Savoring Success
In the kitchen, success can often be easy to measure. Was the chicken juicy and tender? Was the sauce just right? Did anyone ask for more? But in business, it isn’t that simple. Success isn’t measured by a single event. Instead, we chart our success over the long term. That’s why Pilgrim’s Pride can truly savor the success of 2004. It was a year of exceptional growth, rapid improvement and results that exceeded expectations. But we can savor that success even more because of how solidly it has positioned us for better things ahead. The performance of 2004, while substantial, was just the appetizer. And we aren’t waiting for you to ask for more. We’re already working on it.
## Pilgrim’s Pride Facility Locations

<table>
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<tr>
<th>Prepared Foods Processing</th>
<th>Feed Milling</th>
<th>Chicken Processing – Fresh</th>
<th>Turkey Processing – Fresh</th>
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# YEAR IN COMPANY HISTORY

- Record sales
- Record earnings
- Record growth in core operations
- A solid foundation for the future

< Popcorn Chicken
#2 IN SIZE

- Undisputed market position, 2nd-largest poultry company in the U.S.
- Greater reach
- Greater capacity
- Greater innovation
- Greater service to our customers
LAST YEAR’S SALES

- More people
- More plants
- More hatcheries
- More feed mills
- More ability to deliver exactly what our customers want, where and when they want it
LAST YEAR’S NET EARNINGS

- More sales + better operating efficiencies
- Positioned to invest
  - In growth
  - In new products
  - In customer satisfaction
  - In shareholder value
Dear Friends, Associates and Fellow Stakeholders:

Reflecting on our 2004 fiscal year is a pleasure. It was a whirlwind of activity, dominated by the purchase and integration of the ConAgra chicken division into Pilgrim’s Pride.

The results of that acquisition were as good as anyone had the right to expect. We posted record sales of $5.36 billion, more than double the sales of the previous year. It marked our eighth straight year of sales growth and enabled us to more than a 15 percent market share. We are the undisputed number-one poultry company in America, processing approximately 70 million birds a week resulting in over 6 billion pounds of poultry per year.

Our net income reached $128 million, again more than double the previous year. This accomplishment was due in part to our greater production volume along with sharply increased revenues per pound and operating efficiencies. At the time of the acquisition, we had projected $50 million in operating synergies within three years. Because of the dedication of our people, we actually realized $55 million in synergies within just 10 months, a remarkable achievement.

We also made the strategic decision to completely restructure our turkey business. We sold a commodity turkey plant, a turkey hatchery and a feed mill so we could concentrate on value-added turkey products.

But taking a forward view, we see that perhaps the most significant contributor to our future success was the continual growth in our prepared foods division. Over the past five years, our prepared foods division has grown an average of 31 percent per year, and in 2004, on a pro forma basis, its sales grew 24 percent over the previous year.

We labeled our prepared foods growth as significant because that division drives the key operating strategy for Pilgrim’s Pride for the foreseeable future. We have the reach, skills, capacity, people and customer base to continue expanding our prepared foods business and minimizing our production of commodity products — which are subject to market forces largely beyond our control.

Prepared foods products are our most value-added lines of business for a simple reason — they are the areas of greatest customer demand and require the highest amount of production expertise.

Adding ConAgra’s people and facilities has made us even better at something we’ve always been good at — giving our customers exactly what they want.

Today, what they want is more prepared foods products.

Of course, this is not the only area where the strength of

To Our Shareholders

O.B. Goolsby, Jr. President & Chief Executive Officer

Lonnie “Bo” Pilgrim Chairman
Pilgrim’s Pride is evident. We added significant talent to our management group. Our distribution now is truly national as well, in scope and capability. The geographic fit of the ConAgra chicken division, as we anticipated, has been excellent—and is an overlap whatsoever. Our marketing channels are stronger, broader and more diverse. We are now substantially stronger in the foodservice sector and a much more significant player in the retail sector. Because we have a major distribution presence now, the combined company gives us locations nearer our customers, helping to further improve our service levels and delivery times. In fact, our five retail plants can serve the majority of the U.S. population with 24-hour delivery.

We had our challenges in 2004, and, again, we tried to respond to those, learn from them and turn them into opportunities to make ourselves better. But none of those challenges could dim the luster of our fiscal 2004 results.

Looking ahead to fiscal 2005, we expect consumer demand for poultry products to continue to grow. We also anticipate increasing export demand and are heartened by projections this year for declines in commodity grain prices and an improving U.S. economy. These factors will help create a positive growth environment.

As we move forward, we know that expectations are higher than they have ever been, because the company is better than it has ever been—not just in size, but in terms of our ability to serve. Service has always been a critical consideration at Pilgrim’s Pride. For any company, the first and most obvious meaning of the word is service to our customers. We are known for being able to develop new products and capabilities to meet the needs of our customers. We are second to none in that category, and fully intend to remain so.

But “service” has other meanings, too.

We will continue to serve our shareholders by managing Pilgrim’s Pride on sound, fundamental principles so we can generate results that will, we hope, make our shares an attractive investment.

We will continue to serve our employees by creating good jobs with opportunity for advancement, so that they can build satisfying, long-term careers here.

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We will continue to serve our suppliers by crafting opportunities that are fair to them and to us, helping them to grow their own companies even as we grow ours.

And we will continue to serve the communities where we live and work by hiring their residents, supporting their causes, contributing to their welfare and being a good corporate neighbor.

As we look ahead, we are even more energized about our future than we were a year ago—and we were very enthusiastic then. Because of the excellent assembly of people and assets that now make up Pilgrim’s Pride, we have every confidence that the coming years will be exciting, fulfilling, successful and profitable. We know who we are today, and we have an excellent idea of what we can become. We truly look forward to the opportunity to create long-term success for our customers, shareholders, employees, growers and all of our suppliers.

Sincerely,

Lonnie “Bo” Pilgrim
Chairman

O. B. Goolsby, Jr.
President and Chief Executive Officer

2004 Post-Acquisition Market Share

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<tr>
<th>Company</th>
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<td>Tyson Foods</td>
<td>23.4%</td>
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<tr>
<td>Pilgrim’s Pride</td>
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<td>Gold Kist</td>
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<td>Perdue Farms</td>
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<td>Cagle’s</td>
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<td>All Others</td>
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“The company is better than it has ever been—not just in size, but in terms of our ability to serve.”
When master chefs develop a new recipe, they go through a series of steps.

First is the creative concept — deciding what new flavor sensations to produce.

Next is the planning — settling on the ingredients, the preparation, the actual cooking steps and finally, the presentation.

Then comes the execution, and even if the recipe is rich and complex, this step can be very straightforward if the plan is a good one.

After the new dish has been completed, a great chef pauses to savor the results, reflect on the process and look forward to making it even better.

That is where we are at Pilgrim’s Pride.

At the beginning of the year, just like a master chef, we set out to create a brand-new recipe for our company with the addition of the ConAgra chicken division. We’ve now been through the steps in the creative process and savored the results. It was, indeed, a very good recipe.

We are savoring the success of 2004, in both senses of the word. We are appreciating what we, together with the people who came from ConAgra, have created. We are enjoying the outstanding results we produced.

What’s more significant, however, is that we are also savoring the prospect of finding ways to make Pilgrim’s Pride even better.

We have only begun to realize the full benefits of our new size and scope, our new skills and our capabilities.
That might sound like a tall order, since our results in 2004 were almost uniformly positive and culminated in the best year in our history. But we are confident that we have only begun to realize the full benefits of our new size and scope, our new skills and our capabilities.

Every area of the company, from hatcheries to corporate support, is in better shape to create profitable growth today than a year ago.

And along with that growth, we are working hard to achieve our vision of becoming a world-class food company…better than the best. Our cornerstones are five decades of culture, strong commitments and a firm belief in the very best customer service. Our goal is for our customers to find that we are the very best company to deal with in our industry.

A Blended Culture

One of the primary challenges in any merger or acquisition is blending the cultures of the two companies. With our acquisition of the entire chicken division, we expected this to be an issue for Pilgrim’s Pride. The people who joined us from ConAgra are working well as part of our family. They are now part of a company whose people convey an attitude and experience that truly differ from our peers.

The rapid integration of ConAgra’s chicken division, which we accomplished in just 10 months, helped us generate outstanding business results in fiscal 2004, resulting in the strongest balance sheet, liquidity and market capitalization positions in our history.
Operations

Even before the acquisition was completed, we began the process of realigning our operating units to make sure that the work of integrating our new people and assets did not distract us from serving our customers.

This realigned organization helped us quickly realize what a powerful new operation we now have. From ConAgra we added significant talent at all levels of the operation, including strong new members of the management teams. Their depth of experience and broad backgrounds in the chicken business made the integration process go smoothly.

We promoted Clint Rivers to Chief Operating Officer. As Executive Vice President, Prepared Food Operations, Mr. Rivers managed our most powerful product line to double-digit growth, year after year. We fully expect that he will continue to drive the same kind of results, process improvements and customer focus for the entire operations side of our company.

We made operations planning a separate, centralized function in our prepared foods division. This has two benefits:

Pilgrim’s Pride will continue to make substantial investments in its prepared foods division to further our strength, capabilities and production in serving this growing market segment.
it frees up the operating executives to concentrate on making their business units and plants run better, and it gives the planning team a chance to look at the entire company as a single production entity rather than separate plants.

As a result, Pilgrim’s Pride has been able to make substantial increases to its prepared foods’ output without additional production lines or significant new headcount. To take just one example, before the acquisition, the prepared foods capacity of the two companies combined was about 16 million pounds a week. In 2004—with the same plants, same lines, and one-shift of new people—we are now able to meet customer demand for prepared foods at just under 20 million pounds a week.

We believe applying similar efficiencies across our entire production environment, which is currently at 18 million pounds of chicken per week will have a tremendous positive impact on our results going forward. How? Greater coordination and communication within the operating units and centralized planning will combine to make the most efficient use of every single plant. We plan to work toward incremental improvement to maximize our output—shifting production so that each plant is best-equipped to produce the products it is best-equipped to produce and as close as possible to its least source of raw materials.

More efficient planning and management also make us better prepared to respond to unexpected customer needs. As an example, one of our biggest customers—a national quick-service restaurant chain—was extremely pleased with our response to a challenge last fall. The customer had been planning a nationwide chicken-based sandwich promotion and asked us to produce extra chicken breast fillets to support it. Then, the week before, the customer told us the promotion was canceled—hurricanes had destroyed their source of tomatoes for the promotional sandwiches. The customer asked us if we could change from fillets to chicken strips for a different promotion. Within an hour, we confirmed we could do it and gave them a commitment for a million pounds per week.

This kind of customer service is only possible because our operations can put the right products on the right lines—and our people are committed to responding to those changes at a moment’s notice.

Operationally, we know we are well-placed for the future. However, we are intent on becoming even better. One of our plants, with a few simple changes in equipment but no additional people, has increased its capacity by a double-digit percentage. We will be diligent in finding comparable improvements in each of our other processing plants. And our planning process, while good now, will improve even more as we spread automated planning capabilities throughout the company.

Sales, Marketing and Customer Service

Our stance is stronger today in four specific areas relating to sales, marketing and customer service—people, brands, channels and customers.

We acquired some great people. Our new employees, and those who were already here, have learned from each other, shared their knowledge and experience willingly and made each other better. This blending of skills, experience and energy level is a powerful force to help us continue our move forward.

Our collection of brands is stronger, too. The Pierce® brand...
we acquired from ConAgra is extremely well-regarded in the foodservice distribution channel. The To-Ricos® brand is the leading chicken brand in Puerto Rico, and Country Pride® has significant areas of regional strength across the United States. Adding these brands to our Pilgrim’s Pride and Pilgrim’s Signature brands gave us a more impressive portfolio of highly recognizable products.

The business channels of the two companies were almost totally complementary. Pilgrim’s Pride was always very strong in national accounts but had a less visible retail presence. ConAgra was stronger in retail and foodservice distribution. Now, the combination means that we can sell in all major market channels with more critical mass than ever before.

Again, in our customer base, there was little overlap between the two companies. Thus, our total customer base is broader, and where there was overlap, we became a more important supplier to those customers. ConAgra – current and potential – now rightly see Pilgrim’s Pride as a full-line supplier of chicken products with the ability to meet whatever their needs may be. Our size gives us greater product depth and backup capability, and even greater ability to deliver what they want, when and where they want it.

Now we know our strengths and capabilities and are in position to execute our long-term plan.

Finance and Governance

The speed with which we integrated the ConAgra acquisition was made possible by a strategic decision we made in 1996 – to simplify our computer systems infrastructure and build a common information technology platform that would be

We sell in all major market channels with more critical mass than ever before.
Pilgrim's Pride 2004 ANNUAL REPORT

We have used it successfully in every acquisition since that time, but no acquisition presented a bigger challenge than the ConAgra purchase. The acquisition was completed in late November 2003. By May 2004 we brought the first one-third of ConAgra plants onto our information system. Phase two was completed in July, and the remaining plants were online by the beginning of October. In essence, we integrated an organization the same size as ours in less than a year – a remarkable achievement.

At the time of the acquisition, we said we expected to achieve about $50 million in synergies within three years of the purchase. In fact, we realized at least $55 million in synergies before our first full year together. This is one of our proudest achievements.

A major part of our success was due to the people who helped us identify and track the synergies and served on the integration teams to manage issues as they arose. We took a disciplined, step-by-step approach that paid off handsomely. As a result of these efforts and the strong performance of our business in fiscal 2004, we have emerged with the strongest balance sheet, the highest amount of financial liquidity and the highest market capitalization in our company's distinguished history.

In the area of corporate governance, regulations such as Sarbanes-Oxley continue to present challenges, not just for us but for all public companies. The regulatory environment now requires companies to have well-defined, documented and measured controls in place for all parts of the business that might affect their results. Pilgrim’s Pride is making a major effort to live up to both the spirit and intent of these new regulations, and we have re-examined our entire corporate governance structure in the process. Recent steps include establishing an internal committee of key business unit managers charged with bringing up potential issues so that executive leadership can take the appropriate action, and adding two new independent members to our company’s board of directors during 2004.

Quality and Safety

The quality of our products and the safety of the people who consume them is constantly in the forefront at Pilgrim’s Pride. We were delighted to find that our new employees shared our commitment to food safety and quality and to getting the job done right the first time.

In addition, we stay abreast of new technologies and systems that enhance both the quality and safety of our products. Examples include post-process pasteurization for ready-to-eat deli items, online data collection systems for rapid analysis of process capability, and state-of-the-art instrumentation in our chemical and micrology laboratories.

When a customer asks us for something, we are very aggressive about finding a way to meet their needs. Our people don't feel any constraints when it comes to taking care of the customer.
labs. Our corporate-wide intranet lets us share quality procedures and programs to achieve consistently high standards in every operating unit. We have also enhanced our external product and market testing activities, to ensure that even though we are producing far more products than in the past, each one maintains the high levels of quality that our customers expect and that we have consistently delivered in the past.

These changes are the result of our recognition that along with increased size comes an increased responsibility to our customers. We did not simply assume that "more of the same" would be acceptable. Instead, we stepped back and assessed every step of every process to see how we could improve.

Every part of the company is involved when it comes to quality and food safety. The process starts in the hatcheries, through grow-out, into the fresh food plants and finally to prepared foods. Each step must be an equally strong link in the chain because it has significant impact on the step that follows. Like all our operating and administrative units, our quality and food safety initiatives must be focused on the impact they have on the customer.

BOB WRIGHT
EXECUTIVE VICE PRESIDENT, SALES AND MARKETING

Moving Forward

Becoming a much larger company brings with it a host of benefits and opportunities — greater capacity, additional flexibility, national presence, increased ability to respond to customer needs, better career opportunities for our employees, and involvement and support for more communities.

But growth also brings Pilgrim’s Pride a significant challenge, and that is maintaining the culture and values that made us who we are. Since our founding as an East Texas feed store back in 1946, we have been known as a customer-friendly, employee-friendly, family-friendly company. Our business values and fundamentals are grounded in faith-based principles and the Golden Rule — to treat others as we would want to be treated.

We are determined to grow, but we are equally determined that as we grow, we will not lose sight of these values and fundamentals. We know we cannot afford to lose our three customer focuses: our concern for our people, our relationships with suppliers — in other words, our responsiveness to the needs of others. This idea is captured in our company mission: "Our job is outstanding customer satisfaction... every day."

The future of Pilgrim’s Pride has never been brighter. We are proud of the excellent work that everybody has done to get us to this point, but we also know the job is only beginning. We are devoted to the idea that successive steps in this journey will be successful. That is because those next steps will be based on a rich history and a confidence that comes from having created today’s Pilgrim’s Pride.

We are, indeed, savoring our success — enjoying what has been accomplished and anticipating what is to come.

"We are working on becoming the easiest company to do business with in our industry. While we’ve grown tremendously, we want to remain the same friendly, family-style company that we’ve always been."

BOB WRIGHT
EXECUTIVE VICE PRESIDENT, SALES AND MARKETING

Pilgrim’s Signature Turkeys™ are premium turkey products basted with real creamery butter.

2004 Sales by Product Line in millions of dollars:

- 2,195 U.S. Fresh Chicken (40.9%)
- 1,896 U.S. Prepared Foods - Chicken (35.4%)
- 624 Non-Poultry Sales (11.6%)
- 1,66 U.S. Fresh Turkey (3.1%)
- 1,20 U.S. Prepared Foods - Turkey (2.2%)
- 363 Mexico Chicken (6.8%)