fixed as provided by law, has been paid.

. PAYMENT FOR SHARES7.5 PAYMENT FOR SHARES. Consideration for the issuance of shares shall be paid, valued and allocated as follows:

() CONSIDERATION(A) CONSIDERATION. The consideration for the issuance of shares shall consist of money paid, labor done (including services actually performed for the Corporation), or property (tangible or intangible) actually received. Neither promissory notes nor the promise of future services shall constitute payment of consideration for shares.

() VALUATION(B) VALUATION. In the absence of fraud in the transaction, the determination of the Board of Directors as to the value of consideration received shall be conclusive.

() EFFECT(c) EFFECT. When consideration, fixed as provided by law, has been paid, the shares shall be deemed to have been issued and shall be considered fully paid and nonassessable.

() ALLOCATION OF CONSIDERATION(D) ALLOCATION OF CONSIDERATION. The consideration received for shares shall be allocated by the Board of Directors, in accordance with law, between the stated capital and capital surplus accounts.

. SUBSCRIPTIONS7.6 SUBSCRIPTIONS. Unless otherwise provided in the subscription agreement, subscriptions of shares, whether made before or after organization of the Corporation, shall be paid in full in such installments and at such times as shall be determined by the Board of Directors. Any call made by the Board of Directors for payment on subscriptions shall be uniform as to all shares of the same class and series. In case of default in the payment of any installment or call when payment is due, the Corporation may proceed to collect the amount due in the same manner as any debt due to the Corporation.

. RECORD DATE7.7 RECORD DATE. For the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders, or any adjournment thereof, or entitled to receive a distribution by the Corporation (other than a distribution involving a purchase or redemption by the Corporation of any of its own shares) or a share dividend, or in order to make a determination of stockholders for any other proper purpose, the Board of Directors may fix a record date for any such determination of stockholders, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty (60) days, and in the case of a meeting of stockholders, not less than ten (10) days prior to the date on which the particular action requiring such determination of stockholders is to be taken. If no record date is fixed for the determination of stockholders entitled to notice of or to vote at a meeting of stockholders, or stockholders entitled to receive a distribution (other than a distribution involving a purchase or redemption by the Corporation of any of its own shares) or a share dividend, the date before the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such distribution or share dividend is adopted, as the case may be, shall be the record date for such determination of stockholders. When a determination of stockholders entitled to vote at any meeting of stockholders has been made as provided in this Section, such determination shall be applied to any adjournment thereof.

. REGISTERED OWNERS7.8 REGISTERED OWNERS. Prior to due presentment for registration of transfer of a certificate evidencing shares of the capital stock of the Corporation in the manner set forth in Section 7.10 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.

. LOST, STOLEN OR DESTROYED CERTIFICATES7.9 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:

() PROOF OF LOSS(A) PROOF OF LOSS. Submits proof in affidavit form satisfactory to the Corporation that such certificate has been lost, destroyed or wrongfully taken;

() TIMELY REQUEST(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;

() BOND(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

() OTHER REQUIREMENTS(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 hereinbelow set forth) of the shares represented by the certificate before receiving such notification, such prior registered owner of record shall be precluded from making any claim against the Corporation for the transfer required hereunder or for a new certificate.

. REGISTRATION OF TRANSFERS.10 REGISTRATION OF TRANSFERS. Subject to the provisions hereof, the Corporation shall register the transfer of a certificate evidencing shares of its capital stock presented to it for transfer if:

() ENDORSEMENT(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;

() GUARANTY AND EFFECTIVENESS OF SIGNATURE(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;

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

() COLLECTION OF TAXES(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

() ADDITIONAL REQUIREMENTS SATISFIED(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 thereto, 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.

. RESTRICTIONS ON TRANSFER AND LEGENDS ON CERTIFICATES7.11 RESTRICTIONS ON TRANSFER AND LEGENDS ON CERTIFICATES.

() SHARES IN CLASSES OR SERIES(A) SHARES IN CLASSES OR SERIES. If the Corporation is authorized to issue shares of more than one class, the certificate shall set forth, either on the face or back of the certificate, a full or summary statement of all of the designations, preferences, limitations, and relative rights of the shares of each such class and, if the Corporation is authorized to issue any preferred or special class in series, the variations in the relative rights and preferences of the shares of each such series so far as the same have been fixed and determined, and the authority of the Board of Directors to fix and determine the relative rights and preferences of subsequent 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 written request to the Corporation at its principal place of business or registered office and that copies of the information are on file in the office of the Secretary of State.

() RESTRICTION ON TRANSFER(B) RESTRICTION ON TRANSFER. Any restrictions imposed by the Corporation on the sale or other disposition of its shares and on the transfer thereof must be copied at length or in summary form on the face, or so copied on the back and referred to on the face, of each certificate representing shares to which the restriction applies. The certificate may however state on the face or back that such a restriction exists pursuant to a specified document and that the Corporation will furnish a copy of the document to the holder of the certificate without charge upon written request to the Corporation at its principal place of business.

() UNREGISTERED SECURITIES(c) UNREGISTERED SECURITIES. Any security of the Corporation, including, among others, any certificate evidencing shares of the capital stock of the Corporation or warrants to purchase shares of capital stock of the Corporation, which is issued to any person without registration under the Securities Act of 1933, as amended, or the Blue Sky laws of any state, shall not be transferable until the Corporation has been furnished with a legal opinion of counsel with reference thereto, satisfactory in form and content to the Corporation and its counsel, to the effect that such sale, transfer or pledge does not involve a violation of the Securities Act of 1933, as amended, or the Blue Sky laws of any state having jurisdiction. The certificate representing the security shall bear substantially the following legend:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES LAW BUT HAVE BEEN ACQUIRED FOR THE PRIVATE INVESTMENT OF THE HOLDER HEREOF AND MAY NOT BE OFFERED, SOLD OR TRANSFERRED UNTIL EITHER (i) A REGISTRATION STATEMENT UNDER SUCH SECURITIES ACT OR SUCH APPLICABLE STATE SECURITIES LAWS SHALL HAVE BECOME EFFECTIVE WITH REGARD THERETO, OR (ii) THE CORPORATION SHALL HAVE RECEIVED AN OPINION OF COUNSEL ACCEPTABLE TO THE CORPORATION AND ITS COUNSEL THAT REGISTRATION UNDER SUCH SECURITIES ACT OR SUCH APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED IN CONNECTION WITH SUCH PROPOSED OFFER, SALE OR TRANSFER.

ARTICLE

GENERAL PROVISIONS8 GENERAL PROVISIONS

. DIVIDENDS8.1 DIVIDENDS. Subject to the provisions of the General Corporation Law of Delaware, as amended, and the Certificate of Incorporation, dividends of the Corporation shall be declared and paid pursuant to the following regulations:

() DECLARATION AND PAYMENT(A) DECLARATION AND PAYMENT. 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.

() RECORD DATE(B) RECORD DATE. The Board of Directors may fix in advance a record date for the purpose of determining stockholders entitled to receive payment of any dividend, such record date to be not more than sixty (60) days prior to the payment date of such dividend, or the Board of Directors may close the stock transfer books for such purpose for a period of not more than sixty (60) days prior to the payment date of such dividend. In the absence of action by the Board of Directors, the date upon which the Board of Directors adopt the resolution declaring such dividend shall be the record date.

. RESERVES8.2 RESERVES. There may be created by resolution of the Board of Directors out of the surplus of the Corporation such reserve or reserves as the Board of Directors from time to time, in its discretion, 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.

. BOOKS AND RECORDS8.3 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.

. ANNUAL STATEMENT8.4 ANNUAL STATEMENT. The Board of Directors shall present at or before each annual meeting of stockholders a full and clear statement of the business and financial condition of the Corporation, including a reasonably detailed balance sheet and income statement under current date.

. CONTRACTS AND NEGOTIABLE INSTRUMENTS8.5 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 Chairman of the Board, Vice Chairman of the Board, Chief Executive Officer, Chief Operating Officer 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.

. FISCAL YEAR.6 FISCAL YEAR. The fiscal year of the Corporation shall end on the Saturday closest to September 30.

. CORPORATE SEAL8.7 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.

. RESIGNATIONS8.8 RESIGNATIONS. Any Director, officer or agent may resign his office or position with the Corporation by delivering written notice thereof to the Chairman of the Board, Vice Chairman of the Board, Chief Executive Officer, Chief Operating Officer, President or Secretary. 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.

. AMENDMENT OF BYLAWS8.9 AMENDMENT OF BYLAWS. These Bylaws may be altered, amended, or repealed and new Bylaws adopted at any meeting of the Board of Directors or stockholders at which a quorum is present, by the affirmative vote of a majority of the Directors or stockholders, as the case may be, present at such meeting, provided notice of the proposed alteration, amendment, or repeal be contained in the notice of such meeting.

. CONSTRUCTION8.10 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: (1) the remainder of these Bylaws shall be considered valid and operative, and (2) effect shall be given to the intent manifested by the portion or provision held invalid or inoperative.

. TELEPHONE MEETINGS.11 TELEPHONE MEETINGS. Stockholders, Directors or members of any committee may hold any meeting of such stockholders, Directors or committee by means of conference telephone or similar communications equipment which permits all persons participating in the meeting to hear each other and actions taken at such meetings shall have the same force and effect as if taken at a meeting at which persons were present and voting in person. The Secretary of the Corporation shall prepare a memorandum of the action taken at any such telephonic meeting.

. TABLE OF CONTENTS; CAPTIONS.12 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.

IN DUE CERTIFICATION WHEREOF, the undersigned, being the Secretary of PILGRIM'S PRIDE CORPORATION, confirms the adoption and approval of the foregoing Bylaws, effective as of the 30th day of September, 1998.

/s/ R. A. Cogdill

RICHARD A. COGDILL, Secretary