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

FORM 10-K

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

For the fiscal year ended December 25, 2022

OR

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

For the transition period from __________ to __________

Commission File number 1-9273

PILGRIM'S PRIDE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	75-1285071
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1770 Promontory Circle Greeley CO	80634-9038
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: **(970) 506-8000**
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.01 per share	PPC	The Nasdaq Stock Market LLC

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the registrant's Common Stock, $0.01 par value, held by non-affiliates of the registrant as of June 26, 2022 was $1,350,235,990. The number of shares of the registrant's Common Stock outstanding as of February 9, 2023 was 236,469,365.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company’s Proxy Statement for the 2023 Annual Meeting of Stockholders are incorporated by reference into Part III of this annual report.

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PART I

Forward Looking Statements and Explanatory Note

This annual report contains, and management may make, certain “forward-looking statements” as defined under the Private Securities Litigation Reform Act of 1995. Statements of our intentions, beliefs, expectations or predictions for the future, denoted by the words “anticipate,” “believe,” “estimate,” “expect,” “plan,” “project,” “imply,” “intend,” “should,” “foresee” and similar expressions, are forward-looking statements that reflect our current views about future events and are subject to risks and uncertainties. Such risks and uncertainties include those described under “Risk Factors” below and elsewhere in this annual report. Actual results could differ materially from those expressed in, or implied or projected by these forward-looking statements as a result of these risks and uncertainties, many of which are difficult to predict and beyond our control. The Company’s forward-looking statements speak only as of the date of this report or as of the date they are made, and the Company undertakes no obligation to update its forward-looking statements. The risks described in this annual report are not the only risks we face, and additional risks and uncertainties may impair our business operations. The occurrence of any one or more of the factors described herein or other currently unknown factors could materially adversely affect our business and operating results.

Item 1. Business

Company Overview

Pilgrim’s Pride Corporation (referred to herein as “Pilgrim’s,” “PPC,” “the Company,” “we,” “us,” “our,” or similar terms) is primarily engaged in the production, processing, marketing and distribution of fresh, frozen and value-added chicken and pork products to retailers, distributors and foodservice operators. JBS S.A., through its indirect wholly-owned subsidiaries (together, “JBS”), beneficially owns 82.65% of our outstanding common stock.

We market our balanced portfolio of fresh, prepared and value-added meat products to a diverse set of over 51,100 customers across the U.S., the U.K. and Europe, Mexico and in over 120 other countries. Our sales efforts are largely targeted towards the foodservice industry, principally chain restaurants and food processors, such as Chick-fil-A® and retail customers, including grocery store chains and wholesale clubs, such as Kroger®, Costco®, Publix® and H-E-B® in the U.S., chain restaurants such as McDonald’s® and grocery store chains such as Sainsbury’s®, Tesco® and Waitrose® in the U.K. and Europe, and grocery store chains such as Wal-Mart® in Mexico.

As a vertically integrated company, we are able to control every phase of the production process, which helps us manage food safety and quality, control margins and improve customer service. Our plants are strategically located to ensure that customers timely receive fresh products. With our global network of approximately 4,950 growers, 36 feed mills, 47 hatcheries, 40 processing plants, 33 prepared foods cook plants, 31 distribution centers, nine rendering facilities, four pet food plants and three other facilities, we believe we are well-positioned to supply the growing demand for our products.

On September 24, 2021, the Company acquired 100% of the equity of the Kerry Consumer Foods’ meats and meals businesses, collectively known as Pilgrim’s Food Masters (“PFM”), for cash of £698.8 million, or $958.9 million. The specialty meats business is a leading manufacturer of branded and private label meats, meat snacks and food-to-go products in the U.K. and the Republic of Ireland. The specialty meats business is a leading manufacturer of branded and private label meats, meat snacks and food-to-go products in the U.K. and the Republic of Ireland. The ready meals business is a leading ethnic chilled and frozen ready meals business in the U.K. The acquired operations are included in the Company’s U.K. and Europe reportable segment.

We operate on the basis of a 52/53-week fiscal year ending on the Sunday falling on or before December 31. Any reference we make to a particular year (for example 2022) in the notes to these Condensed Consolidated Financial Statements applies to our fiscal year and not the calendar year. Fiscal year 2022 was a 52-week fiscal year.

Reportable Segments

We operate in three reportable segments: U.S., U.K. and Europe, and Mexico. We either produce or purchase for resale chicken and pork products through our operations in the U.S., the U.K. and continental Europe, and Mexico. We conduct separate operations in the U.S., the U.K., continental Europe, Puerto Rico and Mexico; however, for geographic reporting purposes, we include Puerto Rico with our U.S. operations. See "Note 20. Reportable Segments" of our Consolidated Financial Statements included in this annual report for additional information.

Products and Markets

Fresh Products Overview. Our fresh products consist of refrigerated (nonfrozen) whole or cut-up chicken, either pre-marinated or non-marinated, frozen whole chickens, breast fillets, mini breast fillets and prepackaged case-ready chicken, primary pork cuts, added value pork and pork ribs. Our case-ready chicken includes various combinations of freshly refrigerated, whole chickens, chicken parts in trays, bags or other consumer packs labeled and priced ready for the retail grocer's fresh meat counter. Additionally, we are an important player in the live market in Mexico. In 2022, our fresh product sales accounted for 80.2%, 18.6%, and 86.0% of our total U.S., U.K. and Europe, and Mexico product sales, respectively.

Prepared Products Overview. Our prepared products include portion-controlled breast fillets, tenderloins and strips, delicatessen products, salads, formed nuggets and patties and bone-in chicken parts. These products are sold either refrigerated or frozen and may be fully cooked, partially cooked or raw. In addition, these products are breaded or non-breaded and either pre-marinated or non-marinated. Our prepared products include processed sausages, bacon, slow cooked, smoked meat, gammon joints, ready-to-cook variety of meat products, pre-packed meats, sandwich and deli counter meats, pulled pork balls, meatballs and coated foods. In 2022, our prepared foods products sales accounted for 10.3%, 63.7%, and 9.1% of our total U.S., U.K. and Europe, and Mexico chicken and pork sales, respectively.

Exported Products Overview. Exported products primarily consist of whole chickens and chicken parts sold either refrigerated for distributors in the U.S. or frozen for distribution to export markets and primary pork cuts, hog heads and trotters frozen for distribution to export markets. In 2022, our export product sales accounted for 5.1% and 14.6% of our total U.S. and U.K. and Europe product sales, respectively.

Market Overview. Our foodservice market principally consists of chain restaurants, food processors, broad-line distributors and certain other institutions. Our retail market consists primarily of grocery store chains, wholesale clubs and other retail distributors. Our export market consists primarily of customers who purchase for distribution in the U.S., U.K. and continental Europe, or for export to Mexico, the Middle East, Asia, and other international markets.

Net Sales for Primary Product Lines and Markets

The following table sets forth, for the periods beginning with 2020, net sales attributable to each of our primary product lines and markets served with those products. We based the table on our internal sales reports and their classification of product types.

	December 25, 2022	Year Ended December 26, 2021	December 27, 2020
		(In thousands)	
U.S. reportable segment:			
Fresh products	$ 8,624,421	$ 7,264,448	$ 6,137,264
Prepared foods	1,107,734	898,614	714,563
Export	552,823	459,371	306,478
Other products	463,372	491,446	337,712
Total U.S. reportable segment	10,748,350	9,113,879	7,496,017
U.K. and Europe reportable segment:			
Fresh products	908,882	1,151,330	1,594,373
Prepared foods	3,104,347	2,214,180	1,237,486
Export	712,685	458,588	297,414
Other products	148,824	109,964	145,019
Total U.K. and Europe reportable segment	4,874,738	3,934,062	3,274,292
Mexico reportable segment:			
Fresh products	1,587,809	1,515,453	1,210,952
Prepared foods	167,589	128,208	66,572
Other products	89,891	85,856	44,068
Total Mexico reportable segment	1,845,289	1,729,517	1,321,592
Total net sales	$ 17,468,377	$ 14,777,458	$ 12,091,901

Raw Materials

Grains. The Company utilizes various raw materials in its operations, including corn, soybean meal and wheat, along with various other ingredients from which the Company produces its own formulated feeds. In 2022, corn, soybean meal and wheat accounted for approximately 46.1%, 35.2% and 4.6% of our feed costs, respectively. The production of feed ingredients is positively or negatively affected primarily by the global level of supply inventories, demand for feed ingredients, the agricultural policies of the U.S. and foreign governments and weather patterns throughout the world. We attempt to mitigate the impact of price volatility on our profitability by decreasing the amount of our products that are sold under longer term fixed-price contracts, broadening our product portfolio and expanding the variety of contracts within our book of business. To also manage this risk, we purchase derivative financial instruments. The Company has long-standing relationships with its sources of grain and other feed ingredients and expects to have an adequate supply for its present needs.

Live chicks. The Company's chicken operations purchase one-day old chicks from a few major breeders. These chicks, when mature, serve as the grandparent and parent stock of the broilers that these operations process for consumption. Should breeder stock from its present suppliers not be available for any reason, the Company believes that it could obtain adequate breeder stock from other suppliers in the regions in which it operates.

Live pigs. The Company's pork operations maintain a pig production base that makes up approximately 35.7% of the total number of pigs processed by the Company each year. Additionally, the Company's pork operations procure live pigs for slaughter within a few days of purchase from numerous independent farmers throughout the U.K. Live pigs sourced from independent farmers make up approximately 64.3% of the total number of pigs processed by the Company each year. Although we generally expect adequate supply of live pigs in the U.K., there may be periods of imbalance in supply and demand.

Trademarks

We own registered trademarks which are used in connection with our business. The trademarks are important to the overall marketing and branding of our products. All major trademarks in our business are registered. In part, our success can be attributed to the existence and continued protection of these trademarks. As long as the Company continues to use its trademarks, they are renewed indefinitely. Some of the more significant owned or licensed trademarks used by the Company or its affiliates are Pilgrim's®, Just BARE®, Gold'n Pump®, Gold Kist®, County Pride®, Pierce Chicken®, Pilgrim's® Mexico, County Post®, Savoro, To-Ricos, Del Dia®, Moy Park, O'Kane, Richmond, Fridge Raiders and Denny.

Seasonality

The demand for our chicken products generally is greatest during the spring and summer months and lowest during the winter months. The demand for our pork products generally is higher during the summer and peaks during the winter primarily due to the holiday season.

Key Customers

Our two largest customers, which operate in the U.S., together accounted for approximately 12.8% and 12.0% of our consolidated net sales in 2022 and 2021, respectively. No single customer accounted for ten percent or more of our consolidated net sales in either 2022 or 2021.

Competition

The chicken and pork industry in the U.S., the U.K., continental Europe and Mexico is highly competitive. The competitive factors in our business include price, product quality, product development, brand identification, breadth of product line and customer service. We believe that being a vertically integrated chicken company and having a fully integrated supply chain in the pork business provides us with long-term cost and quality advantages over non-vertically integrated and other processors. We utilize numerous advertising and marketing techniques to develop and strengthen trade and consumer awareness and increase brand loyalty for consumer products. We believe our efforts to achieve and maintain brand awareness and loyalty help to achieve greater price premiums than would otherwise be the case in certain markets and support and expand our product distribution. We actively seek to identify and address consumer preferences by using sophisticated qualitative and quantitative consumer research techniques in key geographic markets to discover and validate new product ideas, packaging designs and methods. Although poultry and pork are relatively inexpensive in comparison with other meats, we compete indirectly with the producers of other meats and fish, since changes in the relative prices of these foods may alter consumer buying patterns.

Regulation and Environmental Matters

The poultry, pork and prepared foods industries are subject to government regulation, particularly in the health, workplace safety and environmental areas, including provisions relating to the discharge of materials into the environment, treatment and disposal of agricultural and food processing wastes, the use and maintenance of refrigeration systems, ammonia-based chillers, noise, odor and dust management, the operation of mechanized processing equipment and other operations, storm water, air emissions, treatment, storage and disposal of wastes, handling of hazardous substances and remediation of contaminated soil, surface water and groundwater, by the Centers for Disease Control, the United States Department of Agriculture ("USDA"), the Food and Drug Administration ("FDA"), the Environmental Protection Agency ("EPA"), the Occupational Safety and Health Administration and state and local regulatory authorities in the U.S. and by similar governmental agencies in the U.K., continental Europe and Mexico. Our chicken processing facilities in the U.S. are subject to on-site examination, inspection and regulation by the USDA. The FDA inspects the production of our feed mills in the U.S. Our food processing facilities and feed mills in the U.K., continental Europe and Mexico are subject to on-site examination, inspection and regulation by government agencies that perform functions similar to those performed by the USDA and FDA.

The EPA, environmental authorities in the U.K., continental Europe and Mexico, and/or other U.S. or Mexican state and local authorities may, from time to time, adopt revisions to environmental rules and regulations, and/or changes in the terms and conditions of our environmental permits, with which we must comply. Compliance with existing or new environmental requirements, including more stringent limitations imposed or expected in recently-renewed or soon-to be renewed environmental permits, may require capital expenditures and operating expenses which may be significant.

In the U.K., all Moy Park poultry farms which exceed a threshold size of 40,000 birds placed are required to carry out activities in compliance with their environmental permits and they must use Best Available Techniques in order to achieve a high level of environmental protection. PPL's sites are independently audited and certified by the British Retail Consortium standard. Many of PPL's sites are certified by additional and traceability schemes including Royal Society for the Prevention of Cruelty to Animals Assured, Soil Association, Organic Farmers and Growers and Assured Food Standards.

Human Capital Resources

As of December 25, 2022, we employed over 61,500 persons. Our success is largely dependent on the skills, experience and efforts of our employees. We rely on an adequate number of skilled employees to serve in critical production roles, such as processing workers and operations supervisors. In managing our business, we focus on a number of human capital measures or objectives, which are rooted in our core values and include the following items:

Health and Safety. A core tenet of our Company is the promotion of a safe and healthy working environment. Key examples of our focus and commitment include:

- We engage with our team members through the use of safety committees and other safety initiatives to improve the overall safety of the workplace and advance a safety first culture.
- We train team members on how to identify physical hazards, conduct focused daily, monthly and annual physical hazard assessments at all facilities, ensure that all identified physical hazards are logged and ensure timely remediation.
- Leveraging third party experts, we conduct regular ergonomic assessments, ensure that all identified ergonomic issues are logged and ensure timely remediation.
- We conduct safety audits of all facilities on an annual basis. These audits include auditing the physical state of the plant, policies, safety culture and our occupational health clinics.
- Our efforts have resulted in year-over-year reductions in severe injuries and days away restricted or transferred of 42% and 10%, respectively.
- As discussed in "Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of COVID-19," we have implemented and continue to implement numerous health and safety policies and procedures focused on reducing the spread of novel coronavirus ("COVID-19") and protecting our facility workers from risks of illness while maintaining our business continuity.

Diversity and Inclusion. We believe that promoting diversity and inclusion among our workforce helps to create a trusting and productive workplace. We encourage the management teams at each facility to hire from the local regions in which they are located. In addition:

- Our Equal Employment Opportunity Policy ("EEO Policy") affirms our commitment to employ and support employees of all races, religions, colors, national origins, sexes, sexual orientations, gender identities and ages. Through the EEO Policy, we have been involved in diversity hiring initiatives and partnered with universities with an aim of recruiting from a diverse talent pool.
- We track our progress in our efforts to promote diversity and inclusion. For example, in 2022, women comprised 41%, 39% and 37% of our total workforce in the U.S., the U.K. and Europe, and Mexico, respectively, and 68% of our total workforce in the U.S. were minorities.
- Our management team members are expected to attend People First leadership training, which includes a model dedicated to training and awareness on diversity and inclusion.
- We provide workshops on diversity and inclusion for our employees and we engage in targeted recruitment at 35 of the nation's largest historically black colleges and universities.

Retention and Career Development. We are committed to retaining talented employees at both production and management levels by offering competitive compensation and benefits, as well as leadership training and development opportunities.

- We strive to provide competitive pay to our team members and reward top performers. Our benefits offerings include a minimum paid time off and paid sick leave for salaried employees, life and disability insurance and Company-matching retirement plans.
- We have extensive leadership training programs, such as our Supervisor Development Program, created to help identify and develop production workers into frontline supervisors, the aforementioned People First Program, designed to equip frontline supervisors with the behavioral and technical skills needed to effectively lead their production teams and our Summit Program, designed to improve the skill set of our senior leadership team. We have found that recognizing our employees' efforts through training for continued advancement strengthens their performance and helps with our goals to achieve business results. Our employees completed over 326,000 training hours during 2022 and over 350,000 training hours during 2021.

Community Support. We are focused on supporting the communities in which we operate and serve.

- *Hometown Strong Initiative.* During 2020, we launched our Hometown Strong initiative to help the communities in which we operate respond to the unexpected challenges on society, such as the COVID-19 pandemic. We believe the Hometown Strong initiative will provide consequential investment projects and help them prepare for unanticipated challenges and build for the future. For 2020, we committed to Hometown Strong donations of $20 million and during the year ended December 27, 2020 we recorded $15 million in incremental donations expense relating to this initiative.

- *Tomorrow Fund.* During 2019, we launched the Tomorrow Fund, a scholarship program designed to support the collegiate scholastic pursuits of our employees and their direct dependents. The Tomorrow Fund awards certain employees scholarships to an eligible university of their choice.

- *Better Futures.* During 2021, we launched Better Futures, the largest privately funded free community college program in rural America, offering free community college to our team members and their dependents. So far, over 1,000 team members or dependents have signed up and 340 have started their selected academic pathway.

Employee Relations. We respect our team members' rights of association, including by joining labor unions and collective bargaining. Approximately 46.4% of our workforce are covered by a collective bargaining agreement. For additional information, see "Item 1A. Risk Factors - Our performance depends on favorable labor relations with our employees and our compliance with labor laws. Any deterioration of those relations or increase in labor costs due to our compliance with labor laws could adversely affect our business."

Available Information

The Company's website is www.pilgrims.com. The Company makes available, free of charge, through its website, the Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, directors and officers Forms 3, 4 and 5, and amendments to those reports, as soon as reasonably practicable after electronically filing such materials with, or furnishing them to, the SEC. The Company may use its website as a distribution channel of material company information. Financial and other important information regarding the Company is routinely posted on and accessible through the Company's website at http://ir.pilgrims.com. Information contained on the Company's website is not included as part of, or incorporated by reference into, this annual report.

Information about our Executive Officers

Name	Age	Background and Experience	Dates
Fabio Sandri	51	President and Chief Executive Officer	September 2020 to Present
Matthew Galvanoni	50	Chief Financial Officer	March 2021 to Present

Fabio Sandri was named the Chief Executive Officer in September 2020 and previously served as our Chief Financial Officer from June 2011 to March 2021. From April 2010 to June 2011, Mr. Sandri served as the Chief Financial Officer of Estacio Participações, the private post-secondary educational institution in Brazil. From November 2008 until April 2010, he was the Chief Financial Officer of Imbra SA, a provider of dental services based in Sao Paolo, Brazil. Commencing in 2005 through October 2008, he was employed by Braskem S.A., a New York Stock Exchange-listed petrochemical company headquartered in Camaçari, Brazil, first from 2005 to 2007 as its strategy director, then from 2007 until his departure as its corporate controller. He earned his Master of Business Administration degree in 2001 from the Wharton School at the University of Pennsylvania and a degree in electrical engineering in 1993 from Escola Politécnica da Universidade de São Paulo.

Matthew Galvanoni was named the Chief Financial Officer in February 2021, effective March 2021. Prior to his appointment to the Company, Mr. Galvanoni served as Vice President, Finance, of Ingredion Incorporated, a leading global ingredients solution company, since 2016. Mr. Galvanoni joined Ingredion in 2012, serving in the role of Global Corporate Controller and Chief Accounting Officer, where he managed the company's accounting-related and external financial reporting responsibilities. Mr. Galvanoni started his career at PricewaterhouseCoopers LLP in 1994 and subsequently held several financial leadership positions at Exelon Corporation, where he most recently served as Assistant Corporate Controller. Mr. Galvanoni graduated from the University of Illinois with a Bachelor of Accounting degree and later received a Master of Business Administration degree from the Kellogg School of Management at Northwestern University.

Item 1A. Risk Factors

The following risk factors should be read carefully in connection with evaluating our business and the forward-looking information contained in this annual report on Form 10-K. Any of the following risks could materially adversely affect our business, operations, industry or financial position or our future financial performance. While we believe we have identified and discussed below all risk factors affecting our business that we believe are material, there may be additional risks and uncertainties that are not presently known or that are not currently believed to be significant that may adversely affect our business, operations, industry, financial position and financial performance in the future.

Business and Operational Risk Factors

The COVID-19 pandemic and its impact on business and economic conditions have negatively affected, and could continue to negatively affect our business, results of operations, financial condition and the trading value of our securities.

We face risks related to outbreaks of public health crises, including epidemics and infectious diseases such as the ongoing COVID-19 pandemic. The spread of COVID-19 and the emergence of new variants of the virus across the globe could continue to impact economic activity worldwide by causing disruption and volatility in the global capital markets, as well as a sustained economic slowdown. National and local governments in the United States and around the world could re-implement measures to prevent the spread of COVID-19 and its variants, including travel bans, prohibitions on group events and gatherings, shutdowns of certain businesses, quarantines, curfews, and recommendations to practice physical distancing. These preventative measures could restrict individuals' daily activities and curtail or cease many businesses' normal operations. We continue to monitor and work to comply with the COVID-19 guidelines from public health and governmental authorities concerning the prevention and spread of COVID-19 and its variants, as well as the protection of the health and safety of our personnel, including the April 28, 2020 executive order that designated meat and poultry processing plants as critical infrastructure. Implementing these measures, as well as the global economic impact of the COVID-19 pandemic generally, resulted in the adverse effects to our results of operations, financial condition and liquidity, including reduced activity at our businesses and limited availability and productivity among our workforce and suppliers, as noted below.

The COVID-19 outbreak had, and further outbreaks or future similar outbreaks are likely to have, numerous adverse effects on our business and operations. As of February 9, 2023, all of our production facilities are operating, although some facilities have reduced production levels and outputs due to increased health and safety measures and current labor shortages experienced throughout both the U.S. and the U.K. There can be no assurance that the health and safety measures we have taken (which include adding temperature and symptom screening stations for employees prior to entering our facilities and increasing physical distancing of our employees) will eradicate the risks associated with working in a critical infrastructure industry, including but not limited to, infection of our employees or the temporary closure of a facility, which could, in turn, have a material adverse impact on our reputation, business, results of operations and financial condition.

*We have and may continue to experience decreased production and sales due to the changing demand for food product*s. COVID-19 and the implementation of restricted living led to a shift in demand from restaurants to retail grocery stores, with consumers eating more at home due to stay-at-home orders during the pandemic. In our U.S. and Mexico businesses, demand for parts and whole-birds (typically bound for restaurants) and prepared foods (distributed, in part, to schools) declined, while our U.K. and European business, which is more retail focused, saw less of an impact. Although we were able to take steps to shift our production and meet the changing demand, we may be unable to effectively implement our plans in the future to adjust our supply of products, which could materially adversely impact our business and results of operations.

Our brand or reputation could be negatively impacted. The meat production industry was the focus of negative press reports in light of the spread of COVID-19 at certain companies' facilities. Although we were not the focus of such reports, our brand or reputation could be negatively impacted by such reports.

In addition to the risks described above, the COVID-19 pandemic could have additional adverse effects on our business and financial condition, including, but not limited to, the following:

- a significant increase in the cost or the difficulty to obtain debt or equity financing, or to refinance our debt in the future, or the risk that we may be unable to meet the requirements of the covenants in our existing credit facilities, which could negatively affect our liquidity position and our ability to fund operations or future investment opportunities;
- significant volatility or decline in the trading price of our securities; and
- our inability to execute strategic business activities including acquisitions and divestiture.

The situation surrounding COVID-19 remains fluid and the full extent to which the COVID-19 pandemic will negatively affect our results of operations, financial condition and cash flows will depend on future development in the countries where we operate, including the U.S., the U.K. and Mexico. Therefore, it is difficult to predict with certainty the full potential impact of the virus on the Company's business, operations and financial condition.

Industry cyclicality can affect our earnings, especially due to fluctuations in commodity prices of feed ingredients, chicken and pork.

Profitability in the chicken and pork industries is materially affected by the commodity prices of feed ingredients and the market prices of chicken and pork, which are determined by supply and demand factors. As a result, the chicken and pork industries are subject to cyclical earnings fluctuations.

The price of feed ingredients is positively or negatively affected primarily by the global level of supply and demand for feed ingredients, the agricultural policies of the U.S. and foreign governments and weather patterns throughout the world. In particular, weather patterns often change agricultural conditions in an unpredictable manner. A significant change in weather patterns could affect supplies of feed ingredients, as well as our ability to obtain feed ingredients, grow chickens and pigs or deliver products. Consequently, there can be no assurance that the price of grains will not rise as a result of, among other things, increasing demand for these products around the world and alternative uses of these products, such as ethanol and biodiesel production.

Volatility in feed ingredient prices has had, and may continue to have, a materially adverse effect on our operating results, which has resulted in, and may continue to result in, additional noncash expenses due to impairment of the carrying amounts of certain of our assets. We periodically seek, to the extent available, to enter into advance purchase commitments or financial derivative contracts for the purchase of feed ingredients in an effort to manage our feed ingredient costs. The use of these instruments may not be successful. In addition, we have not designated the derivative financial instruments that we have purchased to mitigate commodity purchase exposures as cash flow hedges. Therefore, we recognize changes in the fair value of these derivative financial instruments immediately in earnings. Unexpected changes in the fair value of these instruments could adversely affect the results of our operations. Although we attempt to mitigate the impact of feed price volatility on our profitability by decreasing the amount of our products that are sold under longer term fixed-price contracts, these changes will not eliminate the impact of changes in feed ingredient prices on our profitability and would prevent us from profiting on such contracts during times of declining market prices for chicken and/or pork.

Outbreaks of livestock diseases in general and poultry and pig diseases in particular, including avian influenza and African swine fever, can significantly and adversely affect our ability to conduct our operations and the demand for our products.

We take precautions designed to ensure that our flocks and herds are healthy and that our processing plants and other facilities operate in a sanitary and environmentally-sound manner. However, events beyond our control, such as the outbreaks of disease, either in our own flocks and herds or elsewhere, could significantly affect the demand for our products or our ability to conduct our operations. Furthermore, an outbreak of disease could result in governmental restrictions on the import and export of our fresh chicken, fresh pork or other products to or from our suppliers, facilities or customers, or require us to destroy one or more of our flocks or herds. This could also result in the cancellation of orders by our customers and create adverse publicity that may have a material adverse effect on our ability to market our products successfully and on our business, reputation and prospects.

There have been recent outbreaks of both high- and low-pathogenic strains of avian influenza in the U.S. and the U.K., and in Mexico outbreaks of both high and low-pathogenic strains of avian influenza are a fairly common occurrence. Historically, the outbreaks of low pathogenic strains of avian influenza have not generated the same level of concern, or received the same level of publicity or been accompanied by the same reduction in demand for poultry products in certain countries as that associated with highly pathogenic strains such as HPAI H5 and H7N3 or highly infectious strains such as H7N9. Even if no further highly pathogenic or highly contagious strains of avian influenza are confirmed in the U.S., the U.K. or Mexico, there can be no assurance that outbreaks of these strains in other countries will not materially adversely affect international demand for poultry produced in our operating countries, and, if any of these strains were to spread to the U.S., the U.K. or Mexico, there can be no assurance that it would not significantly affect our ability to conduct our operations and/or demand for our products, in each case in a manner having a material adverse effect on our business, reputation and/or prospects.

Previous outbreaks of African swine fever in China and its subsequent spread across the world had a significant effect on both the global supply of pork and on pork prices. Given its island status, the U.K. has an element of built-in biosecurity, but there are risks, mainly as a result of human movement of infected meat from the European Union. In the event of an outbreak of African Swine Fever in the U.K., we believe the Company’s risks are limited to infection. However, there can be no assurance that it would not significantly affect our ability to conduct our operations and/or demand for our products, in each case in a manner having a material adverse effect on our business, reputation and/or prospects.

If our products become contaminated, we may be subject to product liability claims and product recalls. Such product liability claims or product recalls can adversely affect our business reputation, expose us to increased scrutiny by federal and state regulators and may not be fully covered by insurance.

Poultry and pork products may be subject to contamination by disease-producing organisms, or pathogens, such as *Listeria monocytogenes*, *Salmonella*, generic *E.coli, Yersinia enterocolitica* and *Staphylococcus aureus*. These pathogens are generally found in the environment and there is a risk that, as a result of food processing, they could be present in our processed poultry products. These pathogens can also be introduced as a result of improper handling at the further processing, foodservice or consumer level. These risks may be controlled, although not eliminated, by adherence to good manufacturing practices and finished product testing. We have little, if any, control over proper handling once the product has been shipped. Illness and death may result if the pathogens are not eliminated at the further processing, foodservice or consumer level. Even an inadvertent shipment of contaminated products is a violation of law and may lead to increased risk of exposure to product liability claims, product recalls and increased scrutiny by federal and state regulatory agencies and may have a material adverse effect on our business, reputation and/or prospects. The packaging, marketing and distribution of food products entail an inherent risk of product liability and product recall and the resultant adverse publicity. We may be subject to significant liability if the consumption of any of our products causes injury, illness or death.

We could be required to recall certain products in the event of contamination or damage to the products. In addition to the risks of product liability or product recall due to deficiencies caused by our production or processing operations, we may encounter the same risks if any third party tampers with our products. We cannot assure you that we will not be required to perform product recalls, or that product liability claims will not be asserted against us, in the future. Any claims that may be made may create adverse publicity that would have a material adverse effect on our ability to market our products successfully or on our business, reputation, prospects, financial condition and results of operations. If our products become contaminated, spoiled, are tampered with or are mislabeled, we may be subject to product liability claims and product recalls. A widespread product recall could result in significant losses due to the cost of a recall, the destruction of product inventory and lost sales due to the unavailability of product for a period of time. Such a product recall also could result in adverse publicity, damage to our reputation and a loss of consumer confidence in our products, which could have a material adverse effect on our business results.

We currently maintain insurance with respect to certain of these risks, including product liability insurance, business interruption insurance and general liability insurance, but in many cases such insurance is expensive, difficult to obtain and no assurance can be given that such insurance can be maintained in the future on acceptable terms, or in sufficient amounts to protect us against losses due to any such events, or at all. Moreover, even though our insurance coverage may be designed to protect us from losses attributable to certain events, it may not adequately protect us from liability and expenses we incur in connection with such events.

Our foreign operations and commerce in international markets pose special risks to our business and operations.

We have significant operations and assets located in Mexico, the U.K. and continental Europe and may participate in or acquire operations and assets in other foreign countries in the future. Foreign operations are subject to a number of special risks such as currency exchange rate fluctuations, trade barriers, exchange controls, expropriation and changes in laws and policies, including tax laws and laws governing foreign-owned operations. Currency exchange rate fluctuations have adversely affected us in the past. Exchange rate fluctuations or one or more other risks may have a material adverse effect on our business or operations in the future. Our operations in Mexico, the U.K. and continental Europe are conducted through subsidiaries organized under non-U.S. laws. Claims of creditors of our subsidiaries, including trade creditors, will generally have priority as to the assets of our subsidiaries over our claims. Additionally, the ability of these subsidiaries to make payments and distributions to us can be limited by terms of subsidiary financing arrangements and will be subject to, among other things, the laws applicable to these subsidiaries. In the past, these laws have not had a material adverse effect on the ability of these subsidiaries to make these payments and distributions. However, laws such as these may have a material adverse effect on the ability of these subsidiaries to make these payments and distributions in the future.

To conduct our operations, we regularly move data across national borders (including data related to business, financial, marketing and regulatory matters) and must comply with increasingly complex and rigorous regulatory standards enacted to protect business and personal data in the U.S. and elsewhere. For example, in 2018, the European Union (the “E.U.”) recently commenced enforcement of the General Data Protection Regulation (the “GDPR”). The GDPR imposes significant additional compliance obligations on companies regarding the handling of personal data and provides certain individual privacy rights to persons whose data is stored. The GDPR grants enforcement powers to certain E.U. regulators including extra-territorial powers in some cases. These enforcement powers enable regulators to conduct investigations and dawn raids, to issue penalties up to the greater of €20 million or 4% of worldwide turnover for the most serious violations, and to require changes to the way that organizations (including the Company) use personal data. Due to the geographic scope of our operations, the GDPR may increase our responsibility and liability in relation to personal data that we process, and we may be required to put in place additional mechanisms to minimize the risk of non-compliance with applicable privacy laws and regulations. Privacy laws such as the GDPR and similar laws and regulations are increasing in complexity and number, change frequently and sometimes conflict. In particular, as the E.U. states reframe their national legislation to harmonize with the GDPR, we will need to monitor compliance with all relevant E.U. member states' laws and regulations, including where permitted derivations from the GDPR are introduced. Additional laws may be enacted in U.S. states or at the U.S. federal level. Compliance with such existing, proposed and recently enacted laws and regulations can be costly and may necessitate the review and implementation of policies and processes relating to our collection, security, and use of data; any failure to comply with these regulatory standards could subject us to legal and reputational risks including proceedings against the Company by governmental entities or others, fines and penalties, damage to our reputation and credibility and could have a negative impact on our business and results of operations.

Historically, we have targeted international markets to generate additional demand for our products. In particular, given the general preference for white chicken meat by U.S. and U.K. consumers, we have targeted international markets for the sale of dark chicken meat and parts, such as chicken paws, which are generally not consumed in the U.S. or U.K. We have also targeted international markets for excess primary pork cuts and parts, such as hog heads and trotters, which are generally not consumed in the U.K. As part of this initiative, we have created a significant international distribution network into several markets in Mexico, the Middle East and Asia. Our success in these markets may be, and our success in recent periods has been, adversely affected by disruptions in export markets. A significant risk is disruption due to import restrictions and tariffs, other trade protection measures, and import or export licensing requirements regarding food products imposed by foreign countries. Significant political or regulatory developments in the jurisdictions in which we sell our products, such as those stemming from the presidential administration in the United States, are difficult to predict and may have a material adverse effect on us. For example, the implementation of new tariff schemes by various governments, such as those implemented by the United States and China in recent years, could increase the costs of our operations and ultimately increase the cost of products sold from one country into another country. In addition, disruptions may be caused by outbreaks of diseases, either in our flocks and herds or elsewhere in the world, and resulting changes in consumer preferences. One or more of these or other disruptions in the international markets and distribution channels could adversely affect our business.

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

Both the chicken and pork industries are highly competitive. In the U.S., Mexico, the U.K. and continental Europe, we primarily compete with other vertically integrated chicken and pork companies. In general, the competitive factors in these industries include price, product quality, product development, brand identification, breadth of product line and customer service. Competitive factors vary by major market. In the foodservice market, competition is based on consistent quality, product development, service and price. In the U.S. retail market, competition is based on product quality, brand awareness, customer service and price. Further, there is some competition with non-vertically integrated further processors in the prepared chicken business. In the Mexico retail and foodservice markets, where product differentiation has traditionally been limited, product quality and price have been the most critical competitive factors. In the U.K. and continental Europe retail and food service markets, key competitive factors include price, delivering consistent levels of the highest quality, service level and delivering strong innovation. The fresh U.K. and continental Europe market is almost exclusively retailer private label. The U.K. fresh market is almost exclusively sourced from within the U.K., making vertical integration a prerequisite for operating in that market. The U.K. prepared foods market is less exclusively sourced from within the U.K. so vertical integration is less of a consideration and competition is opened up to other processors, some of whom produce or source from abroad. Our success depends in part on our ability to manage costs and be efficient in the highly competitive poultry and pork industries, and our failure to manage costs and be efficient could materially and adversely affect our business, financial condition and results of operations.

Changes in consumer preference and failure to maintain favorable consumer perception of our branded products could negatively impact our U.S. Prepared Foods and Pilgrim's Food Masters businesses.

Trends within the food industry change often, and failure to identify and react to changes in these trends could lead to, among other things, reduced demand and price reductions for our branded products. We strive to respond to consumer preferences and expectations, but we may not be successful in our efforts.

We could be adversely affected if consumers lose confidence in the quality of certain food products or ingredients. Prolonged negative perceptions of certain food products or ingredients could influence consumer preferences and acceptance of some of our products and marketing programs. Continued negative perceptions and failure to satisfy consumer preferences could materially and adversely affect our product sales, financial condition and results of operations. Our Pilgrim's Food Masters business has a number of iconic brands with significant value. While we have recently increased the market share of our Just Bare® and Pilgrim's® brands in the U.S. market. Maintaining and continually enhancing the value of these brands is critical to the success of our business. Brand value is based in large part on consumer perceptions. Success in promoting and enhancing brand value depends in large part on our ability to provide high-quality products. Brand value could diminish significantly due to a number of factors, including consumer perception that we have acted in an irresponsible manner, adverse publicity about our products (whether or not valid), our failure to maintain the quality of our products, the failure of our products to deliver consistently positive consumer experiences or the products becoming unavailable to consumers.

Media campaigns related to food production; regulatory and customer focus on environmental, social and governance responsibility; and recent increased focus and attention by the U.S. government on market dynamics in the meat processing industry could expose us to additional costs or risks.

Individuals or organizations can use social media platforms to publicize inappropriate or inaccurate stories or perceptions about the food production industry or our company. Such practices could cause damage to the reputations of our company and/or the food production industry in general. This damage could adversely affect our financial results. In addition, regulators, stockholders, customers and other interested parties have focused increasingly on the environmental, social and governance practices of companies. This has led to an increase in regulations and may continue to cause us to be subject to additional regulations in the future. Our customers or other interested parties may also require us to implement certain environmental, social or governance procedures or standards before doing or continuing to do business with us. Also, the U.S. government has increased its focus on market dynamics within the meat industry. The U.S. government has inquired with the meat processing industry on matters such as market pricing to end consumers and market dynamics associated with the relationship between meat processors and the farming community. This increased attention on environmental, social and governance practices could cause us to incur additional compliance costs, divert management attention from operating our business, impair our access to capital among certain investors and subject us to litigation risk for disclosures we make and practices we adopt regarding these issues. This in turn could have a material adverse effect on our business, financial condition and results of operations.

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

The proper functioning of our information systems is critical to the successful operation of our business. We rely on information technology networks and systems, including the Internet, to process, transmit, and store electronic and financial information, to manage a variety of business processes and activities, and to comply with regulatory, legal, and tax requirements. We also depend on our information technology infrastructure for digital marketing activities and for electronic communications among our locations, personnel, customers, and suppliers. Although our information systems are protected with robust backup systems, including physical and software safeguards and remote processing capabilities, information systems are still vulnerable to cyber-attacks, natural disasters, power losses, unauthorized access, telecommunication failures, and other problems. In addition, certain software used by us is licensed from, and certain services related to our information systems are provided by, third parties who could choose to discontinue their relationship with us. If critical information systems fail or these systems or related software or services are otherwise unavailable, our ability to process orders, maintain proper levels of inventories, collect accounts receivable, pay expenses, and maintain the security of Company and customer data could be adversely affected. Cyber-attacks and other cyber incidents are occurring more frequently and are constantly evolving in nature and sophistication. We have experienced and expect to continue to experience actual or attempted cyber-attacks of our information technology systems or networks. To date, none of these actual or attempted cyber-attacks has had a material effect on our operations or financial condition. For example, we determined on May 30, 2021 that we were the target of an organized cybersecurity attack (the “Cyberattack”) affecting some of the servers supporting our global IT systems. Upon learning of the intrusion, we contacted federal officials and activated our cybersecurity protocols, including voluntarily shutting down all affected systems to isolate the intrusion, limit the potential infection and preserve core systems. Restoring systems critical to production was prioritized. In addition, the encrypted backup servers, which were not affected by the Cyberattack, allowed for a return to full operations within two days. We incurred a loss of approximately $10.0 million related to the Cyberattack during the second quarter of 2021, which included an allocation of $2.4 million of the total $11.0 million ransom paid by our parent company. Our response, IT systems and encrypted backup servers allowed for a rapid recovery from the Cyberattack. As a result, the loss of food produced was limited to less than one day of production. We continue to cooperate with government officials regarding this incident. We are not aware of any evidence that any customer, supplier, employee or financial data has been compromised or misused as a result of the Cyberattack.

Our failure to maintain our cyber-security measures and keep abreast of new and evolving threats may make our systems vulnerable. The potential consequences of a material cyber-security incident include reputational damage, litigation with third parties, regulatory actions, disruption of plant operations, and increased cyber-security protection and remediation costs. There can be no assurance that we will be able to prevent all of the rapidly evolving forms of increasingly sophisticated and frequent cyber-attacks. Moreover, our efforts to address network security vulnerabilities may not be successful, resulting potentially in the theft, loss, destruction or corruption of information we store electronically, as well as unexpected interruptions, delays or cessation of service, any of which would cause harm to our business operations. The vulnerability of our systems and our failure to identify or respond timely to cyber incidents could have an adverse effect on our operations and reputation and expose us to liability or regulatory enforcement actions.

Our operations are subject to general risks of litigation.

We are involved on an ongoing basis in litigation relating to alleged antitrust violations or arising in the ordinary course of business or otherwise. Trends in litigation may include class actions involving consumers, shareholders, employees or injured persons, and claims relating to commercial, labor, employment, antitrust, securities or environmental matters. Litigation trends and the outcome of litigation cannot be predicted with certainty, and adverse litigation trends and outcomes could result in material damages, which could adversely affect our financial condition and results of operations.

For example, between September 2, 2016 and October 13, 2016, a series of purported class action lawsuits were brought against PPC and other defendants by and on behalf of direct and indirect purchasers of broiler chickens alleging violations of antitrust and unfair competition laws. The complaints seek, among other relief, treble damages for an alleged conspiracy among defendants to reduce output and increase prices of broiler chickens from the period of January 2008 to 2019. For additional information on this and other litigation matters, see Part II, Item 8, Notes to Consolidated Financial Statements, “Note 21. Commitments and Contingencies” in this annual report. The consequences of the litigation matters PPC faces are inherently uncertain, and adverse actions, judgments or settlements in some or all of these matters has resulted and may in the future result in materially adverse monetary damages, fines, penalties, or injunctive relief against PPC. Any claims or litigation, even if fully indemnified or insured, could damage PPC’s reputation and make it more difficult to compete effectively or to obtain adequate insurance in the future.

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

We continue to pursue selective acquisitions of complementary businesses, such as Pilgrim’s Food Masters, which we acquired in 2021. Inherent in any future acquisitions are certain risks such as increasing leverage and debt service requirements and combining company cultures and facilities, which could have a material adverse effect on our operating results, particularly during the period immediately following such acquisitions. Additional debt or equity capital may be required to complete future acquisitions, and there can be no assurance that we will be able to raise the required capital. These opportunities may expose us to successor liability relating to actions involving any acquired entities, their respective management or contingent liabilities incurred prior to our involvement and will expose us to liabilities associated with ongoing operations, in particular to the extent we are unable to adequately and safely manage such acquired operations. A material liability associated with these types of opportunities, or our failure to successfully integrate any acquired entities into our business, could adversely affect our reputation and have a material adverse effect on us.

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

The consolidation of customers and/or the loss of one or more of our largest customers could adversely affect our business.

Our customers, such as supermarkets, warehouse clubs and food distributors, have consolidated in recent years, and consolidation is expected to continue throughout the U.S. and in other major markets. These consolidations have produced large, sophisticated customers with increased buying power who are more capable of operating with reduced inventories, opposing price increases, and demanding lower pricing, increased promotional programs and specifically tailored products. These customers also may use shelf space currently used for our products for their own private label products. Because of these trends, our volume growth could slow or we may need to lower prices or increase promotional spending for our products, any of which could adversely affect our financial results.

Our two largest customers together accounted for approximately 12.8% of our consolidated net sales in 2022. Our business could suffer significant setbacks in revenues and operating income if we lost one or more of our largest customers, or if our customers’ plans and/or markets should change significantly.

We depend on contract growers and independent producers to supply us with livestock.

We contract primarily with independent contract growers to raise the live chickens and pigs processed in our operations. If we do not attract and maintain contracts with growers or maintain marketing and purchasing relationships with independent producers, our production operations could be negatively affected.

Changes in consumer preference could negatively impact our business.

The food industry in general is subject to changing consumer trends, demands and preferences. Trends within the food industry change often, and failure to identify and react to changes in these trends could lead to, among other things, reduced demand and price reductions for our products, and could have an adverse effect on our financial results. For example, consumer concerns related to human health, climate change, resource conservation and animal welfare of animal-based protein sources have driven consumer interest in plant-based protein sources. Because we primarily produce chicken and pork products, we may be limited in our ability to respond to changes in consumer preferences towards other animal-based proteins or away from animal-based proteins entirely.

Climate change may have a long-term adverse impact on our business and results of operations.

Global average temperatures are gradually increasing due to increased concentration of carbon dioxide and other greenhouse gases in the atmosphere, which may contribute to significant changes in weather patterns around the globe and an increase in the frequency and severity of natural disasters. Decreased agricultural productivity in certain regions of the world as a result of changing weather patterns may limit the availability or increase the cost of key agricultural commodities and natural resources, as well as raw materials such as corn, soybean meal and other feed ingredients, which are important sources of ingredients for our products, and could impact the food security of communities around the world. Increased frequency or duration of extreme weather conditions could also impair production capabilities, disrupt our supply chain or impact demand for our products. Increasing concern over climate change also may adversely impact demand for our products due to changes in consumer preferences and result in additional legal or regulatory requirements designed to reduce or mitigate the effects of carbon dioxide and other greenhouse gas emissions on the environment. In addition, climate change could affect our ability to procure needed commodities at costs and in quantities we currently experience and may require us to make additional unplanned capital expenditures. Increased energy or compliance costs and expenses due to increased legal or regulatory requirements could be prohibitively costly and may cause disruptions in, or an increase in the costs associated with, the running of our production facilities. Furthermore, compliance with any such legal or regulatory requirements may require us to make significant changes to our business operations and strategy, which will likely incur substantial time, attention and costs. Even if we make changes to align ourselves with such legal or regulatory requirements, we may still be subject to significant fines if such laws and regulations are interpreted and applied in a manner inconsistent with our practices. The effects of climate change and legal or regulatory initiatives to address climate change could have a long-term adverse impact on our business and results of operations. We currently have outstanding Senior Notes that are linked to our achievement of targeted reductions in Scope 1 and 2 greenhouse gas emissions intensity by 2026. If we fail to meet these targeted reductions in 2026, the interest rate applied to these Senior Notes will increase. Finally, from time to time we establish and publicly announce goals and targets to reduce our carbon footprint. If we fail to achieve, fail to specify or improperly report on our progress toward achieving our carbon emissions reduction goals and targets, we could be subject to lawsuits, investigations, government actions, or other claims made by public or private entities, each of which could have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, the resulting negative publicity from any such allegations could adversely affect consumer preference for our products.

Legal and Regulatory Risk Factors

Regulation, present and future, is a constant factor affecting our business.

Our operations will continue to be subject to or otherwise affected by federal, state and local governmental legislation and regulation, including in the health, safety and environmental areas. Changes in laws or regulations or the application thereof regarding areas such as wage and hour and environmental compliance may lead to government enforcement actions and resulting litigation by private litigants. In addition, unknown matters, new laws and regulations, or stricter interpretations of existing laws or regulations may also materially affect our business or operations in the future.

Immigration

Immigration reform continues to attract significant attention in the public arena and the U.S. Congress. Despite our past and continuing efforts to hire only U.S. citizens and/or persons legally authorized to work in the U.S., we may be unable to ensure that all of our employees and contractors are persons legally authorized to work in the U.S. No assurances can be given that enforcement efforts by governmental authorities will not disrupt a portion of our workforce or operations at one or more facilities, thereby negatively impacting our business. Also, no assurance can be given that further enforcement efforts by governmental authorities will not result in the assessment of fines that could adversely affect our financial position, operating results or cash flows.

Environmental, Health and Safety

Our operations are subject to extensive and increasingly stringent federal, state, local and foreign laws and regulations pertaining to the protection of the environment, including those relating to the discharge of materials into the environment, the handling, treatment and disposal of wastes, and the remediation of soil and groundwater contamination. Failure to comply with these requirements could have serious consequences for us, including criminal as well as civil and administrative penalties, claims for property damage, personal injury and damage to natural resources and negative publicity. Compliance with existing or changing environmental requirements, including more stringent limitations imposed or expected to be imposed in recently-renewed or soon-to be renewed environmental permits, may require capital expenditures for installation of new or upgraded pollution control equipment at some of our facilities.

Operations at many of our facilities require the treatment and disposal of wastewater, stormwater and agricultural and food processing wastes, the use and maintenance of refrigeration systems, including ammonia-based chillers, noise, odor and dust management, the operation of mechanized processing equipment, and other operations that potentially could affect the environment, health and safety. Some of our facilities have been operating for many years, and were built before current environmental standards were imposed, and/or are in areas that recently have become subject to residential and commercial development pressures. Failure to comply with current and future environmental, health and safety standards could result in the imposition of fines and penalties, and we have been subject to such sanctions from time to time. We are upgrading wastewater treatment facilities at a number of these locations, either pursuant to consent agreements with regulatory authorities or on a voluntary basis in anticipation of future permit requirements.

In the past, we have acquired businesses with operations such as pesticide and fertilizer production that involved greater use of hazardous materials and generation of more hazardous wastes than our current operations. While many of those operations have been sold or closed, some environmental laws impose strict and, in certain circumstances, joint and several liability for costs of investigation and remediation of contaminated sites on current and former owners and operators of the sites, and on persons who arranged for disposal of wastes at such sites. In addition, current owners or operators of such contaminated sites may seek to recover cleanup costs from us based on past operations or contractual indemnifications.

Additionally, we have from time to time had incidents at our plants involving worker health and safety. These have included ammonia releases due to mechanical failures in chiller systems and worker injuries and fatalities involving processing equipment and vehicle accidents. We have taken preventive measures in response; however, we can make no assurance that similar incidents will not arise in the future. New environmental, health and safety requirements, stricter interpretations of existing requirements, or obligations related to the investigation or clean-up of contaminated sites, may materially affect our business or operations in the future.

Anti-Corruption

We are subject to a number of anti-corruption laws, including the U.S. Foreign Corrupt Practices Act (“FCPA”) and the U.K. Bribery Act (“UKBA”). The FCPA and similar anti-bribery laws generally prohibit companies and their intermediaries from making improper payments or improperly providing anything of value to foreign officials, directly or indirectly, for the purpose of obtaining or keeping business and/or other benefits. Some of these laws have legal effect outside the jurisdictions in which they are adopted under certain circumstances. The FCPA also requires maintenance of adequate record-keeping and internal accounting practices to accurately reflect transactions. Under the FCPA, companies operating in the U.S. may be held liable for actions taken by their strategic or local partners or representatives.

The UKBA is broader in scope than the FCPA in that it directly prohibits commercial bribery (i.e. bribing individuals or organizations other than government officials) in addition to bribery of government officials and it does not recognize certain exceptions, notably for facilitation payments, that are permitted by the FCPA. The UKBA also has wide jurisdiction. It covers any offense committed in the U.K., but proceedings can also be brought if a person who has a close connection with the U.K. commits the relevant acts or omissions outside the U.K. It defines a person with a close connection to include British citizens, individuals ordinarily resident in the U.K. and bodies incorporated in the U.K. The UKBA also provides that any organization that conducts part of its business in the U.K., even if it is not incorporated in the U.K., can be prosecuted for the corporate offense of failing to prevent bribery by an associated person, even if the bribery took place entirely outside the U.K. and the associated person had no connection with the U.K.

Other jurisdictions in which we operate have adopted similar anti-corruption, anti-bribery and anti-kickback laws to which we are subject. Civil and criminal penalties may be imposed for violations of these laws.

Despite our ongoing efforts to ensure compliance with the FCPA, the UKBA and similar laws, there can be no assurance that our directors, officers, employees, agents, third-party intermediaries and the companies to which we outsource certain of our business operations, have previously complied or will comply with those laws and our anti-corruption policies or that our compliance program will be sufficient to prevent or detect bribery, and we may be ultimately held responsible for any such non-compliance. If we or our directors or officers violate anti-corruption laws or other laws governing the conduct of business with government entities (including local laws), we or our directors or officers may be subject to criminal and civil penalties or other remedial measures, which could harm our reputation and have a material adverse impact on our business, financial condition, results of operations and prospects. Any actual or alleged violations of such laws could also harm our reputation or have an adverse impact on our business, financial condition, results of operations and prospects.

Our operations may be adversely impacted by Brexit.

On January 31, 2020, the U.K. withdrew from the E.U., which is commonly referred to as Brexit. A transition period ended on December 31, 2020, during which the U.K. and the E.U. negotiated the terms of the relationship between the U.K. and the E.U. going forward. Despite the implementation of the E.U.-U.K. Trade and Cooperation Agreement beginning on January 1, 2021, it is still unclear how Brexit will ultimately impact relationships within the U.K. and between the U.K. and other countries on many aspects of fiscal policy, cross-border trade and international relations. The effects of and the perceptions as to the impact from the withdrawal of the U.K. from the E.U. has and may continue to adversely affect business activity and economic and market conditions in the U.K., Europe and globally, and could contribute to instability in global financial and foreign exchange markets, including volatility in the value of the pound sterling and the euro. In addition, Brexit could lead to additional political, legal and economic instability in the E.U. Any of these effects of Brexit, and others we cannot anticipate, could adversely affect our business in the U.K., as well as our financial condition, results of operations and cash flows. It is also unclear what long-term economic, financial, trade and legal implications the withdrawal of the U.K. from the E.U. will have and how such withdrawal will affect our customers and our operations in the U.K. and Europe. If the U.K. were to significantly alter its regulations affecting the food industry, we could face significant new costs. Any of the effects of Brexit could adversely affect our business, business opportunities, results of operations, financial condition and cash flows. In addition, Brexit. will result in changes to the interactions that the Company has with regulators, as domestic regulators in the U.K. will no longer participate in the regulatory enforcement structure of the E.U. This may affect relationships that the Company has developed with its regulators to date.

Labor and Employment Risk Factors

Our performance depends on favorable labor relations with our employees and our compliance with labor laws. Any deterioration of those relations or increase in labor costs due to our compliance with labor laws could adversely affect our business.

As of December 25, 2022, we employed approximately 61,500 persons. Approximately 46.4% of our workforce are covered by a collective bargaining agreement. Substantially all employees covered under collective bargaining agreements are covered under agreements that expire in 2023 or later. We have not experienced any labor-related work stoppage at any location in over ten years. We believe our relationship with our employees and union leadership is satisfactory. At any given time, we will likely be in some stage of contract negotiations with various collective bargaining units. In the absence of an agreement, we may become subject to labor disruption at one or more of these locations, which could have an adverse effect on our financial results.

Loss of essential employees or material increase in employee turnover could have a significant negative impact on our business.

Our success is largely dependent on the skills, experience, and efforts of our management and other employees. The loss of the services of one or more members of our senior management or of numerous employees with essential skills could have a negative effect on our business, financial condition and results of operations. If we are not able to retain or attract talented, committed individuals to fill vacant positions when needs arise, it may adversely affect our ability to achieve our business objectives.

We also rely on an adequate supply of skilled employees at our processing and food facilities. Trained and experienced personnel in our industry are in high demand, and we have experienced high turnover and difficulty retaining employees with appropriate training and skills. We cannot predict whether we will be able to attract, motivate and maintain an adequate skilled workforce necessary to operate our existing and future facilities efficiently, or that labor expenses will not increase as a result of a shortage in the supply of skilled personnel, thereby adversely impacting our financial performance. While our industry generally operates with high employee turnover, any material increases in employee turnover rates (including turnover due to any potential government-mandated COVID-19 vaccinations) or any widespread employee dissatisfaction could also have a material adverse effect on our business, financial condition and results of operations.

Labor shortages and increased turnover or increases in employee and employee-related costs could have adverse effects on our profitability.

We and our third-party vendors have experienced increased labor shortages at some of our production facilities and other locations. Although we have historically experienced some level of ordinary course turnover of employees, the impact of the COVID-19 pandemic and resulting actions have exacerbated labor shortages and increased turnover. Several factors have had and may continue to have adverse effects on the labor force available to us and our third-party vendors, including government regulations, which include laws and regulations related to workers' health and safety, wage and hour practices and work authorization. Labor shortages and increased turnover rates within the Company and our third-party vendors have led to and could in the future lead to increased costs, such as increased overtime to meet demand and increased wage rates to attract and retain employees and could negatively affect our ability to efficiently operate our production facilities or otherwise operate at full capacity and could result in downtown of our production facilities. An overall or prolonged labor shortage, lack of skilled labor, increased turnover or labor inflation could have a material adverse impact on our operations, results of operations, liquidity or cash flows.

If we are unable to attract, hire or retain key team members or a highly skilled and diverse global workforce, it could have a negative impact on our business, financial condition or results of operations.

Our continued growth requires us to attract, hire, retain and develop key team members, including our executive officers and senior management team, and maintain a highly skilled and diverse global workforce. We compete to attract and hire highly skilled team members and our own team members are highly sought after by our competitors and other companies. Competition could cause us to lose talented team members, and unplanned turnover could deplete our institutional knowledge and result in increased costs due to increased competition for team members. In addition, our compensation arrangements may not always be successful in attracting new employees or retaining our existing team members.

Stock Ownership and Financial Risk Factors

JBS USA beneficially owns a majority of our common stock and has the ability to control the vote on most matters brought before the holders of our common stock.

JBS USA Food Company ("JBS USA") beneficially owns a majority of the shares and voting power of our common stock and is entitled to appoint a majority of the members of our Board of Directors. As a result, subject to restrictions on its voting power and actions in a stockholders agreement between JBS USA and us and our organization documents, JBS USA has and will have the ability to control our management, policies and financing decisions, elect a majority of the members of our Board of Directors at the annual meeting and control the vote on most matters coming before the holders of our common stock. Under the stockholders agreement between JBS USA and us, JBS USA has the ability to elect up to seven members of our Board of Directors and the other holders of our common stock have the ability to elect up to two members of our Board of Directors. Moreover, our ultimate controlling shareholders may serve as members of our Board of Directors or as members of the board of directors or other senior management positions at any JBS companies.

JBS USA may have interests that are different from other shareholders and may vote in a way that may be adverse to our other shareholders' interests. JBS USA's concentration of ownership could also have the effect of delaying or preventing a change in control or otherwise discouraging a potential acquirer from attempting to obtain control of us, which could cause the market price of our common stock to decline or prevent our shareholders from realizing a premium over the market price for their common stock.

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

On a consolidated basis, as of December 25, 2022, we had approximately $483.7 million in secured indebtedness, $2.7 billion of unsecured indebtedness and had the ability to borrow approximately $1.0 billion under our credit agreements. Significant amounts of cash flow will be necessary to make payments of interest and repay the principal amount of such indebtedness. The degree to which we are leveraged could have important consequences because (1) it could affect our ability to satisfy our obligations under our credit agreements, (2) a substantial portion of our cash flow from operations is required to be dedicated to interest and principal payments and may not be available for operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes, (3) our ability to obtain additional financing and to fund working capital, capital expenditures and other general corporate requirements in the future may be impaired; (4) we may be more highly leveraged than some of our competitors, which may place us at a competitive disadvantage, (5) our flexibility in planning for, or reacting to, changes in our business may be limited, (6) it may limit our ability to pursue acquisitions and sell assets and (7) it may make us more vulnerable in the event of a continued or new downturn in our business or the economy in general.

Our ability to make payments on and to refinance our debt, including our credit facilities, will depend on our ability to generate cash in the future. This, to a certain extent, is subject to various business factors (including, among others, the commodity prices of feed ingredients, chicken and pork) and general economic, financial, competitive, legislative, regulatory, and other factors that are beyond our control.

There can be no assurance that we will be able to generate sufficient cash flow from operations or that future borrowings will be available under our credit facilities in an amount sufficient to enable us to pay our debt obligations, including obligations under our credit facilities, or to fund our other liquidity needs. We may need to refinance all or a portion of their debt on or before maturity. There can be no assurance that we will be able to refinance any of their debt on commercially reasonable terms or at all.

The interest rates of our credit facilities are priced using a spread over LIBOR.

The London Interbank Offered Rate ("LIBOR"), is the basic rate of interest used in lending between banks on the London interbank market and is widely used as a reference for setting the interest rate on loans globally. We typically use LIBOR as a reference rate in our term loans such that the interest due to our creditors pursuant to a term loan extended to us is calculated using LIBOR. Some of our term loan agreements and revolving credit facilities contain a stated minimum value for LIBOR, and as of December 25, 2022, the Company had $480.1 million in outstanding indebtedness tied to LIBOR.

In 2017, the U.K.'s Financial Conduct Authority (the "FCA"), which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. Subsequently, on March 5, 2021, the FCA and LIBOR's administrator, ICE Benchmark Administration, Limited, announced that the publication of the most common tenors (overnight, one-month, three-month, six-month and 12-month U.S. dollar LIBOR) would cease immediately following publication of such interest rates on June 30, 2023, and moreover, that publication of all other currency and tenor variants would cease immediately after December 31, 2021. The FCA and other regulators and have stated that they welcome the LIBOR administrator's action, and issued supervisory guidance emphasizing that, despite any continued publication of U.S. dollar LIBOR through June 30, 2023, no new contracts using U.S. dollar LIBOR should be entered into after December 31, 2021. An extended cessation date for most U.S. dollar LIBOR tenors would mean that many legacy U.S. dollar LIBOR contracts would terminate before related LIBOR rates cease to be published and will allow for more time for existing contracts to mature and provide additional time to continue to prepare for the transition from LIBOR. On December 16, 2022, the U.S. Federal Reserve Board adopted a final rule that states Secured Overnight Financing Rate ("SOFR"), a new index calculated by short-term repurchase agreements, will replace U.S. dollar LIBOR after June 30, 2023. SOFR is observed and backward-looking, which stands in contrast with LIBOR under the current methodology, which is an estimated forward-looking rate and relies, to some degree, on the expert judgment of submitting panel members. Given that SOFR is a secured rate backed by government securities, it will be a rate that does not take into account bank credit risk (as is the case with LIBOR). As LIBOR is phased out, we will need to renegotiate our credit agreements that utilize LIBOR which may have an adverse impact on the value of or interest earned on any LIBOR-based marketable securities, loans and derivatives that are included in our financial assets and liabilities.

Impairment in the carrying value of goodwill or other identifiable intangible assets could negatively affect our operating results.

We have a significant amount of goodwill and identifiable intangible assets on our Consolidated Balance Sheets. Under the accounting principles generally accepted in the U.S. ("U.S. GAAP"), goodwill and other identifiable intangible assets with indefinite lives must be evaluated for impairment annually or more frequently if events indicate it is warranted. If the carrying value of our reporting units exceeds their current fair value as determined based on the discounted future cash flows of the related business, the goodwill is considered impaired and is reduced to fair value by a non-cash charge to earnings. Events and conditions that could result in impairment in the value of our goodwill include changes in the industry in which we operate, particularly the impact of a downturn in the global economy or the economies of geographic regions or countries in which we operate, as well as competition, adverse changes in the regulatory environment, or other factors leading to reduction in expected long-term sales or profitability. For indefinite-lived intangible assets, an impairment loss is recognized if the carrying amount of an indefinite-lived intangible asset exceeds the estimated fair value of that intangible asset. Identified intangible assets with definite lives are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

General Risk Factors

Weak or unstable national or global economic conditions, including inflation, could negatively impact our business.

Our business may be adversely affected by:

- weak or volatile national or global economic conditions, including inflation;
- unfavorable currency exchange rates and interest rates;
- the lack of availability of credit on reasonable terms;

- restricted access to capital markets;
- changes in consumer spending rates and habits;
- unemployment and underemployment; and
- a tight energy supply and high energy costs.

Our business could be negatively affected if efforts and initiatives of the governments of the United States and other countries to manage and stimulate the economy fail or result in worsening economic conditions. Deteriorating economic conditions could negatively affect consumer demand for protein generally or our products specifically, consumers' ability to afford our products, consumer habits with respect to how they spend their food dollars, and the cost and availability of raw materials we need.

Disruptions in credit and other financial markets caused by deteriorating or weak national and international economic conditions could, among other things:

- make it more difficult for us, our customers or our growers or prospective growers to obtain financing and credit on reasonable terms;
- cause lenders to change their practice with respect to the industry generally or our company specifically in terms of granting credit extensions and terms;
- impair the financial condition of our customers, suppliers or growers making it difficult for them to meet their obligations and supply raw material; or
- impair the financial condition of our insurers, making it difficult or impossible for them to meet their obligations to us.

Our business may be negatively impacted by economic or other consequences from Russia's war against Ukraine and the sanctions imposed as a response to that action.

We face risks related to the ongoing Russia-Ukraine war that began in February 2022. The impact of the ongoing war and sanctions will not be limited to businesses that operate in Russia and Ukraine and may negatively impact other global economic markets including where we operate. The impacts have included and may continue to include, but are not limited to, higher prices for commodities, such as food products, ingredients and energy products, increasing inflation in some countries, and disrupted trade and supply chains. The conflict has disrupted shipments of grains, vegetable oils, fertilizer and energy products.

The impact on the agriculture markets falls into two main categories: (1) the effect on Ukrainian crop production, as the region is key in global grain production; and (2) the duration of the disruption in trade flows. Safety and financing concerns in the region are restricting export execution, which is in turn forcing grain and oil demand to find alternative supply. The duration of the war and related volatility makes global markets extremely sensitive to growing-season weather in other global grain producing regions and has led to a large risk premium in futures prices. The continued volatility in the global markets as a result of the war has adversely impacted our costs by driving up prices, raising inflation and increasing pressure on the supply of feed ingredients and energy products throughout the global markets.

In addition, the U.S. government and other governments in jurisdictions in which we operate have imposed sanctions and export controls against Russia, Belarus and interests therein and threatened additional sanctions and controls. The impact of these measures, now and in the future, could adversely affect our business, supply chain or customers.

Finally, there may be increased risk of cyberattack as a result of the ongoing conflict. We have not seen any new or heightened risk of potential cyberattacks since the outbreak of the Russia-Ukraine war.

Extreme weather, natural disasters or other events beyond our control as well as interruption by man-made problems such as power disruptions could negatively impact our business.

Bioterrorism, fire, pandemic, extreme weather or natural disasters, including droughts, floods, excessive cold or heat, hurricanes or other storms, could impair the health or growth of our flocks, production or availability of feed ingredients, or interfere with our operations due to power outages, fuel shortages, damage to our production and processing facilities or disruption of transportation channels, among other things. Any of these factors could have an adverse effect on our financial results. Moreover, climate change, including the impact of global warming, has resulted in risks that include changes in weather conditions, extreme weather events and adverse impacts on agricultural production, as well as potential regulatory compliance risks, all of which could have a material adverse effect on our results of operations, financial condition and liquidity.

The British National Grid recently warned that the U.K., where the Company has significant operations, could face planned power cuts to homes and businesses throughout the winter of 2023 if the country is unable to import electricity from Europe and it struggles to attract enough gas imports to fuel its gas-fired power plants. A significant power outage could have a material adverse impact on our business, results of operations, and financial condition. Although we maintain incident management and disaster response plans, in the event of a major disruption caused by a man-made problem such as a power disruption, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our development activities, lengthy interruptions in service, breaches of data security and loss of critical data, and our insurance may not cover such events or may be insufficient to compensate us for the potentially significant losses we may incur.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Operating Facilities

Our main operating facilities are as follows:

	Number of Facilities[a]					
	Owned	Leased	Total	Capacity[b]	Unit of Measure	Average Capacity Utilization
Chicken Operations:						
Fresh processing facilities	35	1	36	8.7 million	Birds per day	88.4 %
Prepared foods facilities	12	2	14	37.3 million	Tons per year	95.9 %
Hatcheries	45	2	47	3.2 billion	Eggs per year	90.9 %
Other operation facilities[c]	47	2	49	16.0 million	Tons per year	72.0 %
Grain elevator	1	—	1	8.6 million	Bushels per year	17.8 %
Pork Operations:						
Fresh processing facilities	3	—	3	10,913	Pigs per day	88.6 %
Prepared foods facilities	9	—	9	269,488	Tons per year	70.8 %
Other operation facilities[d]	2	—	2	11,023	Pigs per day	100.0 %
Lamb Operations[e]:						
Fresh processing facilities	1	—	1	4,960	Lambs per day	64.4 %
Prepared foods facilities	1	—	1	8,530	Tons per year	46.6 %
Prepared Meals Operations:						
Prepared foods facilities	5	4	9	288,350	Tons per year	68.1 %
Distribution Centers and Other	11	20	31	NA		NA

(a) Substantially all of our U.S. property, plant and equipment is used as collateral for our secured U.S. credit facility. See Part II, Item 8, Notes to Consolidated Financial Statements, "Note 13. Debt."

(b) Capacity and utilization numbers do not include idled facilities.

(c) Other facilities in the chicken operations include feed mills, protein conversion and rendering facilities, and pet food facilities in the U.S.

(d) Other facilities in the pork operations include company-owned pig farms in the U.K.

(e) Facilities in lamb operations are from the acquisition of Randall Parker Foods and are in the U.K.

Item 3. Legal Proceedings

The information required with respect to this item can be found in Part II, Item 8, Notes to Consolidated Financial Statements, "Note 21. Commitments and Contingencies" in this annual report and is incorporated by reference into this Item 3.

Item 4. Mine Safety Disclosures

None.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is listed on the Nasdaq Global Select Market ("Nasdaq") under the symbol "PPC."

Holders

The Company estimates that there were approximately 59,300 holders (including individual participants in security position listings) of the Company's common stock as of February 9, 2023.

Dividends

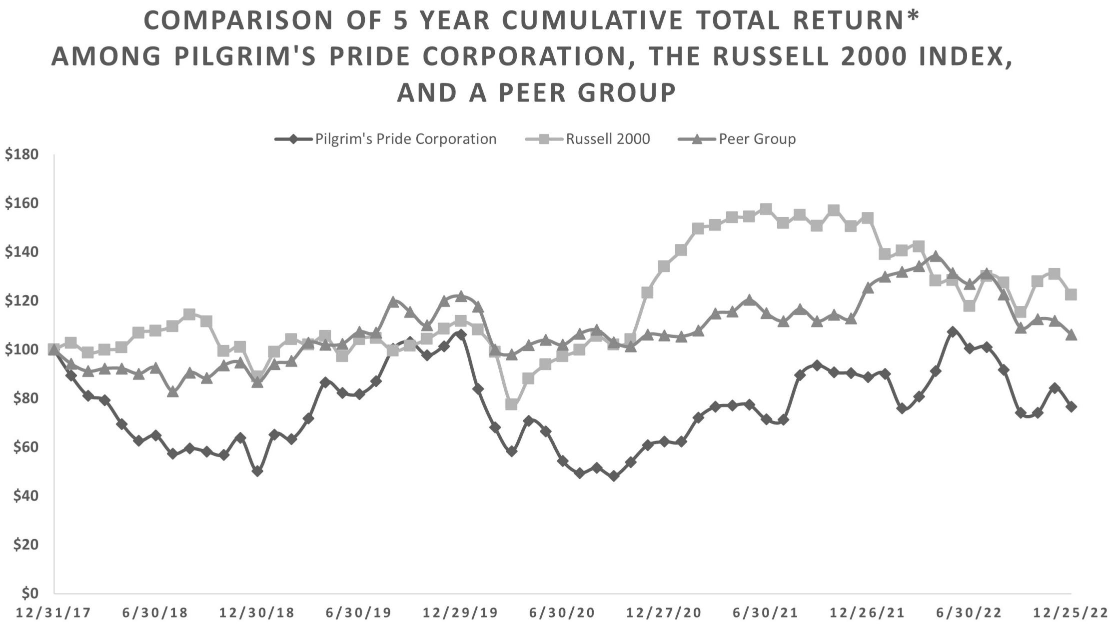
The Company has no current intention to pay any dividends to its stockholders. Any change in dividend policy will depend upon future conditions, including earnings and financial condition, general business conditions, any applicable contractual limitations and other factors deemed relevant by our Board of Directors in its discretion.

Both the U.S. Credit Facility and the indentures governing the Company's senior notes restrict, but do not prohibit, the Company from declaring dividends. In addition, the terms of the Moy Park Multicurrency Revolving Facility Agreement restrict Moy Park's ability and the ability of certain of Moy Park's subsidiaries to, among other things, make payments and distributions to us, which could in turn impair our ability to pay dividends to our stockholders. See "Note 13. Debt" of our Consolidated Financial Statements included in this annual report for additional information.

Performance Graph

The graph below shows a comparison from December 31, 2017 through December 25, 2022 of the cumulative 5-year total stockholder return of holders of the Company's common stock with the cumulative total returns of the Russell 2000 index and a customized peer group of three companies: Hormel Foods Corp, Sanderson Farms Inc. (through July 2022) and Tyson Foods Inc. The graph assumes that the value of the investment in our common stock, in each index, and in the peer group (including reinvestment of dividends) was $100 on December 31, 2017 and tracks it through December 25, 2022.

The graph covers the period from December 31, 2017 to December 25, 2022, and reflects the performance of the Company's single class of common stock. The stock price performance represented by this graph is not necessarily indicative of future stock performance.



*$100 invested on 12/31/17 in stock or index, including reinvestment of dividends.
Fiscal year ending December 25.

	12/31/17	06/30/18	12/30/18	06/30/19	12/29/19	06/30/20	12/27/20	06/30/21	12/26/21	06/30/22	12/25/22
PPC	$ 100.00	$ 64.18	$ 50.19	$ 81.75	$ 106.15	$ 54.38	$ 62.30	$ 71.41	$ 88.70	$ 100.55	$ 76.63
Russell 2000	100.00	107.66	88.99	104.10	111.70	97.20	134.00	157.49	153.85	117.81	122.41
Peer Group	100.00	92.60	86.69	107.30	121.92	101.96	105.86	114.89	125.43	126.90	106.20

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Summary

Overview

We are one of the largest protein companies in the world, and as a vertically integrated company, we are able to control every phase of the production process, which helps us manage food safety and quality, control margins and improve customer service. This gives us the opportunity to continue to create growth and development opportunities, further increasing our position as a leading domestic and global protein company. With the acquisition of the meats and meals operations of Kerry Consumer Foods ("Pilgrim's Food Masters" or "PFM") in September 2021, we further solidified ourselves as a leading European food company while diversifying our product mix through leading, branded protein products in the U.K. and the Republic of Ireland. See "Note 2. Business Acquisitions" of our Consolidated Financial Statements included in this annual report for additional information relating to this acquisition.

We reported net income attributable to Pilgrim's Pride Corporation of $745.9 million, or $3.10 per diluted common share, and profit before tax totaling $1.0 billion, for 2022. These operating results included gross profit of $1.8 billion and generated $669.9 million of cash from operations. We generated operating margins of 6.7% with operating margins of 10.2% and 4.5% in our U.S. and Mexico reportable segments, respectively, and break-even in our U.K. and Europe reportable segment. During 2022, we generated EBITDA and Adjusted EBITDA of $1.57 billion and $1.65 billion, respectively. A reconciliation of net income to EBITDA and Adjusted EBITDA is included later in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this annual report.

We operate on the basis of a 52/53-week fiscal year that ends on the Sunday falling on or before December 31. Any reference we make to a particular year applies to our fiscal year and not the calendar year. Fiscal 2022 and 2021 were 52-week accounting cycles.

Global Economic Conditions

During 2022, we continued to experience solid recoveries in volume throughout the business from prior year levels as COVID-19 restrictions eased, but were confronted with significant challenges from inflation in commodity, labor and other operating costs across all our businesses. The global feed ingredient and energy markets continue to be impacted by the Russia-Ukraine war, driving up prices as supply out of the Black Sea region is disrupted and future production is at risk. We continued to experience labor shortages in the U.K. as European Union (or "E.U.") workers returned to their home countries following Brexit, thus affecting our ability to process, pack and transport products. Despite inflationary headwinds and softening consumer demand throughout the U.K. and E.U., we have and will continue to invest in our people, implement supply chain solutions, and conduct customer negotiations for cost recovery. Our Mexico segment managed through significant challenges as Mexico remains a volatile market given inflationary pressures, implications of more significant bird disease, an evolving global protein industry, and overall business seasonality.

We have responded to these challenges by continuing negotiations with customers to mitigate the impact of extraordinary costs we have experienced. We also continue to focus on operational initiatives that aim to deliver labor efficiencies, better agricultural performance and improved yields.

Russia-Ukraine War Impacts

The Russia-Ukraine war began in February 2022. The impact of the ongoing war and sanctions is not limited to businesses that operate in Russia and Ukraine and is negatively impacting other global economic markets including where we operate. The impacts have included and may continue to include, but are not limited to, higher prices for commodities, such as food products, ingredients and energy products, increasing inflation in some countries, and disrupted trade and supply chains. The conflict has disrupted shipments of grains, vegetable oils, fertilizer and energy products.

The impact on the agriculture markets falls into two main categories: (1) the effect on Ukrainian crop production, as the region is key in global grain production; and (2) the duration of the disruption in trade flows. Safety and financing concerns in the region are restricting export execution, which is in turn forcing grain and oil demand to find alternative supply. The duration of the war and related volatility makes global markets extremely sensitive to growing-season weather in other global grain producing regions and has led to a large risk premium in futures prices. The continued volatility in the global markets as a result of the war has adversely impacted our costs by driving up prices, raising inflation and increasing pressure on the supply of feed ingredients and energy products throughout the global markets.

In addition, the U.S. government and other governments in jurisdictions in which we operate have imposed sanctions and export controls against Russia, Belarus and interests therein and threatened additional sanctions and controls. Our U.K. and

Europe business may be impacted by the increase in energy prices and the availability of energy during the winter months. The impact of these measures, now and in the future, could adversely affect our business, supply chain or customers.

Impact of COVID-19

The extensive impact of the pandemic caused by COVID-19 has resulted and may continue to result in disruptions to the global economy, as well as businesses and capital markets around the world. In an effort to halt the outbreak of COVID-19, a number of countries, states, counties and other jurisdictions imposed various measures, including but not limited to, voluntary and mandatory quarantines, stay-at-home orders, travel restrictions, limitations on gatherings of people, reduced operations and extended closures of businesses.

As the global spread of the virus began to accelerate late in March 2020, we began to experience adverse impacts to our business and financial results. The impact of the COVID-19 pandemic included disruptions in supply chain, an increase in both broiler and chick costs and an increase in payroll and benefits costs. As the various mitigation efforts implemented across the globe began to take effect, the impact of the COVID-19 pandemic on our financial results generally decreased because of increased demand for our products at retail grocery stores and quick service restaurants and our ability to meet this demand through our transitioned business operations, as further discussed below. In 2022, we experienced intermittent impacts as noted above associated with the COVID-19 pandemic. We believe that we will continue to experience intermittent disruptions to our business due to the COVID-19 pandemic into 2023.

The impact of COVID-19 and measures to prevent its spread have affected and continue to affect our business in a number of ways.

- *Our workforce.* Employee health and safety is our priority. As an essential business in a critical infrastructure industry, we continue to produce chicken and pork products, while coordinating with and implementing guidance from the U.S. Centers for Disease Control and Prevention, the National Institute of Occupational Safety and Health, and local and regional Departments of Health in an effort to keep our employees safe and healthy. Measures we implemented during the height of the pandemic include, but are not limited to: increasing physical distancing of our employees, where possible, by staggering start and shift breaks, placing on-site tents to create more space for employees at break and at meal times, and installing physical barriers to distance employees while working on production lines; adding temperature and symptom screening stations for employees prior to entering our facilities; increasing personal hygiene practices and providing our employees additional personal protective equipment and sanitation stations; and increasing sanitation of our facilities. In the U.S., we provided appreciation bonuses to eligible employees in April and May of 2020 and expanded certain sick leave policies to provide more flexibility. In addition, we implemented global travel restrictions and work-from-home policies for employees who have the ability to work remotely. Finally, as COVID-19 vaccinations became more readily available in the first quarter of 2021, we strongly encouraged our employees to become vaccinated through sponsored vaccination clinics at our facilities and monetary bonuses to our employees once they completed the recommended vaccination regimen.

- *Our operations.* All of our production facilities continued to operate, although some facilities reduced production levels and outputs due to increased health and safety measures, employee absenteeism, and as a consequence of the decline in demand by restaurants and other foodservice businesses. We have not experienced a material impact from a plant closure and our facilities have been exempt from government closure orders.

- *Demand for our products.* In early 2021, COVID-19 continued to affect demand for our products. In our U.S. and Mexico businesses, demand for parts and whole-birds (typically bound for restaurants) and prepared foods (distributed, in part, to schools) declined, while our U.K. and Europe business, which is more retail focused, generally saw less of an impact. In an effort to counter the adverse effects of COVID-19, we have transitioned, where commercially reasonable and possible to do so, our business operations to be in the best position to supply COVID-19 market demands. Those efforts included transferring live supply to case ready, shifting production form and mix from foodservice to retail, increasing capacity utilization of retail packaging equipment, and analyzing export positions. However, as global vaccination levels increased and governmental restrictions eased, we noted the trend towards pre-pandemic levels of demand at retail grocery stores and restaurants.

- *Liquidity.* Our liquidity position is strong and we took additional measures in 2020 to increase liquidity to prepare for the challenging environment.

- *Foreign currency exchange rates and commodity prices.* During the year ended December 25, 2022, we experienced increased volatility in foreign currency exchange rates and commodity prices.

- *CARES Act.* On March 27, 2020, the U.S. government enacted the CARES Act, which included modifications to the limitation on business interest expense and net operating loss provisions, and provided a payment delay of employer payroll taxes during 2020 after the date of enactment. We delayed the payment of $52 million in employer payroll taxes otherwise due in 2020. The first 50% was paid on December 31, 2021 and the remaining 50% was paid on December 31, 2022.

Raw Materials

Our profitability is materially affected by the commodity prices of feed ingredients and chicken. Our U.S. and Mexico reportable segments use corn and soybean meal as the main ingredients for feed production, while our U.K. and Europe reportable segment uses wheat, soybean meal and barley as the main ingredients for feed production.

During 2022, average chicken market prices were higher throughout the first half of the year before declining and settling below the five-year average by the end of the year. Supply grew at mild rates in the first half of 2022; however, production was impacted by poor hatchability that restricted further growth. During this time, stable demand and low amounts of chicken in cold storage led to higher chicken market pricing, which maintained historically high levels throughout the first half of 2022.

During the third quarter of 2022, chicken production grew materially primarily due to increased head counts. Growth in head counts resulted from consistent industry growth in egg sets relative to prior year levels and further aided by year-over-year improvements in hatchability. Although foodservice and retail dollar sales continued to grow, volume growth slowed in foodservice and retail volumes were stagnant. The slower volume growth and sustained supply growth in the third quarter exacerbated the normal seasonal pricing declines. The fourth quarter of 2022 showed considerable supply growth as increased average liveweights added incremental growth on already increasing head counts. With only mild improvements in retail and foodservice, volume demand growth was not able to match the pace of increased availability of chicken. The result was rapidly growing cold storage chicken inventories and commodity chicken pricing levels near the bottom of the five-year average range at the end of 2022.

In the first three quarters of 2022, the U.K. chicken market saw unprecedented cost increases in feed ingredients, utilities and labor. During the fourth quarter, the U.K. chicken market started to see stabilization of this inflation across all input costs. Through our current customer models and additional negotiations we were able to offset the majority of these cost increases throughout the year. We continue to focus on managing costs, including labor and yield efficiencies, agricultural performance and increasing operational efficiency through investments in capital projects.

Commodity prices for chicken in Mexico increased during 2022 and remained well above prices from the prior year. The increase is primarily from increased demand that outpaced supply. The cost to produce also increased from the prior year due to significant increases in corn and soy, the two main ingredients used for feed in Mexico, as well as cost increases from purchasing eggs from outside sources to replace egg loss from avian influenza.

While commodity market prices for chicken products declined, prices for 2023 will depend on (1) the evolution of foodservice, retail and export meat demand and (2) factors such as government regulation, the ongoing Russia-Ukraine war, further spread of avian influenza both domestically and abroad, uncertainty surrounding the general economy and overall protein supply.

U.K. market prices for pork products during 2022 recovered from the 2021 down slope and increased 44% over the course of the year. This was supported by recovery in the E.U. market as well as clearing pig backlogs which had arisen from labor shortages in abattoirs. Despite pig price recovery, the cost of production continued to exceed market prices, with pig farmers experiencing losses of well above £50 per pig in the first half of 2022. Although, the continuing price recovery reduced the pig farmer losses to less than £20 per pig by the end of the year. Input costs for feed and energy in the U.K. increased during the year consistent with global market conditions, albeit with the energy price growth capped in Q4 due to the U.K. government intervention, with the recovery of inflation through retailers a key area of focus throughout the year.

Sustainability

We believe sustainability involves continuously improving social responsibility, economic viability and environmental stewardship. We are committed to helping society meet the global challenge of feeding a growing population in a responsible matter.

Environmental Stewardship. We were the first major meat and poultry company in the world to set a net zero greenhouse gas emissions target by 2040, demonstrating our leadership and dedication to improving the efficiency of our operations and supporting producers to reduce our environmental footprint. In support of this initiative, in April 2021, we issued $1.0 billion of sustainability-linked bonds, which require us to reduce our Scope 1 and 2 global greenhouse gas emissions intensity by 30% by 2030.

Social Responsibility. Safety of our team members is a condition at Pilgrim's. The health of our workforce was our top priority throughout the COVID-19 pandemic, and we implemented hundreds of safety measures within our facilities, constantly evolving our operations as needed. To support the communities where our team members live and work, we invested more than $20 million in local projects focused on alleviating food insecurity, strengthening long-term community infrastructure and well-being and aiding COVID-19 emergency response and relief efforts through our Hometown Strong initiative. Finally, ensuring the well-being of animals under our care is an uncompromising commitment at Pilgrims. We continually strive to improve our welfare efforts through the use of new technologies and the implementation of standards that meet and exceed regulatory requirements and industry guidelines.

Governance. To cultivate discipline and drive accountability for Sustainability related matters, a series of key performance indicators have been established to evaluate and monitor progress. These performance indicators are linked with compensation for both senior executive and plant level personnel. As part of our business management processes, progress against these metrics are reviewed at least monthly. In addition, the Board of Directors has formed a Sustainability Committee to provide oversight and counsel on strategies, policies, and investments to reduce the impact of climate change.

Reportable Segments

We operate in three reportable segments: the U.S., the U.K. and Europe, and Mexico. We measure segment profit as operating income. Corporate expenses are allocated to the Mexico and U.K. and Europe reportable segments based upon various apportionment methods for specific expenditures incurred related thereto with the remaining amounts allocated to the U.S. For additional information, see "Note 20. Reportable Segments" of our Consolidated Financial Statements included in this annual report.

Results of Operations

2022 Compared to 2021

Net sales. Net sales for 2022 increased $2.7 billion, or 18.2%, from $14.8 billion generated in 2021 to $17.5 billion generated in 2022. The following table provides additional information regarding net sales:

		Change from 2021	
Sources of net sales	**2022**	**Amount**	**Percent**
	(In thousands, except percent data)		
U.S.	$ 10,748,350	$ 1,634,471	17.9 %
U.K. and Europe	4,874,738	940,676	23.9 %
Mexico	1,845,289	115,772	6.7 %
Total net sales	$ 17,468,377	$ 2,690,919	18.2 %

U.S. Reportable Segment. U.S. net sales generated in 2022 increased $1.6 billion, or 17.9%, from U.S. net sales generated in 2021 primarily because of an increase in net sales per pound, contributing $1.7 billion, or 18.2 percentage points, to the increase in net sales. Unit sales prices have increased during 2022 as we attempted to recover increased costs, primarily for feed ingredients, energy, transportation and packaging materials, that we have incurred in growing and processing chicken. This increase in net sales per pound was partially offset by a slight decrease in sales volume of $21.7 million, or 0.2 percentage points.

U.K. and Europe Reportable Segment. U.K. and Europe sales generated in 2022 increased $940.7 million, or 23.9%, from U.K. and Europe sales generated in 2021, primarily from an increase in net sales per pound and an increase in sales volume of $867.9 million, or 22.1 percentage points, and $629.6 million, or 16.0 percentage points, respectively. The increase in net sales per pound was driven by price increases necessary to recover increased feed ingredients, labor, utilities and other operating costs. The increase in sales volume is primarily from the prior year acquisition of our PFM operations. The increases in net sales per pound and sales volumes were partially offset by the unfavorable impact of foreign currency translation of $556.8 million, or 14.2 percentage points, and a decrease in sales volume of $89.7 million, or 2.2 percentage points from the legacy businesses.

Mexico Reportable Segment. Mexico sales generated in 2022 increased $115.8 million, or 6.7%, from Mexico sales generated in 2021 primarily because of an increase in net sales per pound and the favorable impact of foreign currency remeasurement, partially offset by a decrease in sales volume. The increase in net sales per pound and the impact of the favorable impact of foreign currency remeasurement contributed $203.9 million, or 11.8 percentage points, and $12.6 million, or 0.7 percentage points, respectively, to the increase in net sales. The increase in net sales per pound was primarily due to demand driving up commodity chicken prices. Partially offsetting these increases in net sales was a decrease in sales volume of $100.7 million, or 5.8 percentage points, due to negative impacts associated with bird disease to our live operations.

Gross profit. Gross profit increased by $446.0 million, or 32.7%, from $1.4 billion generated in 2021 to $1.8 billion generated in 2022. The following tables provide gross profit information:

		Change from 2021		Percent of Net Sales	
Components of gross profit	**2022**	**Amount**	**Percent**	**2022**	**2021**
		(In thousands, except percent data)			
Net sales	$ 17,468,377	$ 2,690,919	18.2 %	100.0 %	100.0 %
Cost of sales	15,656,574	2,244,943	16.7 %	89.6 %	90.8 %
Gross profit	$ 1,811,803	$ 445,976	32.7 %	10.4 %	9.2 %

		Change from 2021	
Sources of gross profit	**2022**	**Amount**	**Percent**
	(In thousands, except percent data)		
U.S.	$ 1,435,905	$ 509,985	55.1 %
U.K. and Europe	240,672	76,448	46.6 %
Mexico	135,172	(140,457)	(51.0)%
Elimination	54	—	— %
Total gross profit	$ 1,811,803	$ 445,976	32.7 %

		Change from 2021	
Sources of cost of sales	**2022**	**Amount**	**Percent**
	(In thousands, except percent data)		
U.S.	$ 9,312,445	$ 1,124,486	13.7 %
U.K. and Europe	4,634,066	864,228	22.9 %
Mexico	1,710,117	256,229	17.6 %
Elimination[(a)]	(54)	—	— %
Total cost of sales	$ 15,656,574	$ 2,244,943	16.7 %

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

U.S. Reportable Segment. Cost of sales incurred by our U.S. operations in 2022 increased $1.1 billion, or 13.7%, from cost of sales incurred by our U.S. operations in 2021. Cost of sales increased primarily because of increased cost per pound sold of $1.1 billion, or 14.0 percentage points, partially offset by a slight decrease in sales volume of $19.5 million, or 0.2 percentage points. Included in the increase in cost per pound sold and increased sales volume was an $650.0 million increase in live input costs, a $150.7 million increase in payroll costs, a $148.1 million increase in prepared foods input costs, a $78.1 million increase in outside service costs primarily from increased outside processing labor, a $52.6 million increase in utilities costs and a $43.1 million increase in supplies costs. Included in the $650.0 million increase in live input costs were a $503.2 million increase in feed costs, $101.6 million increase in chick costs, and a $36.1 million increase in contract grower costs. Other factors affecting U.S. cost of sales were individually immaterial.

U.K. and Europe Reportable Segment. Cost of sales incurred by the U.K. and Europe operations during 2022 increased $864.2 million, or 22.9%, from cost of sales incurred by the U.K. and Europe operations during 2021 primarily because of increases in cost per pound sold and sales volume of $845.7 million, or 22.5 percentage points, and $548.8 million, or 16.0% percentage points. The increase in cost per pound was driven by increased feed ingredients, labor, utilities and other operating costs. The increase in sales volume is primarily from the prior year acquisition of our PFM operations. Partially offsetting these increases was the favorable impact of foreign currency translation of $529.4 million, or 14.0 percentage points. Other factors affecting cost of sales were individually immaterial.

Mexico Reportable Segment. Cost of sales incurred by the Mexico operations during 2022 increased $256.2 million, or 17.6%, from cost of sales incurred by the Mexico operations during 2021 primarily because of an increase in cost per pound sold and the unfavorable impact of foreign currency remeasurement of $328.8 million, or 22.6 percentage points, and $12.2 million, or 0.8 percentage points, respectively. The increase in cost per pound sold was primarily driven by increased feed ingredients, hatchery egg costs and packaging costs. Hatchery costs increased due to the cost to import eggs from outside sources to offset the impacts of bird disease in our live operations. Partially offsetting these increases in cost of sales was a decrease in sales volume of $84.8 million, or 5.8 percentage points. Other factors affecting cost of sales were individually immaterial.

Operating income. Operating income increased $965.4 million, or 457.2%, from $211.2 million generated for 2021 to $1.2 billion generated for 2022. The following tables provide operating income information:

Components of operating income	2022	Change from 2021 Amount	Change from 2021 Percent	Percent of Net Sales 2022	Percent of Net Sales 2021
	(In thousands, except percent data)				
Gross profit	$ 1,811,803	$ 445,976	32.7 %	10.4 %	9.2 %
SG&A expenses	604,742	(544,119)	(47.4)%	3.5 %	7.8 %
Restructuring activities	30,466	24,664	425.1 %	0.2 %	— %
Operating income	$ 1,176,595	$ 965,431	457.2 %	6.7 %	1.4 %

Sources of operating income	2022	Change from 2021 Amount	Change from 2021 Percent
	(In thousands, except percent data)		
U.S.	$ 1,094,025	$ 1,111,061	6,521.8 %
U.K. and Europe	(934)	(307)	(49.0)%
Mexico	83,450	(145,323)	(63.5)%
Eliminations	54	—	— %
Total operating income	$ 1,176,595	$ 965,431	457.2 %

Sources of SG&A expenses (defined below)	2022	Change from 2021 Amount	Change from 2021 Percent
	(In thousands, except percent data)		
U.S.	$ 341,880	$ (601,076)	(63.7)%
U.K. and Europe	211,140	52,091	32.8 %
Mexico	51,722	4,866	10.4 %
Total SG&A expense	$ 604,742	$ (544,119)	(47.4)%

Sources of restructuring activities charges	2022	Change from 2021 Amount	Change from 2021 Percent
	(In thousands, except percent data)		
U.K. and Europe	$ 30,466	$ 24,664	425.1 %

U.S. Reportable Segment. Selling, general and administrative (“SG&A”) expense incurred by the U.S. operations during 2022 decreased $601.1 million, or 63.7%, from SG&A expense incurred by the U.S. operations during 2021 primarily from a net decrease in the recognition of legal settlements of $622.1 million. Also contributing to the net decrease in SG&A expense was a net decrease in acquisition costs, partially offset by increases in employee relation costs, incentive compensation costs, and consulting fees. Other factors affecting SG&A expense were individually immaterial.

U.K. and Europe Reportable Segment. SG&A expense incurred by the U.K. and Europe operations during 2022 increased $52.1 million, or 32.8%, from SG&A expense incurred by the U.K. and Europe operations during 2021 primarily because of expenses incurred by the acquired PFM operations and an increase in SG&A expense incurred from our legacy U.K. and Europe operations. The increase in SG&A expense in our legacy U.K. and Europe was mainly due to increased advertising costs, increased payroll costs, and an increase in contract labor services. Other factors affecting SG&A expense were individually immaterial.

Mexico Reportable Segment. SG&A expense incurred by the Mexico operations during 2022 increased $4.9 million, or 10.4%, from SG&A expense incurred by the Mexico operations during 2021. SG&A expense increased primarily from increased marketing costs and payroll-related costs. Factors affecting SG&A expense were individually immaterial.

Interest expense. Consolidated interest expense increased 4.7% to $152.7 million in 2022 from $145.8 million in 2021, primarily due to an increase in interest expense on outstanding borrowings of $27.3 million. This increase in interest expense on outstanding borrowings was primarily due to the impacts of the September 2021 issuance of $900.0 million of bonds for the PFM acquisition and the increase in variable rate debt interest expense, partially offset by the impact of $24.7 million loss on early extinguishment of debt recognized in 2021. As a percent of net sales, interest expense in 2022 and 2021 was 0.9% and 1.0%, respectively.

Income taxes. Our consolidated income tax expense in 2022 was $278.9 million, compared to income tax expense of $61.1 million in 2021. The increase in income tax expense in 2022 resulted from an increase in pre-tax income during 2022.

2021 Compared to 2020

For discussion of 2021 results of operations in comparison to 2020 results of operations, see the 2021 annual report on Form 10-K filed on February 18, 2022.

Liquidity and Capital Resources

Our principal sources of liquidity are cash generated from operations, funds from borrowings, and existing cash on hand. The following table presents our available sources of liquidity as of December 25, 2022:

Sources of Liquidity[(a)]	Facility Amount	Amount Outstanding	Available
		(In millions)	
Cash and cash equivalents	$ —	$ —	$ 434.8
Borrowing arrangements:			
U.S. Credit Facility Revolving Note Payable[(a)]	800.0	—	765.0
U.S. Credit Facility Term Loans[(b)]	700.0	480.1	—
Mexico Credit Facility[(c)]	77.5	—	77.5
U.K. and Europe Revolver Facility[(d)]	124.5	—	124.5

(a) Availability under the U.S. Credit Facility is also reduced by our outstanding standby letters of credit. Standby letters of credit outstanding at December 25, 2022 totaled $35.0 million.
(b) For more information on the U.S. Credit Facility Term Loans, refer to “Note 13. Debt.”
(c) As of December 25, 2022, the U.S. dollar-equivalent of the amount available under the Mexican Credit Facility was $77.5 million ($1.5 billion Mexican pesos).
(d) As of December 25, 2022, the U.S. dollar-equivalent of the amount available under the U.K. and Europe Revolver Facility was $124.5 million (£150.0 million).

Historical Flow of Funds

Cash Flows from Operating Activities	Year Ended December 25, 2022	Year Ended December 26, 2021
	(In millions)	
Net income	$ 746.5	$ 31.3
Net noncash expenses	422.5	335.8
Changes in operating assets and liabilities:		
Trade accounts and other receivables	(149.6)	(259.4)
Inventories	(472.2)	(177.9)
Prepaid expenses and other current assets	18.3	(53.8)
Accounts payable and accrued expenses	263.3	359.6
Income taxes	(142.5)	115.2
Long-term pension and other postretirement obligations	(4.1)	(18.5)
Other operating assets and liabilities	(12.3)	(5.8)
Cash provided by operating activities	$ 669.9	$ 326.5

Net Noncash Expenses

Items necessary to reconcile from net income to cash flow provided by operating activities included net noncash expenses of $422.5 million for the year ended December 25, 2022. Net noncash expense items included $403.1 million of depreciation and amortization, $21.3 million of deferred income tax expense, $7.0 million of stock-based compensation expense, loan cost amortization of $4.8 million, asset impairment of $3.6 million and accretion of bond discount of $1.7 million. Partially offsetting the net noncash expenses was an $18.9 million gain on property disposals. Other items affecting net noncash expenses were individually immaterial.

Items necessary to reconcile from net income to cash flow provided by operating activities included net noncash expenses of $335.8 million for the year ended December 26, 2021. Net noncash expense items included $380.8 million of depreciation and amortization, a $24.7 million loss on early extinguishment of debt, $11.7 million of stock-based compensation expense and loan cost amortization of $5.1 million. Partially offsetting the net noncash expenses was $86.4 million of deferred income tax benefit and a $1.5 million gain on property disposals. Other items affecting net noncash expenses were individually immaterial.

Changes in Operating Assets and Liabilities

The change in trade accounts and other receivables, including accounts receivable from related parties, represented a $149.6 million use of cash in 2022. The change in cash was primarily due to the timing of customer payments and the increase in sales prices. The change in trade accounts and other receivables, including accounts receivable from related parties, represented a $259.4 million use of cash in 2021. The change in cash was primarily due to the timing of customer payments.

The change in inventories represented a $472.2 million use of cash in 2022. The change in cash resulted from an increase in our raw materials and work-in-process inventory values due to higher input costs. The change in inventories represented a $177.9 million use of cash in 2021. The change in cash resulted from an increase in our raw materials and work-in-process inventory.

The change in prepaid expenses and other current assets represented a $18.3 million source of cash in 2022. This change resulted primarily from a net decrease in value-added tax receivables and prepaid property insurance. The change in prepaid expenses and other current assets represented a $53.8 million use of cash in 2021. This change resulted primarily from a net increase in value-added tax receivables and prepaid property insurance.

Accounts payable and accrued expenses, including accounts payable to related parties, represented a $263.3 million source of cash in 2022. This change resulted primarily from the timing of payments as well as increased prices for feed ingredients, transportation and packaging materials. Accounts payable and accrued expenses, including accounts payable to related parties, represented a $359.6 million source of cash in 2021. This change resulted primarily from the timing of payments as well as increased prices for feed ingredients, transportation and packaging materials.

The change in income taxes, which includes income taxes receivables, income taxes payable, deferred tax assets, deferred tax liabilities, reserves for uncertain tax positions and the tax components within accumulated other comprehensive loss, represented a $142.5 million use of cash in 2022. This change resulted primarily from the timing of estimated tax payments and higher profitability in 2022. The change in income taxes, which includes income taxes receivables, income taxes payable, deferred tax assets, deferred tax liabilities, reserves for uncertain tax positions and the tax components within accumulated other comprehensive loss, represented a $115.2 million source of cash in 2021. This change resulted primarily from the timing of estimated tax payments.

Cash Flows from Investing Activities	Year Ended December 25, 2022	Year Ended December 26, 2021
	(In millions)	
Acquisitions of property, plant and equipment	$ (487.1)	$ (381.7)
Proceeds from property disposals	35.5	24.7
Proceeds from insurance recoveries	16.0	—
Purchase of acquired businesses, net of cash acquired	(9.7)	(966.8)
Cash used in investing activities	$ (445.3)	$ (1,323.7)

Capital expenditures were primarily incurred to improve operational efficiencies and reduce costs for the years ended December 25, 2022 and December 26, 2021. Proceeds from property disposals were primarily for the sale of farms in Mexico. Proceeds from insurance recoveries reflects cash received on property insurance recoveries related to the Mayfield, Kentucky tornado that occurred in December 2021. Purchase of acquired businesses, net of cash acquired primarily represents a payment for a working capital adjustment related to the acquisitions of PFM and Randall Parker Foods.

Cash Flows from Financing Activities	Year Ended December 25, 2022	Year Ended December 26, 2021
	(In millions)	
Payments on revolving line of credit and long-term borrowings	$ (388.3)	$ (2,006.2)
Proceeds from revolving line of credit and long-term borrowings	362.5	2,951.7
Purchase of common stock under share repurchase program	(199.6)	—
Payment of capitalized loan costs	(4.7)	(22.3)
Distribution of equity under Tax Sharing Agreement between JBS USA Food Company Holdings and Pilgrim's Pride Corporation	(2.0)	(0.7)
Payment on early extinguishment of debt	—	(21.3)
Cash provided by (used in) financing activities	$ (232.0)	$ 901.3

Proceeds from revolving line of credit and long-term borrowings and payments on revolving line of credit and long-term borrowings are mainly due to borrowings and payments on our U.S. Credit Facility and Mexico Credit Facility. During 2022, 7.5 million shares were repurchased under the share repurchase program. The payment of capitalized loan costs relate to the consent solicitation of the 2031 and 2032 Senior Notes and the execution of a new U.K. revolving line of credit. The distribution of equity under the Tax Sharing Agreement is the 2021 distribution of equity that is paid in the first quarter of 2022. For further information on the share repurchase program, refer to Part II, Item 8, Notes to Consolidated Financial Statements, "Note 14. Stockholders' Equity."

Long-Term Debt and Other Borrowing Arrangements

Our long-term debt and other borrowing arrangements consist of senior notes, revolving credit facilities and other term loan agreements. For a description, refer to Part II, Item 8, Notes to Consolidated Financial Statements, "Note 13. Debt."

Collateral

Substantially all of our domestic inventories and domestic fixed assets are pledged as collateral to secure the obligations under the U.S. Credit Facility.

Capital Expenditures

We anticipate spending between $400 million and $500 million on the acquisition of property, plant and equipment in 2023. Capital expenditures will primarily be incurred to grow our operations, improve efficiencies and to reduce costs. We expect to fund these capital expenditures with cash flow from operations and proceeds from the revolving lines of credit under our various debt facilities.

Contractual Obligations

In addition to our debt commitments at December 25, 2022, we had other commitments and contractual obligations that require us to make specified payments in the future. The following table summarizes the total amounts due as of December 25, 2022 under all debt agreements, commitments and other contractual obligations. The table indicates the years in which payments are due under the contractual obligations.

	Payments Due By Period				
Contractual Obligations[(a)]	Total	Less than One Year	One to Three Years	Three to Five Years	Greater than Five Years
			(In thousands)		
Long-term debt[(b)]	$ 3,230,078	$ 24,453	$ 50,625	$ 1,255,000	$ 1,900,000
Interest[(c)]	931,235	130,195	259,369	251,171	290,500
Finance leases	3,867	1,064	1,471	1,079	253
Operating leases	345,183	90,356	122,993	71,651	60,183
Derivative liabilities	18,917	18,917	—	—	—
Purchase obligations[(d)]	721,753	588,077	117,279	3,890	12,507
Total	$ 5,251,033	$ 853,062	$ 551,737	$ 1,582,791	$ 2,263,443

(a) The total amount of unrecognized tax benefits at December 25, 2022 was $27.6 million. We did not include this amount in the contractual obligations table above as reasonable estimates cannot be made at this time of the amounts or timing of future cash outflows.

(b) Long-term debt is presented at face value and excludes $35.0 million in letters of credit outstanding related to normal business transactions.

(c) Interest expense in the table above assumes the continuation of interest rates and outstanding borrowings as of December 25, 2022.
(d) Includes agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction.

We expect cash flows from operations, combined with availability under the U.S. Credit Facility, the Mexico Credit Facility and the U.K. and Europe Credit Facility to provide sufficient liquidity to fund current obligations, projected working capital requirements, maturities of long-term debt and capital spending for at least the next twelve months.

Recent Accounting Pronouncements

Refer to Part II, Item 8, Notes to Consolidated Financial Statements, "Note 1. Business and Summary of Significant Accounting Policies."

Critical Accounting Policies and Estimates

General. Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, inventory, goodwill and other intangible assets, litigation and income taxes. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements.

Revenue Recognition. The vast majority of our revenue is derived from contracts which are based upon a customer ordering our products. While there may be master agreements, the contract is only established when the customer's order is accepted by us. We account for a contract, which may be verbal or written, when it is approved and committed by both parties, the rights of the parties are identified along with payment terms, the contract has commercial substance and collectability is probable.

We evaluate the transaction for distinct performance obligations, which are the sale of our products to customers. Since our products are commodity market-priced, the sales price is representative of the observable, standalone selling price. Each performance obligation is recognized based upon a pattern of recognition that reflects the transfer of control to the customer at a point in time, which is upon destination (customer location or port of destination) and depicts the transfer of control and recognition of revenue. There are instances of customer pick-up at our facilities, in which case control transfers to the customer at that point and we recognize revenue. Our performance obligations are typically fulfilled within days to weeks of the acceptance of the order.

We make judgments regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from revenue and cash flows with customers. Determination of a contract requires evaluation and judgment along with the estimation of the total contract value and if any of the contract value is constrained. Due to the nature of our business, there is minimal variable consideration, as the contract is established at the acceptance of the order from the customer. When applicable, variable consideration is estimated at contract inception and updated on a regular basis until the contract is completed. Allocating the transaction price to a specific performance obligation based upon the relative standalone selling prices includes estimating the standalone selling prices including discounts and variable consideration.

Inventories. Live chicken and pig inventories are stated at the lower of cost or net realizable value and breeder hen, breeder sow and boar inventories at the lower of cost, less accumulated amortization, or net realizable value. The costs associated with breeder hen inventories are accumulated up to the production stage and amortized over their productive lives using the unit-of-production method. The costs associated with breeder sow inventories are accumulated up to the production stage and amortized on a straight-line basis over their productive lives to the estimated residual cull value. The costs associated with finished poultry products, finished pork products, feed, eggs and other inventories are stated at the lower of cost (average) or net realizable value. Inventory typically transfers from one stage of production to another at a standard cost, where it accumulates additional cost directly incurred with the production of inventory, including overhead. The standard cost at which each type of inventory transfers is set by management to reflect the actual costs incurred in the prior steps. We monitor and adjust standard costs throughout the year to ensure that standard costs reasonably reflect the actual average cost of the inventory produced.

We allocate meat costs between our various finished chicken products based on a by-product costing technique that reduces the cost of the whole bird by estimated yields and amounts to be recovered for certain by-product parts. This primarily includes leg quarters, wings, tenders and offal, which are carried in inventory at the estimated recovery amounts, with the remaining amount being reflected as our breast meat cost. We allocate meat costs between our various finished pork products based on a by-product costing technique that allocates the cost of the whole pig into the primal cuts by estimated yields and amounts to be recovered for certain by-product parts. This primarily includes legs, shoulders, bellies, offal and fifth quarter parts, which are carried in inventory at the estimated recoverable amounts, with the remaining amount being reflected as our loin meat cost.

For our prepared foods inventories, raw materials and packaging materials are valued at the lower of weighted average cost and net realizable value, work in progress is valued at the latest production cost (raw materials, packaging), finished goods are valued at the lower of the latest actual monthly production cost (raw materials, packaging and direct labor) and attributable overheads and net realizable value, and engineering spares and consumables are valued at cost with an appropriate provision for obsolete engineering spares consistent with historical practice.

Generally, we perform an evaluation of whether any lower of cost or market adjustments are required at the country level based on a number of factors, including: (1) pools of related inventory, (2) product continuation or discontinuation, (3) estimated market selling prices and (4) expected distribution channels. If actual market conditions or other factors are less favorable than those projected by management, additional inventory adjustments may be required. We also record valuation adjustments, when necessary, for estimated obsolescence at or equal to the difference between the cost of inventory and the estimated market value based upon known conditions affecting inventory obsolescence, including significantly aged products, discontinued product lines, or damaged or obsolete products.

Goodwill and Other Intangibles, net. Goodwill represents the excess of the aggregate purchase price over the fair value of the net identifiable assets acquired in a business combination. Identified intangible assets represent trade names, customer relationships and non-compete agreements arising from acquisitions that are recorded at fair value as of the date acquired less accumulated amortization, if any. We use various market valuation techniques to determine the fair value of its identified intangible assets.

Goodwill and other intangible assets with indefinite lives are not amortized but are tested for impairment on an annual basis in the fourth quarter of each fiscal year or more frequently if impairment indicators arise. For goodwill, an impairment loss is recognized for any excess of the carrying amount of a reporting unit's goodwill over the implied fair value of that goodwill. Management first reviews relevant qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent), that the fair value of a reporting unit is less than the unit's carrying amount (including goodwill). If management determines it is more likely than not that the carrying amount of a reporting unit goodwill might be impaired, a quantitative analysis is performed. Management performed a qualitative analysis noting that is was not more likely than not that there was goodwill impairment in any of its reporting units as of December 25, 2022. However, management will be closely monitoring the performance of its reporting units within the U.K. and Europe for sustained declines in operating results that miss projected operating performance as it relates to possible future goodwill impairment indicators. For indefinite-lived intangible assets, an impairment loss is recognized if the carrying amount of an indefinite-lived intangible asset exceeds the estimated fair value of that intangible asset. Management first reviews relevant qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50%) that an intangible asset is impaired. If management determines there is an indication that the carrying amount of the intangible asset might be impaired, and quantitative analysis is performed. Management performed a qualitative analysis noting that it was not more likely than not that there was impairment for any of its indefinite-lived intangible assets as of December 25, 2022. Management will be closely monitoring the performance of its branded products within the U.K. and Europe for sustained declines in operating results as it relates to possible future impairment to those identifiable intangible assets.

Identifiable intangible assets with definite lives, such as customer relationships, non-compete agreements and trade names that we expect to use for a limited amount of time, are amortized over their estimated useful lives on a straight-line basis. The useful lives range from three to 20 years for non-compete agreements and trade names and three to 16 years for customer relationships. Identified intangible assets with definite lives are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Management assessed if events or changes in circumstances indicated that the aggregate carrying amount of its identified intangible assets with definite lives might not be recoverable and determined that there were no impairment indicators during the year ended December 25, 2022 and year ended December 26, 2021.

Litigation and Contingent Liabilities. We are subject to lawsuits, investigations and other claims related to employment, environmental, product, and other matters. We are required to assess the likelihood of any adverse judgments or outcomes, as well as potential ranges of probable losses, to these matters. We estimate the amount of reserves required for these contingencies when losses are determined to be probable and after considerable analysis of each individual issue. We expense legal costs related to such loss contingencies as they are incurred. With respect to our environmental remediation obligations, the accrual for environmental remediation liabilities is measured on an undiscounted basis. These reserves may change in the future due to changes in our assumptions, the effectiveness of strategies, or other factors beyond our control.

Income Taxes. We follow provisions under ASC No. 740-10-30-27 in the Expenses-Income Taxes topic with regard to members of a group that file a consolidated tax return but issue separate financial statements. We file our U.S. federal tax return and certain state unitary returns with JBS USA Holdings. Our income tax expense is computed using the separate return method. The provision for income taxes has been determined using the asset and liability approach of accounting for income taxes. For the unitary states, we have an obligation to make tax payments to JBS USA Holdings for our share of the unitary taxable income, which is included in taxes payable in our Consolidated Balance Sheets. Under this approach, deferred income taxes reflect the net tax effect of temporary differences between the book and tax bases of recorded assets and liabilities, net operating losses and tax credit carry forwards. The amount of deferred tax on these temporary differences is determined using the tax rates expected to apply to the period when the asset is realized or the liability is settled, as applicable, based on the tax rates and laws in the respective tax jurisdiction enacted as of the balance sheet date. We recognize potential interest and penalties related to income tax positions as a part of the income tax provision.

Business Combination Accounting. We allocate the consideration of an acquired business to its identifiable assets and liabilities based on estimated fair values. The excess of the consideration over the amount allocated to the assets and liabilities, if any, is recorded to goodwill. We use all available information to estimate fair values. We use various models to determine the value of assets acquired and liabilities assumed such as net realizable value to value inventory, cost method and market approach to value property, relief-from-royalty and multi-period excess earnings to value intangibles and discounted cash flow to value goodwill. We typically engage third-party valuation specialists to assist in the fair value determination of tangible long-lived assets and intangible assets other than goodwill. The fair value of acquired inventories is typically determined by extending physical counts of the inventories taken at or near the acquisition date to market pricing in effect for such inventories at or near the acquisition date. The carrying values of acquired receivables and accounts payable have historically approximated their fair values as of the business combination date. As necessary, we may engage third-party specialists to assist in the estimation of fair value for certain liabilities. We adjust the preliminary acquisition accounting, as necessary, typically up to one year after the acquisition closing date for those items that existed at the acquisition date and were provisionally accounted for at that time, as we obtain more information regarding asset valuations and liabilities assumed.

Our acquisition accounting methodology contains uncertainties because it requires management to make assumptions and to apply judgment to estimate the fair value of acquired assets and liabilities. Management estimates the fair value of assets and liabilities based upon quoted market prices, the carrying value of the acquired assets and widely accepted valuation techniques, including discounted cash flows and market multiple analyses. Unanticipated events or circumstances may occur which could affect the accuracy of our fair value estimates, including changes in assumptions regarding industry economic factors and business strategies. If actual results are materially different than the assumptions used to determine fair value of the assets and liabilities acquired through a business combination, it is possible that adjustments to the carrying values of such assets and liabilities will have an impact on our net earnings. See Part II. Item 8. Notes to Consolidated Financial Statements, “2. Business Acquisitions” in this annual report for the acquisition-related information associated with significant acquisitions completed in the last three fiscal years.

Reconciliation of Net Income to EBITDA and Adjusted EBITDA

“EBITDA” is defined as the sum of net income (loss) plus interest, taxes, depreciation and amortization. “Adjusted EBITDA” is calculated by adding to EBITDA certain items of expense and deducting from EBITDA certain items of income that we believe are not indicative of our ongoing operating performance consisting of: (1) foreign currency transaction losses (gains), (2) transaction costs related to business acquisitions, (3) expenses recognized for the DOJ agreement and litigation settlements, (4) restructuring activities losses, (5) Hometown Strong initiative expenses, (6) consumption of the PFM inventory fair value step-up increment, (7) property insurance recoveries on Mayfield tornado losses, (8) gain recognized on deconsolidation of a subsidiary and (9) net income attributable to noncontrolling interest. EBITDA is presented because it is used by us and we believe it is frequently used by securities analysts, investors and other interested parties, in addition to and not in lieu of results prepared in conformity with U.S. GAAP, to compare the performance of companies. We believe investors would be interested in our Adjusted EBITDA because this is how our management analyzes EBITDA applicable to continuing operations. We also believe that Adjusted EBITDA, in combination with our financial results calculated in accordance with U.S. GAAP, provides investors with additional perspective regarding the impact of certain significant items on EBITDA and facilitates a more direct comparison of our performance with our competitors. EBITDA and Adjusted EBITDA are not measurements of financial performance under U.S. GAAP. EBITDA and Adjusted EBITDA have limitations as analytical tools and should not be considered in isolation or as substitutes for an analysis of our results as reported under U.S. GAAP. Some of the limitations of these measures are:

- They do not reflect our cash expenditures, future requirements for capital expenditures or contractual commitments;

- They do not reflect changes in, or cash requirements for, our working capital needs;
- They do not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- Although depreciation and amortization are noncash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements;
- They are not adjusted for all noncash income or expense items that are reflected in our statements of cash flows;
- EBITDA does not reflect the impact of earnings or charges attributable to noncontrolling interests;
- They do not reflect the impact of earnings or charges resulting from matters we consider to not be indicative of our ongoing operations; and
- They do not reflect limitations on or costs related to transferring earnings from our subsidiaries to us.

In addition, other companies in our industry may calculate these measures differently than we do, limiting their usefulness as a comparative measure. Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as an alternative to net income as indicators of our operating performance or any other measures of performance derived in accordance with U.S. GAAP. You should compensate for these limitations by relying primarily on our U.S. GAAP results and using EBITDA and Adjusted EBITDA only on a supplemental basis.

(Unaudited)	**Year Ended**	
	December 25, 2022	**December 26, 2021**
	(In thousands)	
Net income	$ 746,538	$ 31,268
Add:		
Interest expense, net	143,644	139,736
Income tax expense	278,935	61,122
Depreciation and amortization	403,110	380,824
EBITDA	1,572,227	612,950
Add:		
Foreign currency transaction losses (gains)	30,817	(9,382)
Transaction costs related to acquisitions	948	18,858
Expenses related to the DOJ agreement and litigation settlements	34,086	656,225
Restructuring activities losses	30,466	5,802
Hometown Strong commitment expenses	—	1,000
Consumption of Pilgrim’s Food Masters inventory fair value step-up increment	—	4,974
Minus:		
Property insurance recoveries on Mayfield tornado losses	19,580	—
Gain recognized on deconsolidation of subsidiary	—	1,131
Net income attributable to noncontrolling interest	608	268
Adjusted EBITDA	$ 1,648,356	$ 1,289,028

Reconciliation of Adjusted Net Income
(Unaudited)

	Year Ended	
	December 25, 2022	December 26, 2021
	(In thousands, except per share data)	
Net income attributable to Pilgrim's	$ 745,930	$ 31,000
Adjustments:		
Foreign currency transaction losses (gains)	30,817	(9,382)
Restructuring activities losses	30,466	5,802
Transaction costs related to acquisitions	948	18,858
DOJ agreement and litigation settlements	34,086	656,225
Hometown Strong commitment expenses	—	1,000
Consumption of Pilgrim’s Food Masters inventory fair value step-up increment	—	4,974
Loss on early extinguishment of debt recognized as a component of interest expense	—	24,654
Negative adjustment to the gain recognized on the bargain purchase of PPL	(19,580)	—
Gain recognized on deconsolidation of subsidiary	—	(1,131)
Net tax expense (benefit) of adjustments[(a)]	(19,115)	(174,619)
Adjusted net income attributable to Pilgrim's	$ 803,552	$ 557,381
Weighted average diluted shares of common stock outstanding	240,394	244,129
Adjusted net income attributable to Pilgrim's per common diluted share	$ 3.34	$ 2.28

(a) Net tax impact of adjustments represents the tax impact of all adjustments shown above with the exclusion of the DOJ agreement as this item is non-deductible for tax purposes.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market Risk-Sensitive Instruments and Positions

The risk inherent in our market risk-sensitive instruments and positions is primarily the potential loss arising from adverse changes in commodity prices, foreign currency exchange rates, interest rates and the credit quality of available-for-sale securities as discussed below. The sensitivity analyses presented do not consider the effects that such adverse changes may have on overall economic activity, nor do they consider additional actions our management may take to mitigate our exposure to such changes. Actual results may differ from those described below.

Commodity Prices

We purchase certain commodities, primarily corn, soybean meal, soybean oil, and wheat, for use as ingredients in the feed we either sell commercially or consume in our live operations. As a result, our earnings are affected by changes in the price and availability of such feed ingredients. We have from time to time attempted to minimize our exposure to the changing price and availability of such feed ingredients using various techniques, including, but not limited to, (1) executing purchase agreements with suppliers for future physical delivery of feed ingredients at established prices and (2) purchasing or selling derivative financial instruments such as futures and options.

For this sensitivity analysis, market risk is estimated as a hypothetical 10% increase in the weighted-average cost of our primary feed ingredients as of the periods presented. The impact of this fluctuation, if realized, could be mitigated by related commodity hedging activity. However, fluctuations greater than 10% could occur.

	Year Ended December 25, 2022	
	Amount	Impact of 10% Increase in Feed Ingredient Prices
	(In thousands)	
Feed ingredient purchases[(a)]	$ 4,536,861	$ 453,686
Feed ingredient inventory[(b)]	240,151	24,015

(a) Based on our feed consumption, a 10% increase in the price of our feed ingredient purchases will have increased cost of sales for the year ended December 25, 2022.

(b) A 10% increase in ending feed ingredient prices would have increased inventories as of December 25, 2022.

	December 25, 2022	
	Amount	Impact of 10% Increase to the Fair Value of Commodity Derivative Assets
	(In thousands)	
Commodity derivative assets[(a)]	$ 42,651	$ 4,265

(a) We purchase commodity derivative financial instruments, specifically exchange-traded futures and options, in an attempt to mitigate price risk related to our anticipated consumption of commodity inputs for the next 12 months. A 10% increase in corn, soybean meal, soybean oil and wheat prices would have resulted in an increase in the fair value of our net commodity derivative asset position, including margin cash, as of December 25, 2022.

Interest Rates

Fixed-rate debt. Market risk for fixed-rate debt is estimated as the potential decrease in fair value resulting from a hypothetical increase in interest rates of 10%. Using a discounted cash flow analysis, a hypothetical 10% increase in interest rates would have decreased the fair value of our fixed-rate debt by $73.5 million as of December 25, 2022.

Variable-rate debt. Our variable-rate debt instruments represent approximately 15.2% of our total debt as of December 25, 2022. Holding other variables constant, including levels of indebtedness, an increase in interest rates of 100 basis points would have increased our interest expense by an $7.2 million for the year ended December 25, 2022.

Foreign Currency

Mexico Subsidiaries

Our earnings are also affected by foreign exchange rate fluctuations related to the Mexican peso net monetary position of our Mexico subsidiaries. We manage this exposure primarily by attempting to minimize our Mexican peso net monetary position. We are also exposed to the effect of potential currency exchange rate fluctuations to the extent that amounts are repatriated from Mexico to the U.S. We currently anticipate that the future cash flows of our Mexico subsidiaries will be reinvested in our Mexico operations.

The Mexican peso exchange rate can directly and indirectly impact our financial condition and results of operations. For this sensitivity analysis, market risk is estimated as a hypothetical 10% change in the current exchange rate used to convert Mexican pesos to U.S. dollars as of December 25, 2022. However, fluctuations greater than 10% could occur. No assurance can be given as to how future movements in the Mexican peso could affect our future financial condition or results of operations.

	Year Ended December 25, 2022	
	Impact of 10% Deterioration in Exchange Rate[(a)]	Impact of 10% Appreciation in Exchange Rate[(b)]
	(In thousands, except for exchange rate data)	
Foreign currency remeasurement gain (loss)	$ (4,672)	$ 5,710
Exchange rate of Mexican pesos to the U.S. dollar:		
As reported	19.37	19.37
Hypothetical 10% change	21.30	17.43

U.K. and Europe Subsidiaries

We are exposed to foreign exchange-related variability of investments and earnings from our U.K. and Europe subsidiaries. Foreign currency market risk is the possibility that our financial results or financial position could be better or worse than planned because of changes in foreign currency exchange rates. For this sensitivity analysis, market risk is estimated as a hypothetical 10% change in exchange rates used to convert U.S. dollars to British pound and to euro, and the effect of this change on our U.K. and Europe subsidiaries.

Net Assets. As of December 25, 2022, our U.K. and Europe subsidiaries that are denominated in the British pound had net assets of $2.6 billion. A 10% weakening in the British pound against the U.S. dollar exchange rate would cause a decrease in the net assets of our U.K. and Europe subsidiaries by $240.9 million. A 10% strengthening in the British pound against the U.S. dollar exchange rate would cause an increase in the net assets of our U.K. and Europe subsidiaries by $294.4 million.

Cash flow hedging transactions. We periodically enter into foreign currency forward contracts, which are designated and qualify as cash flow hedges, to hedge foreign currency risk on a portion of sales generated and purchases made by our U.K.

and Europe subsidiaries. A 10% weakening or strengthening of the U.S. dollar against the British pound and U.S. dollar against the euro would result in immaterial changes in the fair values of these derivative instruments. No assurance can be given as to how future movements in currency rates could affect our future financial condition or results of operations.

Quality of Investments

Certain retirement plans that we sponsor invest in a variety of financial instruments. We have analyzed our portfolios of investments and, to the best of our knowledge, none of our investments, including money market funds units, commercial paper and municipal securities, have been downgraded, and neither we nor any fund in which we participate hold significant amounts of structured investment vehicles, auction rate securities, collateralized debt obligations, credit derivatives, hedge funds investments, fund of funds investments or perpetual preferred securities. Certain postretirement funds in which we participate hold significant amounts of mortgage-backed securities. However, none of the mortgages collateralizing these securities are considered subprime.

Impact of Inflation

Our global operations were significantly impacted by inflation during 2022. Our global businesses negotiated with our customers to increase prices to mitigate the impacts of the increase in input costs such as feed ingredients, labor, utilities, freight and other input costs. Prior to 2022, inflation was significantly less impactful to our operations. We anticipate inflation in 2023 will be moderate compared to 2022 based on the monetary policy measures implemented in the jurisdictions in which we operate.

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Pilgrim's Pride Corporation:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Pilgrim's Pride Corporation and subsidiaries (the Company) as of December 25, 2022 and December 26, 2021, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 25, 2022, and the related notes and financial statement schedule II (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 25, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 25, 2022 and December 26, 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 25, 2022, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 25, 2022 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audit of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Evaluation of qualitative goodwill impairment assessment

As discussed in Notes 1 and 9 to the consolidated financial statements, the goodwill balance as of December 25, 2022 was $1.2 billion, of which $1.1 billion related to reporting units within the Company's U.K. and Europe reportable segment. The Company performs qualitative or quantitative goodwill impairment assessments at least annually in the fourth quarter of each fiscal year or more frequently whenever circumstances indicate that the fair value of a reporting unit may be less than its carrying value. When a qualitative assessment is performed, the Company assesses relevant qualitative factors to determine whether it is more likely than not that the fair value of its reporting units are less than their carrying amounts.

We identified the evaluation of the Company's qualitative goodwill impairment assessment of the goodwill related to the reporting units in the Company's U.K. and Europe segment as a critical audit matter. A higher degree of subjective auditor judgment was required to evaluate the factors utilized by management in the Company's qualitative goodwill impairment assessment.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of an internal control related to the Company's qualitative goodwill impairment assessment, including the identification and assessment of the factors impacting the fair value of the reporting units. We evaluated the Company's assessment of qualitative factors by:

- analyzing the reasonableness of macroeconomic, industry, and market conditions identified by the Company by assessing the relevance and reliability of the assumptions and data selected by the Company and comparing them to publicly available economic data
- assessing the reasonableness of forecasted financial performance of the reporting units based on historical results as well as the macroeconomic, industry and market conditions considered by the Company

In addition, we involved a valuation specialist with specialized skills and knowledge, who assisted in evaluating the overall financial performance of the reporting units by comparing current valuation multiples of the Company and the reporting units in the Company's U.K. and Europe segment to comparable guideline companies.

/s/ KPMG LLP

We have served as the Company's auditor since 2012.

Denver, Colorado
February 9, 2023

PILGRIM'S PRIDE CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 25, 2022	December 26, 2021
	(In thousands, except share and par value data)	
Cash and cash equivalents	$ 400,988	$ 427,661
Restricted cash and cash equivalents	33,771	22,460
Trade accounts and other receivables, less allowance for credit losses	1,097,212	1,013,437
Accounts receivable from related parties	2,512	1,345
Inventories	1,990,184	1,575,658
Income taxes receivable	155,859	27,828
Prepaid expenses and other current assets	211,092	237,565
Total current assets	3,891,618	3,305,954
Deferred tax assets	1,969	5,314
Other long-lived assets	41,574	32,410
Operating lease assets, net	305,798	351,226
Intangible assets, net	846,020	963,243
Goodwill	1,227,944	1,337,252
Property, plant and equipment, net	2,940,846	2,917,806
Total assets	$ 9,255,769	$ 8,913,205
Accounts payable	$ 1,587,939	$ 1,378,077
Accounts payable to related parties	12,155	22,317
Revenue contract liabilities	34,486	22,321
Accrued expenses and other current liabilities	850,899	859,885
Income taxes payable	58,411	81,977
Current maturities of long-term debt	26,279	26,246
Total current liabilities	2,570,169	2,390,823
Noncurrent operating lease liabilities, less current maturities	230,701	271,366
Long-term debt, less current maturities	3,166,432	3,191,161
Deferred tax liabilities	364,184	369,185
Other long-term liabilities	71,007	101,736
Total liabilities	6,402,493	6,324,271
Common stock, $.01 par value, 800,000,000 shares authorized; 261,610,518 and 261,348,030 shares issued at year-end 2022 and year-end 2021, respectively; 236,469,365 and 243,675,522 shares outstanding at year-end 2022 and year-end 2021, respectively	2,617	2,614
Treasury stock, at cost, 25,141,153 shares at year-end 2022 and 17,672,508 shares at year-end 2021	(544,687)	(345,134)
Additional paid-in capital	1,969,833	1,964,028
Retained earnings	1,749,499	1,003,569
Accumulated other comprehensive loss	(336,448)	(47,997)
Total Pilgrim's Pride Corporation stockholders' equity	2,840,814	2,577,080
Noncontrolling interest	12,462	11,854
Total stockholders' equity	2,853,276	2,588,934
Total liabilities and stockholders' equity	$ 9,255,769	$ 8,913,205

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

PILGRIM'S PRIDE CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended		
	December 25, 2022	December 26, 2021	December 27, 2020
	(In thousands, except per share data)		
Net sales	$ 17,468,377	$ 14,777,458	$ 12,091,901
Cost of sales	15,656,574	13,411,631	11,253,705
Gross profit	1,811,803	1,365,827	838,196
Selling, general and administrative expense	604,742	1,148,861	592,610
Restructuring activities	30,466	5,802	123
Operating income	1,176,595	211,164	245,463
Interest expense, net of capitalized interest	152,672	145,792	126,118
Interest income	(9,028)	(6,056)	(7,305)
Foreign currency transaction losses (gains)	30,817	(9,382)	760
Reduction in gain on bargain purchase	—	—	3,746
Miscellaneous, net	(23,339)	(11,580)	(39,681)
Income before income taxes	1,025,473	92,390	161,825
Income tax expense	278,935	61,122	66,755
Net income	746,538	31,268	95,070
Less: Net income attributable to noncontrolling interest	608	268	313
Net income attributable to Pilgrim's Pride Corporation	$ 745,930	$ 31,000	$ 94,757
Weighted average shares of Pilgrim's Pride Corporation common stock outstanding:			
Basic	239,766	243,652	245,944
Effect of dilutive common stock equivalents	628	477	180
Diluted	240,394	244,129	246,124
Net income attributable to Pilgrim's Pride Corporation per share of common stock outstanding:			
Basic	$ 3.11	$ 0.13	$ 0.39
Diluted	$ 3.10	$ 0.13	$ 0.39

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

PILGRIM'S PRIDE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended		
	Year Ended December 25, 2022	Year Ended December 26, 2021	Year Ended December 27, 2020
		(In thousands)	
Net income	$ 746,538	$ 31,268	$ 95,070
Other comprehensive income (loss):			
Foreign currency translation adjustment			
Gains (losses) arising during the period	(297,066)	(55,541)	83,890
Derivative financial instruments designated as cash flow hedges			
Gains (losses) arising during the period	(2,915)	398	3,719
Income tax effect	—	22	160
Reclassification to net earnings for losses (gains) realized	4,142	(1,437)	(2,664)
Income tax effect	(24)	(157)	—
Available-for-sale securities			
Gains (losses) arising during the period	(3)	—	73
Income tax effect	2	—	(18)
Reclassification to net earnings for gains realized	(17)	—	(73)
Income tax effect	4	—	18
Defined benefit plans			
Gains (losses) realized during the period	8,505	35,122	(38,845)
Income tax effect	(2,122)	(7,524)	7,121
Reclassification to net earnings of losses realized	1,381	2,278	1,502
Income tax effect	(338)	(538)	(374)
Total other comprehensive income (loss), net of tax	(288,451)	(27,377)	54,509
Comprehensive income	458,087	3,891	149,579
Less: Comprehensive income attributable to noncontrolling interests	608	268	313
Comprehensive income attributable to Pilgrim's Pride Corporation	$ 457,479	$ 3,623	$ 149,266

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

PILGRIM'S PRIDE CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Pilgrim's Pride Corporation Stockholders								
	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
	Shares	Amount	Shares	Amount					
	(In thousands)								
Balance at December 29, 2019	261,119	$ 2,611	(11,547)	$ (234,892)	$1,955,261	$ 877,812	$ (75,129)	$ 10,397	$2,536,060
Comprehensive income:									
Net income	—	—	—	—	—	94,757	—	313	95,070
Other comprehensive income, net of tax benefit of $6,907	—	—	—	—	—	—	54,509	—	54,509
Capital distribution under Tax Sharing Agreement between JBS USA Holdings and Pilgrim's Pride Corporation (the "TSA")	—	—	—	—	(650)	—	—	—	(650)
Stock-based compensation plans:									
Common stock issued under compensation plans	66	1	—	—	(1)	—	—	—	—
Requisite service period recognition	—	—	—	—	(276)	—	—	—	(276)
Common stock purchased under share repurchase program	—	—	(6,126)	(110,242)	—	—	—	—	(110,242)
Dissolution of subsidiary	—	—	—	—	—	—	—	876	876
Balance at December 27, 2020	261,185	$ 2,612	(17,673)	$ (345,134)	$1,954,334	$ 972,569	$ (20,620)	$ 11,586	$2,575,347
Comprehensive income:									
Net income	—	—	—	—	—	31,000	—	268	31,268
Other comprehensive loss, net of tax expense of $8,197	—	—	—	—	—	—	(27,377)	—	(27,377)
Capital distribution under TSA	—	—	—	—	(1,961)	—	—	—	(1,961)
Stock-based compensation plans:									
Common stock issued under compensation plans	162	2	—	—	(2)	—	—	—	—
Requisite service period recognition	—	—	—	—	11,657	—	—	—	11,657
Balance at December 26, 2021	261,347	$ 2,614	(17,673)	$ (345,134)	$1,964,028	$1,003,569	$ (47,997)	$ 11,854	$2,588,934
Comprehensive income:									
Net income	—	—	—	—	—	745,930	—	608	746,538
Other comprehensive loss, net of tax expense of $2,478	—	—	—	—	—	—	(288,451)	—	(288,451)
Capital distribution under TSA	—	—	—	—	(1,592)	—	—	—	(1,592)
Stock-based compensation plans:									
Common stock issued under compensation plans	264	3	—	—	(3)	—	—	—	—
Requisite service period recognition	—	—	—	—	7,400	—	—	—	7,400
Common stock purchased under share repurchase program	—	—	(7,469)	(199,553)	—	—	—	—	(199,553)
Balance at December 25, 2022	261,611	$ 2,617	(25,142)	$ (544,687)	$1,969,833	$1,749,499	$ (336,448)	$ 12,462	$2,853,276

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

PILGRIM'S PRIDE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended		
	December 25, 2022	December 26, 2021	December 27, 2020
		(In thousands)	
Cash flows from operating activities			
Net income	$ 746,538	$ 31,268	$ 95,070
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	403,110	380,824	337,104
Deferred income tax expense (benefit)	21,295	(86,391)	37,337
Gain on property disposals	(18,908)	(1,476)	(13,766)
Stock-based compensation activity	6,985	11,655	(276)
Loan cost amortization	4,753	5,095	4,848
Asset impairment	3,559	—	—
Accretion of bond discount	1,717	1,533	982
Loss (gain) on equity method investments	(2)	(16)	291
Loss on early extinguishment of debt recognized as a component of interest expense	—	24,654	—
Amortization of bond premium	—	(167)	(668)
Gain on bargain purchase	—	—	3,746
Noncash gain on subsidiary dissolution	—	—	115
Changes in operating assets and liabilities			
Trade accounts and other receivables	(149,599)	(259,377)	29,154
Inventories	(472,224)	(177,864)	26,041
Prepaid expenses and other current assets	18,264	(53,797)	(50,347)
Accounts payable and accrued expenses	263,288	359,589	295,327
Income taxes	(142,455)	115,216	(39,436)
Long-term pension and other postretirement obligations	(4,128)	(18,461)	(7,883)
Other operating assets and liabilities	(12,330)	(5,826)	6,608
Cash provided by operating activities	669,863	326,459	724,247
Cash flows from investing activities			
Acquisitions of property, plant and equipment	(487,110)	(381,671)	(354,762)
Proceeds from property disposals	35,516	24,724	31,976
Proceeds from insurance recoveries	16,034	—	—
Purchase of acquired businesses, net of cash acquired	(9,692)	(966,766)	(4,216)
Cash used in investing activities	(445,252)	(1,323,713)	(327,002)
Cash flows from financing activities			
Payments on revolving line of credit, long-term borrowings and finance lease obligations	(388,299)	(2,006,195)	(430,988)
Proceeds from revolving line of credit and long-term borrowings	362,540	2,951,707	404,522
Purchase of common stock under share repurchase program	(199,553)	—	(110,242)
Payment of capitalized loan costs	(4,741)	(22,293)	—
Distribution of capital under the TSA	(1,961)	(650)	—
Payment on early extinguishment of debt	—	(21,258)	—
Cash provided by (used in) financing activities	(232,014)	901,311	(136,708)
Effect of exchange rate changes on cash and cash equivalents	(7,959)	(2,342)	7,292
Increase (decrease) in cash and cash equivalents	(15,362)	(98,285)	267,829
Cash and cash equivalents, restricted cash and restricted cash equivalents, beginning of year	450,121	548,406	280,577
Cash and cash equivalents, restricted cash and restricted cash equivalents, end of year	$ 434,759	$ 450,121	$ 548,406
Supplemental Disclosure Information			
Interest paid (net of amount capitalized)	$ 156,292	$ 119,328	$ 130,641
Income taxes paid	385,585	20,863	51,710

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

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

Pilgrim's Pride Corporation (referred to herein as "Pilgrim's," "PPC," "the Company," "we," "us," "our," or similar terms) is one of the largest chicken producers in the world, with operations in the United States ("U.S."), the United Kingdom ("U.K."), Mexico, France, Puerto Rico, the Netherlands and the Republic of Ireland. Pilgrim's products are sold to foodservice, retail and frozen entrée customers. The Company's primary distribution is through retailers, foodservice distributors and restaurants throughout the countries listed above. Additionally, the Company exports chicken and pork products to over 120 countries. Our fresh products consist of refrigerated (nonfrozen) whole or cut-up chicken, selected chicken parts that are either marinated or non-marinated, primary pork cuts, added value pork and pork ribs. The Company's prepared products include fully cooked, ready-to-cook and individually frozen chicken parts, strips, nuggets and patties, processed sausages, bacon, smoked meat, gammon joints, pre-packed meats, sandwich and deli counter meats and meat balls. The Company's other products include plant-based protein offerings, ready-to-eat meals, multi-protein frozen foods, vegetarian foods and desserts. The Company also provides direct-to-consumer meals and hot food to-go solutions in the U.K. and the Republic of Ireland. We operate feed mills, hatcheries, processing plants and distribution centers in 14 U.S. states, the U.K., Mexico, France, Puerto Rico, the Netherlands and the Republic of Ireland.

Consolidated Financial Statements

The Company operates on the basis of a 52/53-week fiscal year ending on the Sunday falling on or before December 31. Any reference we make to a particular year in the notes to these Consolidated Financial Statements applies to our fiscal year and not the calendar year.

On September 24, 2021, the Company acquired 100.0% of the equity of the Kerry Consumer Foods' meats and meals businesses, collectively known as Pilgrim's Food Masters (or "PFM"), for cash of £698.8 million, or $958.9 million. The acquired operations are included in the Company's U.K. and Europe reportable segment. For the periods subsequent to September 24, 2021, the Consolidated Financial Statements include the accounts of the Company and its majority-owned subsidiaries, including PFM. We eliminate all significant affiliate accounts and transactions upon consolidation.

The Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the ("U.S. GAAP") using management's best estimates and judgments. These estimates and judgments affect the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements. The estimates and judgments will also affect the reported amounts for certain revenues and expenses during the reporting period. Actual results could differ materially from these estimates and judgments. Significant estimates made by the Company include the allowance for credit losses, reserves related to inventory obsolescence or valuation, useful lives of long-lived assets, goodwill, valuation of deferred tax assets, insurance accruals, valuation of pension and other postretirement benefits obligations, income tax accruals, certain derivative positions and valuations of acquired businesses.

The functional currency of the Company's U.S. and Mexico operations and certain holding-company subsidiaries in Luxembourg, the U.K., Malta and the Republic of Ireland is the U.S. dollar. The functional currency of its U.K. operations is the British pound. The functional currency of the Company's operations in France, the Netherlands and the Republic of Ireland is the euro. For foreign currency-denominated entities other than the Company's Mexico operations, translation from local currencies into U.S. dollars is performed for most assets and liabilities using the exchange rates in effect as of the balance sheet date. Income and expense accounts are remeasured using average exchange rates for the period. Adjustments resulting from translation of these financial records are reflected as a separate component of *Accumulated other comprehensive loss* in the Consolidated Balance Sheets. For the Company's Mexico operations, remeasurement from the Mexican peso to U.S. dollars is performed for monetary assets and liabilities using the exchange rate in effect as of the balance sheet date. Remeasurement is performed for non-monetary assets using the historical exchange rate in effect on the date of each asset's acquisition. Income and expense accounts are remeasured using average exchange rates for the period. Net adjustments resulting from remeasurement of these financial records are reflected in *Foreign currency transaction losses (gains)* in the Consolidated Statements of Income.

The Company or its subsidiaries may use derivatives for the purpose of mitigating exposure to changes in foreign currency exchange rates. Foreign currency transaction gains or losses are reported in the Consolidated Statements of Income.

Revenue Recognition

The vast majority of the Company’s revenue is derived from contracts which are based upon a customer ordering its products. While there may be master agreements, the contract is only established when the customer’s order is accepted by the Company. The Company accounts for a contract, which may be verbal or written, when it is approved and committed by both parties, the rights of the parties are identified along with payment terms, the contract has commercial substance and collectability is probable.

The Company evaluates the transaction for distinct performance obligations, which are the sale of its products to customers. Since its products are commodity market-priced, the sales price is representative of the observable, standalone selling price. Each performance obligation is recognized based upon a pattern of recognition that reflects the transfer of control to the customer at a point in time, which is upon destination (customer location or port of destination), and depicts the transfer of control and recognition of revenue. There are instances of customer pick-up at the Company’s facilities, in which case control transfers to the customer at that point and the Company recognizes revenue. The Company’s performance obligations are typically fulfilled within days to weeks of the acceptance of the order.

The Company makes judgments regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from revenue and cash flows with customers. Determination of a contract requires evaluation and judgment along with the estimation of the total contract value and if any of the contract value is constrained. Due to the nature of our business, there is minimal variable consideration, as the contract is established at the acceptance of the order from the customer. When applicable, variable consideration is estimated at contract inception and updated on a regular basis until the contract is completed. Allocating the transaction price to a specific performance obligation based upon the relative standalone selling prices includes estimating the standalone selling prices including discounts and variable consideration.

Shipping and Handling Costs

In the rare case when shipping and handling activities are performed after a customer obtains control of the good, the Company has elected to account for shipping and handling as activities to fulfill the promise to transfer the good. When revenue is recognized for the related good before the shipping and handling activities occur, the related costs of those shipping and handling activities are accrued. Shipping and handling costs are recorded within cost of sales.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising costs are included in *Selling, general and administrative (*“*SG&A*”*)* expense and totaled $58.0 million, $32.4 million and $20.2 million for 2022, 2021 and 2020, respectively.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development costs totaled $12.5 million, $5.1 million and $5.4 million for 2022, 2021 and 2020, respectively.

Cash and Cash Equivalents

The Company considers highly liquid investments with an original maturity of three months or less when acquired to be cash equivalents. The majority of the Company’s disbursement bank accounts are zero balance accounts where cash needs are funded as checks are presented for payment by the holder. Checks issued pending clearance that result in overdraft balances for accounting purposes are classified as accounts payable and the change in the related balance is reflected in operating activities on the Consolidated Statements of Cash Flows.

Restricted Cash

The Company is required to maintain cash balances with a broker as collateral for exchange traded futures contracts. These balances are classified as restricted cash as they are not available for use by the Company to fund daily operations. The balance of restricted cash may also include investments in U.S. Treasury Bills that qualify as cash equivalents, as required by the broker, to offset the obligation to return cash collateral.

The following table reconciles cash, cash equivalents, restricted cash and restricted cash equivalents as reported in the Consolidated Balance Sheets to the total of the same amounts shown in the Consolidated Statements of Cash Flows:

	December 25, 2022	December 26, 2021
	(In thousands)	
Cash and cash equivalents	$ 400,988	$ 427,661
Restricted cash and restricted cash equivalents	33,771	22,460
Total cash, cash equivalents, restricted cash and restricted cash equivalents shown in the Consolidated Statements of Cash Flows	$ 434,759	$ 450,121

Investments

The Company's current investments are all highly liquid investments with an original maturity of three months or less when acquired and are, therefore, considered cash equivalents. The Company's current investments are comprised of fixed income securities, primarily commercial paper and a money market fund. These investments are classified as available-for-sale. These securities are recorded at fair value, and unrealized holding gains and losses are recorded, net of tax, as a separate component of accumulated other comprehensive loss. Investments in fixed income securities with remaining maturities of less than one year and those identified by management at the time of purchase for funding operations in less than one year are classified as current assets. Investments in fixed income securities with remaining maturities in excess of one year that management has not identified at the time of purchase for funding operations in less than one year are classified as long-term assets. Unrealized losses are charged against net earnings when a decline in fair value is determined to be other than temporary. Management reviews several factors to determine whether a loss is other than temporary, such as the length of time a security is in an unrealized loss position, the extent to which fair value is less than amortized cost, the impact of changing interest rates in the short and long term, and the Company's intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. The Company determines the cost of each security sold and each amount reclassified out of accumulated other comprehensive loss into earnings using the specific identification method. Purchases and sales are recorded on a settlement date basis.

Investments in entities in which the Company has an ownership interest greater than 50% and exercises control over the entity are consolidated in the Consolidated Financial Statements. Investments in entities in which the Company has an ownership interest between 20% and 50% and exercises significant influence are accounted for using the equity method. The Company invests from time to time in ventures in which its ownership interest is less than 20% and over which it does not exercise significant influence. Such investments are accounted for under the cost method. The fair values for investments not traded on a quoted exchange are estimated based upon the historical performance of the ventures, the ventures' forecasted financial performance and management's evaluation of the ventures' viability and business models. To the extent the book value of an investment exceeds its assessed fair value, the Company will record an appropriate impairment charge.

Accounts Receivable

The Company records accounts receivable when revenue is recognized. We record an allowance for expected credit losses, reducing our receivables balance to an amount we estimate is collectible from our customers. Estimates used in determining the allowance for credit losses are based on historical collection experience, current trends, aging of accounts receivable, and periodic credit evaluations of our customers' financial condition. We write off accounts receivable when it becomes apparent, based upon age or customer circumstances, that such amounts will not be collected. Generally, the Company does not require collateral for its accounts receivable.

Inventories

Live chicken and pig inventories are stated at the lower of cost or net realizable value and breeder hen, breeder sow and boar inventories are stated at the lower of cost, less accumulated amortization, or net realizable value. The costs associated with breeder hen inventories are accumulated up to the production stage and amortized over their productive lives using the unit-of-production method. The costs associated with breeder sow inventories are accumulated up to the production stage and amortized on a straight-line basis over their productive lives to the estimated residual cull value. Finished poultry products, finished pork products, feed, eggs and other inventories are stated at the lower of cost (average) or net realizable value. Inventory typically transfers from one stage of production to another at a standard cost, where it accumulates additional cost directly incurred with the production of inventory, including overhead. The standard cost at which each type of inventory transfers is set by management to reflect the actual costs incurred in the prior steps. We monitor and adjust standard costs throughout the year to ensure that standard costs reasonably reflect the actual average cost of the inventory produced.

The Company allocates meat costs between its various finished chicken products based on a by-product costing technique that reduces the cost of the whole bird by estimated yields and amounts to be recovered for certain by-product parts. This primarily includes leg quarters, wings, tenders and offal, which are carried in inventory at the estimated recovery amounts, with the remaining amount being reflected as its breast meat cost. The Company allocates meat costs between its various finished pork products based on a by-product costing technique that allocates the cost of the whole pig into the primal cuts by estimated yields and amounts to be recovered for certain by-product parts. This primarily includes legs, shoulders, bellies, offal and fifth quarter parts, which are carried in inventory at the estimated recoverable amounts, with the remaining amount being reflected as our loin meat cost.

The Company values its other prepared foods products, raw materials and packaging materials at the lower of weighted average cost and net realizable value. Work in progress is valued at the latest production cost (raw materials, packaging), finished goods are valued at the lower of the latest actual monthly production cost (raw materials, packaging and direct labor) and attributable overheads and net realizable value, and engineering spares and consumables are valued at cost with an appropriate provision for obsolete engineering spares consistent with historical practice.

Generally, the Company performs an evaluation of whether any lower of cost or market adjustments are required at the country level based on a number of factors, including: (1) pools of related inventory, (2) product continuation or discontinuation, (3) estimated market selling prices and (4) expected distribution channels. If actual market conditions or other factors are less favorable than those projected by management, additional inventory adjustments may be required. The Company also records valuation adjustments, when necessary, for estimated obsolescence at or equal to the difference between the cost of inventory and the estimated market value based upon known conditions affecting inventory obsolescence, including significantly aged products, discontinued product lines, or damaged or obsolete products.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in *Operating lease assets, net, Accrued expenses and other current liabilities,* and *Noncurrent operating lease liability, less current maturities,* in our Consolidated Balance Sheets. Finance leases are included in *Property, plant and equipment, net, Current maturities of long-term debt* and *Long-term debt, less current maturities* in our Consolidated Balance Sheets.

Operating lease assets and operating lease liabilities are initially recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of the Company’s leases do not provide an implicit interest rate, the Company uses its incremental borrowing rate (“IBR”) based on the information available at commencement date in determining the present value of future payments. IBR is derived from the Company’s credit facility’s margin as a basis with adjustments to periodically updated LIBOR swap rate and foreign currency curve. The operating lease asset also includes any lease payments made, including upfront costs and prepayments, and excludes lease incentives and initial direct costs incurred. The Company’s lease terms may include options to extend or terminate a lease when it is reasonably certain that it will exercise that option. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term with a corresponding reduction to the operating lease asset.

The Company has lease agreements with lease and non-lease components. Lease and non-lease components are generally accounted for separately. For certain equipment leases, such as vehicles, the Company accounts for the lease and non-lease components as a single lease component.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, and repair and maintenance costs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of these assets. Estimated useful lives for building, machinery and equipment are five to 33 years and for automobiles and trucks are three to ten years. The charge to income resulting from amortization of assets recorded under capital leases is included with depreciation expense.

The Company records impairment charges on long-lived assets held for use when events and circumstances indicate that the assets may be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. When the above is true, the impairment charge is determined based upon the amount the net book value of the assets exceeds their fair market value. In making these determinations, the Company utilizes certain assumptions, including, but not limited to: (1) future cash flows estimated to be generated by these assets, which are based on additional assumptions such as asset utilization, remaining length of service and estimated salvage values, (2) estimated fair market value of the assets and (3) determinations with respect to the lowest level of cash flows relevant to the respective impairment test, generally groupings of related operational facilities. Given the interdependency of the Company’s individual facilities during the production process, which operate as a vertically integrated network, it evaluates impairment of assets held for use at the country level (i.e., the U.S. and Mexico). Management believes this is the lowest level of identifiable cash flows for its assets that are held for use in production activities. At the present time, the Company’s forecasts indicate that it can recover the carrying value of its assets held for use based on the projected undiscounted cash flows of the operations.

The Company records impairment charges on long-lived assets held for sale when the carrying amount of those assets exceeds their fair value less appropriate selling costs. Fair value is based on amounts documented in sales contracts or letters of intent accepted by the Company, amounts included in counteroffers initiated by the Company, or, in the absence of current contract negotiations, amounts determined using a sales comparison approach for real property and amounts determined using a cost approach for personal property. Under the sales comparison approach, sales and asking prices of reasonably comparable properties are considered to develop a range of unit prices within which the current real estate market is operating. Under the cost approach, a current cost to replace the asset new is calculated and then the estimated replacement cost is reduced to reflect the applicable decline in value resulting from physical deterioration, functional obsolescence and economic obsolescence. Appropriate selling costs includes reasonable broker's commissions, costs to produce title documents, filing fees, legal expenses and the like.

Goodwill and Other Intangibles, net

Goodwill represents the excess of the aggregate purchase price over the fair value of the net identifiable assets acquired in a business combination. Identified intangible assets represent trade names, customer relationships and non-compete agreements arising from acquisitions that are recorded at fair value as of the date acquired less accumulated amortization, if any. The Company uses various market valuation techniques to determine the fair value of its identified intangible assets.

Goodwill and other intangible assets with indefinite lives are not amortized but are tested for impairment on an annual basis in the fourth quarter of each fiscal year or more frequently if impairment indicators arise. For goodwill, an impairment loss is recognized for any excess of the carrying amount of a reporting unit's goodwill over the implied fair value of that goodwill. Management first reviews relevant qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent), that the fair value of a reporting unit is less than the unit's carrying amount (including goodwill).. If management determines it is more likely than not that the carrying amount of a reporting unit goodwill might be impaired, a quantitative analysis is performed. Management performed a qualitative analysis noting that is was not more likely than not that there was goodwill impairment in any of its reporting units as of December 25, 2022. For indefinite-lived intangible assets, an impairment loss is recognized if the carrying amount of an indefinite-lived intangible asset exceeds the estimated fair value of that intangible asset. Management first reviews relevant qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50%) that an intangible asset is impaired. If management determines there is an indication that the carrying amount of the intangible asset might be impaired, and quantitative analysis is performed. Management performed a qualitative analysis noting that it was not more likely than not that there was impairment for any of its indefinite-lived intangible assets as of December 25, 2022.

Identifiable intangible assets with definite lives, such as customer relationships, non-compete agreements and trade names that the Company expects to use for a limited amount of time, are amortized over their estimated useful lives on a straight-line basis. The useful lives range from three to 20 years for non-compete agreements and trade names and three to 18 years for customer relationships. Identified intangible assets with definite lives are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Management assessed if events or changes in circumstances indicated that the aggregate carrying amount of its identified intangible assets with definite lives might not be recoverable and determined that there were no impairment indicators during the years ended December 25, 2022 and December 26, 2021.

Litigation and Contingent Liabilities

The Company is subject to lawsuits, investigations and other claims related to employment, environmental, product and other matters. The Company is required to assess the likelihood of any adverse judgments or outcomes, as well as potential ranges of probable losses, to these matters. The Company estimates the amount of reserves required for these contingencies when losses are determined to be probable and after considerable analysis of each individual issue. The Company expenses legal costs related to such loss contingencies as they are incurred. The accrual for environmental remediation liabilities is measured on an undiscounted basis. These reserves may change in the future due to changes in the Company's assumptions, the effectiveness of strategies, or other factors beyond the Company's control.

Accrued Self Insurance

Insurance expense for casualty claims and employee-related health care benefits are estimated using historical and current experience and actuarial estimates. Stop-loss coverage is maintained with third-party insurers to limit the Company's total exposure. Certain categories of claim liabilities are actuarially determined. The assumptions used to arrive at periodic expenses are reviewed regularly by management. However, actual expenses could differ from these estimates and could result in adjustments to be recognized.

Asset Retirement Obligations

The Company monitors certain asset retirement obligations in connection with its operations. These obligations relate to clean-up, removal or replacement activities and related costs for "in-place" exposures only when those exposures are moved or modified, such as during renovations of our facilities. These in-place exposures include asbestos, refrigerants, wastewater, oil, lubricants and other contaminants common in manufacturing environments. Under existing regulations, the Company is not required to remove these exposures and there are no plans to undertake a renovation that would require removal of the asbestos or the remediation of the other in-place exposures at this time. The facilities are expected to be maintained and repaired by activities that will not result in the removal or disruption of these in-place exposures at this time. As a result, there is an indeterminate settlement date for these asset retirement obligations because the range of time over which the Company may incur these liabilities is unknown and cannot be reasonably estimated. Therefore, the Company has not recorded the fair value of any potential liability.

Income Taxes

The Company follows provisions under ASC No. 740-10-30-27 in the Expenses-Income Taxes topic with regard to members of a group that file a consolidated tax return but issue separate financial statements. The Company files its U.S. federal tax return and certain state unitary returns with JBS USA Food Company Holdings ("JBS USA Holdings"). The income tax expense of the Company is computed using the separate return method. The provision for income taxes has been determined using the asset and liability approach of accounting for income taxes. For the unitary states, we have an obligation to make tax payments to JBS USA Holdings for our share of the unitary taxable income, which is included in taxes payable in our Consolidated Balance Sheets. Under this approach, deferred income taxes reflect the net tax effect of temporary differences between the book and tax bases of recorded assets and liabilities, net operating losses and tax credit carry forwards. The amount of deferred tax on these temporary differences is determined using the tax rates expected to apply to the period when the asset is realized or the liability is settled, as applicable, based on the tax rates and laws in the respective tax jurisdiction enacted as of the balance sheet date.

The Company reviews its deferred tax assets for recoverability and establishes a valuation allowance based on historical taxable income, potential for carry back of tax losses, projected future taxable income, applicable tax strategies, and the expected timing of the reversals of existing temporary differences. A valuation allowance is provided when it is more likely than not that some or all of the deferred tax assets will not be realized. Valuation allowances have been established primarily for net operating loss carry forwards of certain foreign subsidiaries.

The Company deems its earnings from Mexico, Puerto Rico, the U.K., the Republic of Ireland, France, the Netherlands, Luxembourg and Malta as of December 25, 2022 to be permanently reinvested. As such, U.S. deferred income taxes have not been provided on these earnings. If such earnings were not considered indefinitely reinvested, certain deferred foreign and U.S. income taxes would be provided.

The Company follows provisions under ASC No. 740-10-25 that provide a recognition threshold and measurement criteria for the financial statement recognition of a tax benefit taken or expected to be taken in a tax return. Tax benefits are recognized only when it is more likely than not, based on the technical merits, that the benefits will be sustained on examination. Tax benefits that meet the more-likely-than-not recognition threshold are measured using a probability weighting of the largest amount of tax benefit that has greater than 50% likelihood of being realized upon settlement. Whether the more-likely-than-not recognition threshold is met for a particular tax benefit is a matter of judgment based on the individual facts and circumstances evaluated in light of all available evidence as of the balance sheet date. See "Note 12. Income Taxes" to the Consolidated Financial Statements.

Pension and Other Postemployment Benefits

Our pension and other postemployment benefit costs and obligations are dependent on the various actuarial assumptions used in calculating such amounts. These assumptions relate to discount rates, long-term return on plan assets and other factors. We base the discount rate assumptions on current investment yields on high-quality corporate long-term bonds. We determine the long-term return on plan assets based on historical portfolio results and management's expectation of the future economic environment. Actual results that differ from our assumptions are accumulated and, if in excess of the lesser of 10% of the projected benefit obligation or the fair market value of plan assets, amortized over either (1) the estimated average future service period of active plan participants if the plan is active or (2) the estimated average future life expectancy of all plan participants if the plan is frozen.

Derivative Financial Instruments

The Company uses derivative financial instruments (e.g., futures, forwards options and swaps) for the purpose of mitigating exposure to changes in commodity prices, foreign currency exchange rates and interest rates.

- *Commodity Price Risk* - The Company utilizes various raw materials, which are all considered commodities, in its operations, including corn, soybean meal, soybean oil, wheat, natural gas, electricity and diesel fuel. The Company considers these raw materials to be generally available from a number of different sources and believes it can obtain them to meet its requirements. These commodities are subject to price fluctuations and related price risk due to factors beyond our control, such as economic and political conditions, supply and demand, weather, governmental regulation and other circumstances. Generally, the Company enters into derivative contracts such as physical forward contracts and exchange-traded futures or option contracts in an attempt to mitigate price risk related to its anticipated consumption of commodity inputs for periods up to 12 months. The Company may enter into longer-term derivatives on particular commodities if deemed appropriate.

- *Foreign Currency Risk* - The Company has foreign operations and, therefore, has exposure to foreign exchange risk when the financial results of those operations are translated to U.S. dollars. The Company will occasionally purchase derivative financial instruments such as foreign currency forward contracts in an attempt to mitigate currency exchange rate exposure related to the net assets of its Mexico reportable segment that are denominated in Mexican pesos. The Company's U.K. and Europe reportable segment also attempts to mitigate foreign currency exposure on certain transactions denominated in foreign currencies through the use of derivative financial instruments.

- *Interest Rate Risk* - The Company has exposure to variability in cash flows from interest payments due to the use of variable interest rates on certain long-term debt arrangements. The Company has purchased in the past an interest rate swap contract to convert the variable interest rate to a fixed interest rate on a portion of its outstanding long-term debt arrangements in order to manage this interest rate risk and add stability to interest expense and cash flows.

Pilgrim's recognizes all commodity derivative instruments that qualify for derivative accounting treatment as either assets or liabilities and measures those instruments at fair value unless they qualify for, and we elect, the normal purchases and normal sales scope exception ("NPNS"). The permitted accounting treatments include: cash flow hedge; fair value hedge; and undesignated contracts. Undesignated contract accounting is the default accounting treatment for all derivatives unless they qualify, and we specifically designate them, for one of the other accounting treatments. Derivatives designated for any of the elective accounting treatments must meet specific, restrictive criteria both at the time of designation and on an ongoing basis.

The Company has generally applied the NPNS exception for certain of its forward physical grain purchase contracts. NPNS contracts are accounted for using the accrual method of accounting; therefore, there were no amounts recorded in the Consolidated Financial Statements at December 25, 2022 and December 26, 2021.

Undesignated contracts may include contracts not designated as a hedge or for which the NPNS exception was not elected, contracts that do not qualify for hedge accounting and derivatives that do not or no longer qualify for the NPNS scope exception. The fair value of these derivatives is recognized in the Consolidated Balance Sheets within *Prepaid expenses and other current assets* or *Accrued expenses and other current liabilities*. Changes in fair value of these derivatives are recognized immediately in the Consolidated Statements of Income within *Net sales*, *Cost of sales* or *SG&A expense*, depending on the risk they are intended to mitigate. While management believes these instruments help mitigate various market risks, they are not designated nor accounted for as hedges as a result of the extensive record keeping requirements.

Business Combination Accounting

Pilgrim's allocates the consideration of an acquired business to its identifiable assets and liabilities based on estimated fair values. The excess of the consideration over the amount allocated to the assets and liabilities, if any, is recorded to goodwill. The Company uses all available information to estimate fair values. Pilgrim's uses various models to determine the value of assets acquired and liabilities assumed such as net realizable value to value inventory, cost method and market approach to value property, relief-from-royalty and multi-period excess earnings to value intangibles and discounted cash flow to value goodwill. The Company typically engages third-party valuation specialists to assist in the fair value determination of tangible long-lived assets and intangible assets other than goodwill. The fair value of acquired inventories is determined by extending physical counts of the inventories taken at or near the acquisition date to market pricing in effect for such inventories at or near the acquisition date. The carrying values of acquired receivables and accounts payable have historically approximated their fair values as of the business combination date. As necessary, Pilgrim's may engage third-party specialists to assist in the estimation of fair value for certain liabilities. The Company adjusts the preliminary acquisition accounting, as necessary, typically up to one year after the acquisition closing date for those items that existed at the acquisition date and were provisionally accounted for at that time, as it obtains more information regarding asset valuations and liabilities assumed.

The Company's acquisition accounting methodology contains uncertainties because it requires management to make assumptions and to apply judgment to estimate the fair value of acquired assets and liabilities. Management estimates the fair value of assets and liabilities based upon quoted market prices, the carrying value of the acquired assets and widely accepted valuation techniques, including discounted cash flows and market multiple analyses. Unanticipated events or circumstances may occur which could affect the accuracy of the Company's fair value estimates, including changes in assumptions regarding industry economic factors and business strategies. If actual results are materially different than the assumptions used to determine fair value of the assets and liabilities acquired through a business combination, it is possible that adjustments to the carrying values of such assets and liabilities will have an impact on the Company's net earnings.

See "Note 2. Business Acquisitions" to the Consolidated Financial Statements for the acquisition-related information associated with significant acquisitions completed in the last three fiscal years.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. We make significant estimates in regard to realization of deferred tax assets; valuation of long-lived assets; valuation of contingent liabilities, liabilities subject to compromise and self-insurance liabilities; and valuation of acquired businesses.

Recent Accounting Pronouncements Adopted in 2022

In November 2021, the FASB issued ASU 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*, which requires annual disclosures for transactions with a government authority that are accounted for by a grant or contribution model. The guidance requires disclosure about the nature of certain government assistance received, the accounting treatment for the transactions and the effect of the transactions on the financial statements. The guidance is effective for annual periods beginning after December 15, 2021, with early adoption permitted. The adoption of this guidance did not have a material impact on our Condensed Consolidated Financial Statements.

Recent Accounting Pronouncements Adopted in 2021

The Company adopted no accounting pronouncements in 2021.

Recent Accounting Pronouncements Not Yet Adopted as of December 25, 2022

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional expedients and exceptions to the application of current GAAP to existing contracts, hedging relationships and other transactions affected by reference rate reform. The new guidance will ease the transition to new reference rates by allowing entities to update contracts and hedging relationships without applying many of the contract modification requirements specific to those contracts. The provisions of the new guidance are effective beginning March 12, 2020, extending through December 31, 2022 with the option to apply the guidance at any point during that time period. In March 2021, the U.K. Financial Conduct Authority announced that the intended cessation date of USD LIBOR would be June 30, 2023. As a result, in December 2022, the FASB issued ASU 2022-06, *Deferral of the Sunset Date of Topic 848*, which extends the sunset date of *Reference Rate Reform (Topic 848)* from December 31, 2022 to December 31, 2024. We currently have debt agreements that reference LIBOR and we will apply the new guidance as these contracts are modified to reference other rates. The Company does not expect implementation to have a material impact on our Condensed Consolidated Financial Statements.

In September 2022, the FASB issued ASU 2022-04, *Liabilities - Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*, which requires disclosure of the existence of supplier financing programs. The guidance requires disclosure about the nature of the supplier financing agreements, including key terms and payment timing and determination of amounts, the accounting treatment for the transactions and the effect of the transactions on the financial statements, as well as any assets pledged or guarantees provided to the providers of the financing programs. The provisions of the new guidance will be effective for years beginning after December 15, 2022 with the requirement to add rollforward disclosures for years beginning after December 15, 2023. The Company plans to adopt this guidance effective December 26, 2022 and is assessing the impacts on our Condensed Consolidated Financial Statements.

2. BUSINESS ACQUISITIONS

Pilgrim's Food Masters

On September 24, 2021, the Company acquired 100.0% of the equity of the Kerry Consumer Foods' meats and meals businesses, collectively known as PFM, for cash of £698.8 million, or $958.9 million. The acquisition was funded with the Company's recent senior notes offering and borrowings under the credit facility. The acquisition solidifies Pilgrim's as a leading European food company. The specialty meats business is a leading manufacturer of branded and private label meats, meat snacks and food-to-go products in the U.K. and the Republic of Ireland. The ready meals business is a leading ethnic chilled and frozen ready meals business in the U.K. The acquired operations are included in the Company's U.K. and Europe reportable segment.

Transaction costs incurred in conjunction with this acquisition were approximately $19.3 million. These costs were expensed as incurred and are reflected within *SG&A expense* in the Company's Consolidated Statements of Income.

The results of operations of the acquired business since September 24, 2021 are included in the Company's Consolidated Statements of Income. Net sales and net income generated by the acquired business during 2022 totaled $1.0 billion and $8.4 million, respectively.

The assets acquired and liabilities assumed in the acquisition were measured at their estimated fair values as of September 24, 2021 as set forth below. The excess of the purchase price over the fair value of the identified net assets was recorded as goodwill in the Company's U.K. and Europe reportable segment. The factors contributing to the amount of goodwill are based on several strategic and synergistic benefits that are expected to be realized from the acquisition as well as the assembled workforce. Benefits include (1) complementary product offerings, (2) an enhanced footprint in the U.K. and the Republic of Ireland and (3) an enhanced position in the fast-growing plant-based protein, direct-to-consumer and hot food-to-go markets. The goodwill is not expected to be tax deductible for tax purposes.

The fair values recorded for the assets acquired and liabilities assumed for the acquisition are as follows (in thousands):

Cash and cash equivalents	$	113
Trade accounts and other receivables		7,387
Inventories		60,341
Prepaid expenses and other current assets		1,727
Operating lease assets		14,648
Property, plant and equipment		247,133
Identified intangible assets		415,157
Other assets		335
Total assets acquired		746,841
Accounts payable		4,615
Other current liabilities		407
Operating lease liabilities		18,996
Deferred tax liabilities		114,701
Other long-term liabilities		2,612
Total liabilities assumed		141,331
Identified net assets		605,510
Goodwill		353,397
Total consideration transferred	$	958,907

The valuation of intangible assets of $415.2 million consisted of: 1) trade names with indefinite lives of $214.0 million; 2) trade names of $36.8 million with useful lives ranging from 15 years to 20 years; and 3) customer and distributor relationships of $164.3 million with useful lives ranging from 15 years to 18 years.

The following unaudited pro forma information presents the combined financial results for the Company and PFM for 2022, 2021 and 2020 as if the acquisition had been completed at the beginning of 2020:

	2022	2021	2020
	(In thousands, except per share amounts)		
Net sales	$ 17,468,377	$ 15,442,724	$ 13,023,345
Net income attributable to Pilgrim's Pride Corporation	746,599	19,389	92,991
Net income attributable to Pilgrim's Pride Corporation per common share - diluted	$ 3.11	$ 0.08	$ 0.38

The above unaudited pro forma financial information is presented for informational purposes only and does not purport to represent what the Company's results of operations would have been had it completed the acquisition on the date assumed, nor is it necessarily indicative of the results that may be expected in future periods. Pro forma adjustments include depreciation on the provisional values of acquired property, plant and equipment, amortization on the provisional values of acquired intangible assets, interest expense on debt issued to finance the acquisition, acquisition-related costs incurred by Pilgrim's and its subsidiaries and the related income tax effect of these adjustments. Pro forma adjustments exclude cost savings from any synergies resulting from the acquisition.

Randall Parker Foods Limited

On November 12, 2021, the Company acquired 100.0% of the equity of Randall Parker Foods Limited and its subsidiaries (together "RPF") from several sellers for £10.0 million, or $13.4 million. The acquisition was funded with cash on hand. Transaction costs were immaterial, these costs were expensed as incurred and are reflected within *SG&A expense* in the Company's Consolidated Statements of Income. The acquired operations include lamb processing and retail packaging operations and will connect the Company's existing lamb supply chain, bringing its farmers and customers closer together. The RPF operations are included in the Company's U.K. and Europe reportable segment.

3. REVENUE RECOGNITION

The vast majority of the Company's revenue is derived from contracts which are based upon a customer ordering our products. While there may be master agreements, the contract is only established when the customer's order is accepted by the Company. The Company accounts for a contract, which may be verbal or written, when it is approved and committed by both parties, the rights of the parties are identified along with payment terms, the contract has commercial substance and collectability is probable.

The Company evaluates the transaction for distinct performance obligations, which are the sale of its products to customers. Since its products are commodity market-priced, the sales price is representative of the observable, standalone selling price. Each performance obligation is recognized based upon a pattern of recognition that reflects the transfer of control to the customer at a point in time, which is upon destination (customer location or port of destination), which faithfully depicts the transfer of control and recognition of revenue. There are instances of customer pick-up at the Company's facility, in which case control transfers to the customer at that point and the Company recognizes revenue. The Company's performance obligations are typically fulfilled within days to weeks of the acceptance of the order.

The Company makes judgments regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from revenue and cash flows with customers. Determination of a contract requires evaluation and judgment along with the estimation of the total contract value and if any of the contract value is constrained. Due to the nature of our business, there is minimal variable consideration, as the contract is established at the acceptance of the order from the customer. When applicable, variable consideration is estimated at contract inception and updated on a regular basis until the contract is completed. Allocating the transaction price to a specific performance obligation based upon the relative standalone selling prices includes estimating the standalone selling prices including discounts and variable consideration.

Disaggregated Revenue

Revenue has been disaggregated into the following categories below to show how economic factors affect the nature, amount, timing and uncertainty of revenue and cash flows:

	Year Ended December 25, 2022				
	Fresh	Prepared	Export	Other	Total
	(In thousands)				
U.S.	$ 8,624,421	$ 1,107,734	$ 552,823	$ 463,372	$ 10,748,350
U.K. and Europe	908,882	3,104,347	712,685	148,824	4,874,738
Mexico	1,587,809	167,589	—	89,891	1,845,289
Total net sales	$ 11,121,112	$ 4,379,670	$ 1,265,508	$ 702,087	$ 17,468,377

	Year Ended December 26, 2021				
	Fresh	Prepared	Export	Other	Total
	(In thousands)				
U.S.	$ 7,264,448	$ 898,614	$ 459,371	$ 491,446	$ 9,113,879
U.K. and Europe	1,151,330	2,214,180	458,588	109,964	3,934,062
Mexico	1,515,453	128,208	—	85,856	1,729,517
Total	$ 9,931,231	$ 3,241,002	$ 917,959	$ 687,266	$ 14,777,458

	Year Ended December 27, 2020				
	Fresh	Prepared	Export	Other	Total
	(In thousands)				
U.S.	$ 6,137,264	$ 714,563	$ 306,478	$ 337,712	$ 7,496,017
U.K. and Europe	1,594,373	1,237,486	297,414	145,019	3,274,292
Mexico	1,210,952	66,572	—	44,068	1,321,592
Total	$ 8,942,589	$ 2,018,621	$ 603,892	$ 526,799	$ 12,091,901

Contract Costs

The Company can incur incremental costs to obtain or fulfill a contract such as broker expenses that are not expected to be recovered. The amortization period for such expenses is less than one year; therefore, the costs are expensed as incurred.

Taxes

The Company excludes all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the entity from a customer (for example, sales, use, value added and some excise taxes) from the transaction price.

Contract Balances

The Company receives payment from customers based on terms established with the customer. Payments are typically due within 14 to 30 days of delivery. Revenue contract liabilities relate to payments received in advance of satisfying the performance under the customer contract. The revenue contract liabilities relate to customer prepayments and the advanced consideration, such as cash, received from governmental agency contracts for which performance obligations to the end customer have not been satisfied.

Changes in the revenue contract liability balances for the years ended December 25, 2022 and December 26, 2021 were as follows:

	December 25, 2022	December 26, 2021
	(In thousands)	
Balance, beginning of year	$ 22,321	$ 65,918
Revenue recognized	(19,712)	(60,764)
Cash received, excluding amounts recognized as revenue during the period	31,877	17,167
Balance, end of year	$ 34,486	$ 22,321

4. LEASES

The Company is party to operating lease agreements for warehouses, office space, vehicle maintenance facilities and livestock growing farms in the U.S., distribution centers, hatcheries and office space in Mexico and farms, processing facilities and office space in the U.K. and Europe. Additionally, the Company leases equipment, over-the-road transportation vehicles and other assets in all three reportable segments. The Company is also party to a limited number of finance lease agreements in the U.S.

The Company's leases have remaining lease terms of less than one year to 18 years, some of which may include options to extend the lease for up to ten years and some of which may include options to terminate the lease within one year. The exercise of options to extend lease terms is at the Company's sole discretion. Certain leases also include options to purchase the leased property.

Certain lease agreements include rental payment increases over the lease term that can be either fixed or variable. Fixed payment increases and variable payment increases based on an index or rate are included in the initial lease liability using the index or rate at commencement date. Variable payment increases not based on an index are recognized as incurred. Certain lease agreements contain residual value guarantees, primarily vehicle and transportation equipment leases.

The following table presents components of lease expense (in thousands). Operating lease cost, finance lease amortization and finance lease interest are respectively included in *Cost of sales, SG&A expense* and *Interest expense, net of capitalized interest* in the Consolidated Statements of Income.

	For the Year Ended	
	December 25, 2022	**December 26, 2021**
Operating lease cost[(a)]	$ 98,353	$ 93,024
Amortization of finance lease assets	472	745
Interest on finance leases	132	128
Short-term lease cost	77,100	63,588
Variable lease cost	4,102	4,490
Net lease cost	$ 180,159	$ 161,975

(a) Sublease income is immaterial and not included in operating lease costs.

The weighted-average remaining lease term and discount rate for lease liabilities included in our Consolidated Balance Sheets are as follows:

	December 25, 2022	**December 26, 2021**
Weighted-average remaining lease term (years):		
Operating leases	5.80	6.07
Finance leases	4.52	5.32
Weighted-average discount rate:		
Operating leases	4.00%	3.92%
Finance leases	3.19%	3.32%

Supplemental cash flow information related to leases is as follows (in thousands):

	Year Ended	
	December 25, 2022	**December 26, 2021**
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows - operating leases	$ 69,349	$ 77,113
Operating cash flows - finance leases	132	124
Financing cash flows - finance leases	924	76
Operating lease assets obtained in exchange for operating lease liabilities	$ 56,988	$ 144,028
Finance lease assets obtained in exchange for finance lease liabilities	—	3,527

Future minimum lease payments under noncancelable leases as of December 25, 2022 are as follows (in thousands):

	Operating Leases	Finance Leases
For the fiscal years ending December:		
2023	$ 90,356	$ 1,064
2024	67,082	908
2025	55,911	563
2026	41,955	553
2027	29,697	526
Thereafter	60,182	253
Total future minimum lease payments	345,183	3,867
Less: imputed interest	(35,260)	(243)
Present value of lease liabilities	$ 309,923	$ 3,624

Lease liabilities are included in our Consolidated Balance Sheets as follows (in thousands):

	December 25, 2022		December 26, 2021	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Accrued expenses and other current liabilities	$ 79,222	$ —	$ 82,947	$ —
Current maturities of long-term debt	—	966	—	930
Noncurrent operating lease liability, less current maturities	230,701	—	271,366	—
Long-term debt, less current maturities	—	2,658	—	3,618
Total lease liabilities	$ 309,923	$ 3,624	$ 354,313	$ 4,548

5. DERIVATIVE FINANCIAL INSTRUMENTS

The Company utilizes various raw materials in its operations, including corn, soybean meal, soybean oil, wheat, natural gas, electricity and diesel fuel, which are all considered commodities. The Company considers these raw materials generally available from a number of different sources and believes it can obtain them to meet its requirements. These commodities are subject to price fluctuations and related price risk due to factors beyond our control, such as economic and political conditions, supply and demand, weather, governmental regulation and other circumstances. Generally, the Company purchases derivative financial instruments, specifically exchange-traded futures and options, in an attempt to mitigate price risk related to its anticipated consumption of commodity inputs for approximately the next twelve months. The Company may purchase longer-term derivative financial instruments on particular commodities if deemed appropriate.

The Company has operations in Mexico, the U.K., France, the Netherlands and the Republic of Ireland. Therefore, it has exposure to translational foreign exchange risk when the financial results of those operations are remeasured in U.S. dollars. The Company has purchased foreign currency forward contracts to manage this translational foreign exchange risk.

The Company has exposure to variability in cash flows from interest payments due to the use of variable interest rates on certain long-term debt arrangements in the U.S. reportable segment. The Company has purchased an interest rate swap contract to convert the variable interest rate to a fixed interest rate on a portion of its outstanding long-term debt arrangements in order to manage this interest rate risk and add stability to interest expense and cash flows. There is not an outstanding interest rate swap contract at the end of the reporting year because this interest rate contract expired during the second quarter.

The fair value of derivative assets is included in the line item *Prepaid expenses and other current assets* on the Consolidated Balance Sheets while the fair value of derivative liabilities is included in the line item *Accrued expenses and other current liabilities* on the same statements. The Company's counterparties require that it post collateral for changes in the net fair value of the derivative contracts. This cash collateral is reported in the line item *Restricted cash and cash equivalents* on the Consolidated Balance Sheets.

Undesignated contracts may include contracts not designated as a hedge or for which the normal purchase normal sales ("NPNS") exception was not elected, contracts that do not qualify for hedge accounting and derivatives that do not or no longer qualify for the NPNS scope exception. The fair value of each of these derivatives is recognized in the Consolidated Balance Sheets within *Prepaid expenses and other current assets* or *Accrued expenses and other current liabilities*. Changes in fair value of each derivative are recognized immediately in the Consolidated Statements of Income within *Net sales*, *Cost of sales*, *SG&A expense*, or *Foreign currency transaction losses (gains)* depending on the risk the derivative is intended to mitigate. While management believes these instruments help mitigate various market risks, they are not designated and accounted for as hedges as a result of the extensive record keeping requirements.

The Company has elected not to apply the NPNS exemption to a fixed-price product sales contract with a certain customer in order to mitigate various risk exposures and to try to achieve an accounting result that aligns the accounting for the derivative with the economics achieved through the use of the derivative. Transactions originating from this contact are accounted for as undesignated derivatives and recognized at fair value.

The Company does not apply hedge accounting treatment to certain derivative financial instruments that it has purchased to mitigate commodity purchase exposures in the U.S. and Mexico or foreign currency transaction exposures on our Mexico operations. Therefore, the Company recognized changes in the fair value of these derivative financial instruments immediately in earnings. Gains or losses related to the commodity derivative financial instruments are included in the line item *Cost of sales* in the Consolidated Statements of Income. Gains or losses related to the foreign currency derivative financial instruments are included in the line item *Foreign currency transaction losses (gains)* and *Cost of sales* in the Consolidated Statements of Income.

The Company does apply hedge accounting to certain derivative financial instruments related to its U.K. and Europe reportable segment that it has purchased to mitigate foreign currency transaction exposures. Before the settlement date of the financial derivative instruments, the Company recognizes changes in the fair value of the cash flow hedge into accumulated other comprehensive loss ("AOCL"). When the derivative financial instruments are settled, the amount in AOCL is then reclassified to earnings. Gains or losses related to these derivative financial instruments are included in the line items *Net sales* and *Cost of sales* in the Consolidated Statements of Income.

The Company does apply hedge accounting to a derivative financial instrument related to its U.S. reportable segment that it has purchased to mitigate variable interest rate exposures. The interest rate swap has monthly settlement dates. Upon each settlement date, the Company recognizes changes in the fair value of the cash flow hedge into AOCL. Upon settlement of the derivative instrument, the amount in AOCL is then reclassified to earnings. Gains or losses related to the interest rate swap derivative financial instrument are included in the line item *Interest expense, net of capitalized interest* in the Consolidated Statements of Income.

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

	December 25, 2022	December 26, 2021
	(Fair values in thousands)	
Fair values:		
Commodity derivative assets	$ 17,922	$ 17,567
Commodity derivative liabilities	(9,042)	(14,119)
Foreign currency derivative assets	555	518
Foreign currency derivative liabilities	(6,170)	(4,958)
Interest rate swap derivative liabilities	—	(98)
Sales contract derivative liabilities	(3,705)	(12,691)
Cash collateral posted with brokers[a]	33,771	22,459
Derivatives Coverage[b]:		
Corn	14.4 %	6.6 %
Soybean meal	10.1 %	11.8 %
Period through which stated percent of needs are covered:		
Corn	December 2023	December 2022
Soybean meal	December 2023	December 2022

(a) Collateral posted with brokers consists primarily of cash, short term treasury bills, or other cash equivalents.
(b) Derivatives coverage is the percent of anticipated commodity needs covered by outstanding derivative instruments through a specified date.

The following table presents the gains and losses of each derivative instrument held by the Company not designated or qualifying as hedging instruments:

Type of Contract [(a)]	December 25, 2022	December 26, 2021	December 27, 2020	Affected Line Item in the Consolidated Statements of Income
Foreign currency derivatives gain (loss)	$ (35,586)	$ 12,806	$ (6,637)	Foreign currency transaction losses (gains)
Commodity derivative gain (loss)	53,899	50,404	47,554	Cost of sales
Sales contract derivative gain (loss)	8,985	(12,691)	(209)	Net sales
Total	$ 27,298	$ 50,519	$ 40,708	

(a) Amounts in parentheses represent income (expenses) related to results of operations.

The following tables present the components of the gain or loss on derivatives that qualify as cash flow hedges:

	Gain (Loss) Recognized in Other Comprehensive Loss		
	December 25, 2022	December 26, 2021	December 27, 2020
	(In thousands)		
Foreign currency derivatives	$ 1,719	$ 471	$ 4,514
Interest rate swap derivatives	98	(88)	(850)
Total	$ 1,817	$ 383	$ 3,664

	Gain (Loss) Reclassified from AOCL into Income					
	December 25, 2022			December 26, 2021		
	Net sales[(a)]	Cost of sales[(b)]	Interest expense, net of capitalized interest[(b)]	Net sales[(a)]	Cost of sales[(b)]	Interest expense, net of capitalized interest[(b)]
	(In thousands)					
Total amounts of income and expense line items presented in the Consolidated Statements of Income in which the effects of cash flow hedges are recorded	$ 17,468,377	$ 15,656,574	$ 152,672	$ 14,777,458	$ 13,411,631	$ 145,792
Impact from cash flow hedging instruments:						
Interest rates swap derivatives	—	—	98	—	—	631
Foreign currency derivatives	(3,194)	851	—	1,372	(55)	—

(a) Amounts represent income (expenses) related to net sales.

(b) Amounts represent expenses (income) related to cost of sales and interest expense.

As of December 25, 2022, there were immaterial pre-tax deferred net losses on foreign currency derivatives recorded in AOCL that are expected to be reclassified to the Condensed Consolidated Statements of Income during the next twelve months.. This expectation is based on the anticipated settlements on the hedged investments in foreign currencies that will occur over the next twelve months, at which time the Company will recognize the deferred losses to earnings.

6. TRADE ACCOUNTS AND OTHER RECEIVABLES

Trade accounts and other receivables (including accounts receivable from related parties), less allowance for credit losses, consisted of the following:

	December 25, 2022	December 26, 2021
	(In thousands)	
Trade accounts receivable	$ 984,332	$ 947,697
Notes receivable	33,477	18,697
Other receivables	88,962	56,716
Receivables, gross	1,106,771	1,023,110
Allowance for credit losses	(9,559)	(9,673)
Receivables, net	$ 1,097,212	$ 1,013,437
Accounts receivable from related parties[(a)]	$ 2,512	$ 1,345

(a) Additional information regarding accounts receivable from related parties is included in “Note 19. Related Party Transactions.”

7. INVENTORIES

Inventories consisted of the following:

	December 25, 2022	December 26, 2021
	(In thousands)	
Raw materials and work-in-process	$ 1,204,092	$ 1,044,739
Finished products	596,375	379,705
Operating supplies	95,367	76,590
Maintenance materials and parts	94,350	74,624
Total inventories	$ 1,990,184	$ 1,575,658

8. INVESTMENTS IN SECURITIES

The Company recognizes investments in available-for-sale securities as cash equivalents, current investments or long-term investments depending upon each security's length to maturity. The following table summarizes our investments in available-for-sale securities:

The following table summarizes our investments in available-for-sale securities accounted for as cash equivalents:

	December 25, 2022		December 26, 2021	
	Cost	Fair Value	Cost	Fair Value
	(In thousands)			
Fixed income securities	$ 167,366	$ 167,430	$ 48,851	$ 48,851

Gross realized gains during 2022 and 2021 related to the Company's available-for-sale securities totaled $7.1 million and $5.4 million, respectively, while gross realized losses were immaterial. Net unrealized holding gains and losses on the Company's available-for-sale securities recognized during 2022 and 2021 that have been included in accumulated other comprehensive loss and the net amount of gains and losses reclassified out of accumulated other comprehensive loss to earnings during 2022 and 2021 are disclosed in "Note 14. Stockholders' Equity."

9. GOODWILL AND INTANGIBLE ASSETS

The activity in goodwill by reportable segment for the years ended December 25, 2022 and December 26, 2021 were as follows:

	December 26, 2021	Additions	Currency Translation	December 25, 2022
	(In thousands)			
U.S.	$ 41,936	$ —	$ —	$ 41,936
U.K. and Europe	1,167,512	5,401	(114,709)	1,058,204
Mexico	127,804	—	—	127,804
Total	$ 1,337,252	$ 5,401	$ (114,709)	$ 1,227,944

	December 27, 2020	Additions	Currency Translation	December 26, 2021
	(In thousands)			
U.S.	$ 41,936	$ —	$ —	$ 41,936
U.K. and Europe	835,505	350,364	(18,357)	1,167,512
Mexico	127,804	—	—	127,804
Total	$ 1,005,245	$ 350,364	$ (18,357)	$ 1,337,252

Intangible assets consisted of the following:

	December 26, 2021	Amortization	Disposals	Currency Translation	December 25, 2022
			(In thousands)		
Carrying amount:					
Trade names not subject to amortization	$ 609,713	$ —	$ —	$ (60,689)	$ 549,024
Trade names subject to amortization	114,268	—	—	(2,211)	112,057
Customer relationships	455,459	—	—	(27,797)	427,662
Non-compete agreements	320	—	(320)	—	—
Accumulated amortization:					
Trade names	(49,901)	(3,894)	—	87	(53,708)
Customer relationships	(166,296)	(29,844)	—	7,125	(189,015)
Non-compete agreements	(320)	—	320	—	—
Total	$ 963,243	$ (33,738)	$ —	$ (83,485)	$ 846,020

	December 27, 2020	Additions	Amortization	Currency Translation	December 26, 2021
			(In thousands)		
Carrying amount:					
Trade names not subject to amortization	$ 405,240	$ 214,047	$ —	$ (9,574)	$ 609,713
Trade names subject to amortization	78,343	36,825	—	(900)	114,268
Customer relationships	297,062	164,285	—	(5,888)	455,459
Non-compete agreements	320	—	—	—	320
Accumulated amortization:					
Trade names	(47,486)	—	(2,409)	(6)	(49,901)
Customer relationships	(143,246)	—	(23,963)	913	(166,296)
Non-compete agreements	(320)	—	—	—	(320)
Total	$ 589,913	$ 415,157	$ (26,372)	$ (15,455)	$ 963,243

For additional information regarding the additions in above tables, refer to “Note 2. Business Acquisitions.”

Intangible assets are amortized over the estimated useful lives of the assets as follows:

Customer relationships	3-18 years
Trade names subject to amortization	15-20 years
Non-compete agreements	3 years

The Company recognized amortization expense related to intangible assets of $33.7 million in 2022, $26.4 million in 2021 and $22.7 million in 2020.

The Company expects to recognize amortization expense associated with intangible assets of $30.8 million in 2023, $30.8 million in 2024, $30.8 million in 2025, $30.8 million in 2026 and $24.1 million in 2027.

As of December 25, 2022, the Company assessed qualitative factors to determine if it was necessary to perform quantitative impairment tests related to the carrying amounts of its goodwill or its intangible assets not subject to amortization. Based on these assessments, the Company determined that it was not necessary to perform quantitative impairment tests related to the carrying amount of its goodwill nor its intangible assets not subject to amortization at that date.

As of December 25, 2022, the Company assessed if events or changes in circumstances indicated that the aggregate carrying amount of its intangible assets subject to amortization might not be recoverable. There were no indicators present that required the Company to test the recoverability of the aggregate carrying amount of its intangible assets subject to amortization at that date.

10. PROPERTY, PLANT AND EQUIPMENT

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

	December 25, 2022	December 26, 2021
	(In thousands)	
Land	$ 263,494	$ 260,079
Buildings	2,065,042	2,043,034
Machinery and equipment	3,651,464	3,594,482
Autos and trucks	77,865	76,710
Finance lease assets	5,710	5,710
Construction-in-progress	358,819	229,837
PP&E, gross	6,422,394	6,209,852
Accumulated depreciation	(3,481,548)	(3,292,046)
PP&E, net	$ 2,940,846	$ 2,917,806

The Company recognized depreciation expense of $369.4 million, $354.4 million and $314.4 million during 2022, 2021 and 2020, respectively.

During 2022, the Company spent $487.1 million on capital projects and transferred $354.2 million of completed projects from construction-in-progress to depreciable assets. Capital expenditures were primarily incurred during 2022 to improve operational efficiencies and reduce costs. During 2021, the Company spent $381.7 million on capital projects and transferred $421.9 million of completed projects from construction-in-progress to depreciable assets.

During 2022, the Company sold certain PP&E for $35.5 million and recognized a gain of $18.9 million. PP&E sold in 2022 consisted of a farm in Mexico and other miscellaneous equipment. During 2021, the Company sold certain PP&E for $24.7 million and recognized a gain of $1.5 million. PP&E sold in 2021 consisted of a broiler farm in Mexico, two processing plants within the U.K. and other miscellaneous equipment.

The Company has closed or idled various facilities in the U.S. and the U.K. The Board of Directors has not determined if it would be in the best interest of the Company to divest any of these idled assets. Management is therefore not certain that it can or will divest any of these assets within one year, is not actively marketing these assets and, accordingly, has not classified them as assets held for sale. The Company continues to depreciate these assets. As of December 25, 2022, the carrying amount of these idled assets was $30.6 million based on depreciable value of $168.2 million and accumulated depreciation of $137.6 million. During 2022, the Company recognized an impairment loss on PP&E of $3.6 million incurred as a result of planned restructuring activities. Additional information regarding restructuring activities is included in "Note 18. Restructuring-Related Activities."

As of December 25, 2022, the Company assessed if events or changes in circumstances indicated that the aggregate carrying amount of its property, plant and equipment held for use might not be recoverable. There were no indicators present that required the Company to test the recoverability of the aggregate carrying amount of its property, plant and equipment held for use at that date.

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11. CURRENT LIABILITIES

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

	December 25, 2022	December 26, 2021
	(In thousands)	
Accounts payable		
Trade accounts	$ 1,476,552	$ 1,273,297
Book overdrafts	93,800	77,139
Other payables	17,587	27,641
Total accounts payable	1,587,939	1,378,077
Accounts payable to related parties[(a)]	12,155	22,317
Revenue contract liabilities[(b)]	34,486	22,321
Accrued expenses and other current liabilities		
Compensation and benefits	258,098	224,368
Litigation settlements	99,230	172,440
Current maturities of operating lease liabilities[(c)]	79,222	82,947
Insurance and self-insured claims	72,453	64,697
Accrued sales rebates	55,002	35,613
Taxes	33,550	68,163
Interest and debt-related fees	32,433	31,810
Derivative liabilities[(d)]	18,917	31,866
Other accrued expenses	201,994	147,981
Total accrued expenses and other current liabilities	850,899	859,885
Total current liabilities	$ 2,485,479	$ 2,282,600

(a) Additional information regarding accounts payable to related parties is included in "Note 19. Related Party Transactions."
(b) Additional information regarding revenue contract liabilities is included in "Note 3. Revenue Recognition."
(c) Additional information regarding current maturities of operating lease liabilities is included in "Note 4. Leases."
(d) Additional information regarding derivative liabilities is included in "Note 5. Derivative Financial Instruments."

12. INCOME TAXES

Income (loss) before income taxes by jurisdiction is as follows:

	Year Ended		
	December 25, 2022	December 26, 2021	December 27, 2020
		(In thousands)	
U.S.	$ 928,709	$ (141,940)	$ (27,095)
Foreign	96,764	234,330	188,920
Total	$ 1,025,473	$ 92,390	$ 161,825

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

	Year Ended		
	December 25, 2022	December 26, 2021	December 27, 2020
		(In thousands)	
Current:			
Federal	$ 169,660	$ 22,591	$ (8,800)
Foreign	52,995	115,772	28,985
State and other	34,985	9,150	9,234
Total current	257,640	147,513	29,419
Deferred:			
Federal	14,654	(52,147)	13,864
Foreign	5,694	(16,225)	19,622
State and other	947	(18,019)	3,850
Total deferred	21,295	(86,391)	37,336
Total	$ 278,935	$ 61,122	$ 66,755

The effective tax rate for 2022 was 27.2% compared to 66.2% for 2021 and 41.2% for 2020.

The following table reconciles the statutory U.S. federal income tax rate to the Company's effective income tax rate:

	Year Ended		
	December 25, 2022	December 26, 2021	December 27, 2020
Federal income tax rate	21.0 %	21.0 %	21.0 %
State tax rate, net	3.2	(4.5)	6.7
Global intangible low-taxed income	—	—	(7.3)
DOJ agreement	—	—	14.3
Mexico tax audit	3.8	—	—
Intercompany financing	(1.9)	(14.1)	(9.5)
Permanent items	(0.9)	1.7	1.2
Difference in U.S. statutory tax rate and foreign country effective tax rate	1.2	22.3	5.4
Rate change	(0.9)	26.6	5.2
Foreign currency translation	(0.9)	10.6	3.0
Tax credits	(0.4)	(4.1)	(1.4)
Change in reserve for unrecognized tax benefits	(0.4)	7.3	0.3
Change in valuation allowance	2.8	(0.2)	1.2
Other	0.6	(0.4)	1.1
Total	27.2 %	66.2 %	41.2 %

Included in the Mexico tax audit is an increase of 3.8% in the effective tax rate related to the Mexican tax authority's claim that Avicola Pilgrim's Pride de Mexico, S.A. de C.V. should have considered dividends paid out of its subsidiaries as partially taxable in tax years 2009 and 2010. The amount was recorded during the year ended December 25, 2022. Included in the change in reserve for unrecognized tax benefits is an increase of 7.0% in the effective tax rate related to interest deductions in the U.K. for tax years 2017 through 2021. The amount was recorded during the year ended December 26, 2021.

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

	December 25, 2022	December 26, 2021
	(In thousands)	
Deferred tax liabilities:		
PP&E and identified intangible assets	$ 547,113	$ 518,641
Inventories	99,889	26,590
Insurance claims and losses	—	33,416
Incentive compensation	11,138	11,444
Operating lease assets	76,914	88,028
Other	7,867	11,373
Total deferred tax liabilities	742,921	689,492
Deferred tax assets:		
U.S. net operating losses	12,297	2,693
Foreign net operating losses	53,801	53,227
Credit carry forwards	18,102	19,026
Allowance for credit losses	9,197	6,996
Accrued liabilities	127,714	103,482
Workers' compensation	4,192	37,681
Pension and other postretirement benefits	3,351	28,083
Operating lease liabilities	76,914	88,028
Advance payments	68,361	—
Interest expense limitations	37,353	—
Other	33,785	10,666
Total deferred tax assets	445,067	349,882
Valuation allowance	(64,361)	(24,261)
Net deferred tax assets	380,706	325,621
Net deferred tax liabilities	$ 362,215	$ 363,871

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carry back and carry forward periods), projected future taxable income and tax-planning strategies in making this assessment.

As of December 25, 2022, the Company believes it has sufficient positive evidence to conclude that realization of its federal, state and foreign net deferred tax assets are more likely than not to be realized. As of December 25, 2022, the Company's valuation allowance is $64.4 million, of which $3.9 million relates to Moy Park operations, $6.9 million relates to PPL operations, $0.4 million relates to Mexico operations, $30.5 million relates to Onix Investments UK Limited, an indirect subsidiary of Pilgrim's, $10 million relates to Puerto Rico operations, $11.8 million relates to U.S. foreign tax credits and $0.9 million relates to state net operating losses.

As of December 25, 2022, the Company had state net operating loss carry forwards of approximately $76.8 million that begin to expire in 2023. The Company also had Mexico net operating loss carry forwards as of December 25, 2022 of approximately $1.4 million that begin to expire in 2028. The Company also had U.K. net operating loss carry forwards as of December 25, 2022 of approximately $192.8 million that may be carried forward indefinitely.

As of December 25, 2022, the Company had approximately $6.1 million of state tax credit carry forwards that begin to expire in 2023.

For the years ended December 25, 2022 and December 26, 2021, there is a tax effect of $(2.5) million and $(8.2) million, respectively, reflected in other comprehensive loss.

For the years ended December 25, 2022 and December 26, 2021, there are immaterial tax effects reflected in income tax expense due to excess tax benefits and shortfalls related to stock-based compensation. See "Note 1. Business and Summary of Significant Accounting Policies" for additional information.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

	December 25, 2022	December 26, 2021
	(In thousands)	
Unrecognized tax benefits, beginning of year	$ 20,242	$ 13,271
Increase as a result of tax positions taken during the current year	—	6,472
Increase as a result of tax positions taken during prior years	13,950	1,156
Decrease for lapse in statute of limitations	(6,473)	(657)
Decrease for tax positions of prior years	(134)	—
Unrecognized tax benefits, end of year	$ 27,585	$ 20,242

Included in unrecognized tax benefits of $27.6 million as of December 25, 2022, was $0.9 million of tax benefits that, if recognized, would reduce the Company's effective tax rate. It is not practicable at this time to estimate the amount of unrecognized tax benefits that will change in the next twelve months.

The Company recognizes interest and penalties related to unrecognized tax benefits in its provision for income taxes. As of December 25, 2022, the Company had recorded a liability of $3.2 million for interest and penalties. During 2022, accrued interest and penalty amounts related to uncertain tax positions increased by $2.9 million.

The Company operates in the U.S. (including multiple state jurisdictions), Puerto Rico and several foreign locations including Mexico, the U.K. and the Republic of Ireland. With few exceptions, the Company is no longer subject to examinations by taxing authorities for years prior to 2018 in U.S. federal, state and local jurisdictions, for years prior to 2011 in Mexico, and for years prior to 2017 in the U.K.

As of July 27, 2020, JBS owns in excess of 80% of the outstanding common stock of Pilgrim's. JBS USA Holdings has a federal tax election to file a consolidated tax return with subsidiaries in which it holds an ownership of at least 80%.

The Company has a tax sharing agreement with JBS USA Holdings effective for tax years beginning 2010. The net tax payable for year 2022 of $1.6 million was accrued in 2022 as a capital distribution and an account payable to a related party in our Consolidated Balance Sheet. The tax sharing agreement was updated during 2020 to consider the impact of Pilgrim's joining the JBS consolidated tax return.

13. DEBT

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

	Maturity	December 25, 2022	December 26, 2021
		(In thousands)	
Senior notes payable at 3.50%	2032	$ 900,000	$ 900,000
Senior notes payable, net of discount of 4.25%	2031	991,692	990,691
Senior notes payable, net of discount at 5.875%	2027	846,582	845,866
U.S. Credit Facility (defined below)			
Term note payable at 5.00%	2026	480,078	506,250
Revolving note payable at 4.33%	2026	—	—
U.K. and Europe Revolving Facility (defined below) with notes payable at SONIA plus 1.25%	2027	—	—
Mexico Credit Facility (defined below) with notes payable at TIIE Rate plus 1.50%	2023	—	—
Secured loans with payables at weighted average of 3.34%	Various	—	3
Finance lease obligations	Various	3,624	4,548
Long-term debt		3,221,976	3,247,358
Less: Current maturities of long-term debt		(26,279)	(26,246)
Long-term debt, less current maturities		3,195,697	3,221,112
Less: Capitalized financing costs		(29,265)	(29,951)
Long-term debt, less current maturities, net of capitalized financing costs		$ 3,166,432	$ 3,191,161

Future minimum principal payments as of December 25, 2022 are as follows (in thousands):

For the fiscal years ending December:		
2023	$	24,453
2024		25,312
2025		25,313
2026		405,000
2027		850,000

U.S. Senior Notes

U.S. Senior Notes Due 2027

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

The Senior Notes due 2027 are governed by, and were issued pursuant to, an indenture dated as of September 29, 2017 by and among the Company, its guarantor subsidiaries and Regions Bank, as trustee (the “2017 Indenture”). The 2017 Indenture provides, among other things, that the Senior Notes due 2027 bear interest at a rate of 5.875% per annum from the date of issuance until maturity, payable semiannually in cash in arrears, beginning on March 30, 2018 for the Senior Notes due 2027 that were issued in September 2017 and beginning on March 15, 2018 for the Senior Notes due 2027 that were issued in March 2018.

U.S. Senior Notes Due 2031

On April 8, 2021, the Company completed a sale of $1.0 billion aggregate principal amount of its 4.25% sustainability-linked senior notes due 2031 (“Senior Notes due 2031”). The Company used the net proceeds, together with cash on hand, to redeem previously issued senior notes. The issuance price of this offering was 98.994%, which created gross proceeds of $989.9 million. The $10.1 million discount will be amortized over the remaining life of the Senior Notes due 2031. Each issuance of the Senior Notes due 2031 is treated as a single class for all purposes under the April 2021 Indenture (defined below) and have the same terms.

The Senior Notes due 2031 are governed by, and were issued pursuant to, an indenture dated as of April 8, 2021 by and among the Company, its guarantor subsidiaries and Regions Bank, as trustee (the “April 2021 Indenture”). The April 2021 Indenture provides, among other things, that the Senior Notes due 2031 bear interest at a rate of 4.25% per annum payable semi-annually on April 15 and October 15 of each year, beginning on October 15, 2021. From and including October 15, 2026, the interest rate payable on the notes shall be increased to 4.50% per annum unless the Company has notified the trustee at least 30 days prior to October 15, 2026 that in respect of the year ended December 31, 2025, (1) the Company’s greenhouse gas emissions intensity reduction target of 17.679% by December 31, 2025 from a 2019 baseline (the “Sustainability Performance Target”) has been satisfied and (2) the satisfaction of the Sustainability Performance Target has been confirmed by a qualified provider of third-party assurance or attestation services appointed by the Company to review the Company’s statement of the greenhouse gas emissions intensity in accordance with its customary procedures.

On September 22, 2022, the Company announced expiration and receipt of requisite consents in its consent solicitation for certain amendments to its Senior Notes due 2031. The proposed amendments conform certain provisions and restrictive covenants in each indenture to reflect PPC investment grade status. The proposed amendments permanently eliminated certain covenants for the Company, including limitation on incurrence of additional debt, issuance of capital stock, restricted payments, asset sales, restrictions on distributions, affiliate transactions, guarantees of debt by restricted subsidiaries and provisions related to mergers and consolidation. In addition, provisions related to limitation on liens, sale and leaseback transactions, substitution of the company and measuring compliance were amended.

U.S. Senior Notes Due 2032

On September 2, 2021, the Company completed a sale of $900.0 million in aggregate principal amount of its 3.50% senior notes due 2032 (“Senior Notes due 2032”). The Company used the proceeds, together with borrowings under the delayed draw term loan under its U.S. Credit Facility, to finance the acquisition of the Kerry Consumer Foods’ meats and meals businesses (now Pilgrim’s Food Masters) and to pay related fees and expenses. Each issuance of the Senior Notes due 2032 is treated as a single class for all purposes under the September 2021 Indenture (defined below) and have the same terms.

The Senior Notes due 2032 are governed by, and were issued pursuant to, an indenture dated as of September 2, 2021 by and among the Company, its guarantor subsidiaries and Regions Bank, as trustee (the "September 2021 Indenture"). The September 2021 Indenture provides, among other things, that the Senior Notes due 2032 bear interest at a rate of 3.50% per annum payable semi-annually on March 1 and September 1 of each year, beginning on March 1, 2022.

On September 22, 2022, the Company announced expiration and receipt of requisite consents in its consent solicitation for certain amendments to its Senior Notes due 2032. The proposed amendments conform certain provisions and restrictive covenants in each indenture to (i) reflect PPC investment grade status and (ii) the corresponding provisions and restrictive covenants set forth in the indenture governing its Senior Notes due 2032. The proposed amendments permanently eliminated certain covenants for the Company, including limitation on incurrence of additional debt, issuance of capital stock, restricted payments, asset sales, restrictions on distributions, affiliate transactions, guarantees of debt by restricted subsidiaries and provisions related to mergers and consolidation. In addition, provisions related to limitation on liens, sale and leaseback transactions, substitution of the company and measuring compliance were amended.

The Senior Notes due 2027, the Senior Notes due 2031 and the Senior Notes due 2032 were and are each guaranteed on a senior unsecured basis by the Company's guarantor subsidiaries. In addition, any of the Company's other existing or future domestic restricted subsidiaries that incur or guarantee any other indebtedness (with limited exceptions) must also guarantee the Senior Notes due 2027 and the Senior Notes due 2031. The Senior Notes due 2027, the Senior Notes due 2031 and the Senior Notes due 2032 and related guarantees were and are unsecured senior obligations of the Company and its guarantor subsidiaries and rank equally with all of the Company's and its guarantor subsidiaries' other unsubordinated indebtedness. The Senior Notes due 2027, the 2017 Indenture, the Senior Notes due 2031, the April 2021 Indenture, the Senior Notes due 2032 and the September 2021 Indenture also contain customary covenants and events of default, including failure to pay principal or interest on the Senior Notes due 2027, the Senior Notes due 2031 and the Senior Notes due 2032, respectively, when due, among others.

U.S. Credit Facilities

On August 9, 2021, the Company and certain of the Company's subsidiaries entered into a Fifth Amended and Restated Credit Agreement (the "U.S. Credit Facility") with CoBank, ACB, as administrative agent and collateral agent, and the other lenders party thereto. The U.S. Credit Facility provides for an $800.0 million revolving credit commitment and a term loan commitment of up to $700.0 million (the "Term Loans"). The U.S. Credit Facility includes an incremental commitment and loan feature that allows the Company, subject to certain conditions, to increase the aggregate revolving loan and term loan commitments. The aggregate amount of incremental commitments and loans shall not exceed the sum of $500.0 million plus the maximum amount that would result in a senior secured leverage ratio, on a pro-forma basis, of not more than 3.00 to 1.00.

The revolving loan commitment under the U.S. Credit Facility matures on August 9, 2026. All principal on the Term Loans is due at maturity on August 9, 2026. Installments of principal in amounts predetermined by CoBank, ACB are required to be made on a quarterly basis prior to the maturity date of the Term Loans beginning in January 2022. As of December 25, 2022, the Company had outstanding borrowings under the term loan commitment of $480.1 million. As of December 25, 2022, the Company had outstanding letters of credit and available borrowings under the revolving credit commitment of $35.0 million and $765.0 million, respectively.

The U.S. Credit Facility includes an $80.0 million sub-limit for swingline loans and a $125.0 million sub-limit for letters of credit. Outstanding borrowings under the revolving loan commitment and the Term Loans bear interest at a per annum rate, based on the Company's senior secured net leverage ratio, equal to (1) in the case of LIBOR loans, between LIBOR plus 1.25% and LIBOR plus 2.75% and (2) in the case of base rate loans, between the base rate plus 0.25% and the base rate plus 1.75%.

The U.S. Credit Facility contains customary financial and other various covenants for transactions of this type, including restrictions on the Company's ability to incur additional indebtedness, incur liens, pay dividends, make certain restricted payments, consummate certain asset sales, enter into certain transactions with the Company's affiliates, or merge, consolidate and/or sell or dispose of all or substantially all of its assets, among other things. The U.S. Credit Facility requires the Company to comply with a minimum net leverage ratio and a minimum interest coverage ratio.

All obligations under the U.S. Credit Facility continue to be secured by first priority liens on (1) all present and future personal property of the Company and certain of the Company's subsidiaries and the guarantors, including all material domestic and first-tier direct foreign subsidiaries, (2) all present and future shares of capital stock of the borrowers and guarantors and (3) substantially all of the present and future assets of the Company and the guarantors under the U.S. Credit Facility. The Company is currently in compliance with the covenants under the U.S. Credit Facility.

U.K. and Europe Revolving Facility

On June 24, 2022, Moy Park Holdings (Europe) Ltd. ("MPH(E)") and other Pilgrim's entities located in the U.K. and Republic of Ireland entered into an unsecured multicurrency revolving facility agreement (the "U.K. and Europe Revolver Facility") with the Governor and Company of the Bank of Ireland, as agent, and the other lenders party thereto. The U.K. and Europe Revolver Facility provides for a multicurrency revolving loan commitment of up to £150.0 million. The loan commitment matures on June 24, 2027. Outstanding borrowings bear interest at the (1) current index interest rate, depending on the currency of the borrowing, plus (2) a margin, ranging from 1.25% to 2.00% based on leverage (as defined in the U.K. and Europe Revolver Facility). All obligations under this agreement are guaranteed by certain of the Company's subsidiaries. As of December 25, 2022, both the U.S. dollar-equivalent loan commitment and borrowing availability were $124.5 million and there were no outstanding borrowings under this agreement.

The U.K. and Europe Revolver Facility contains representations and warranties, covenants, indemnities and conditions, in each case, that the Company believes are customary for transactions of this type. Pursuant to the terms of the agreement, the Company is required to meet certain financial and other restrictive covenants. Additionally, the Company is prohibited from taking certain actions without consent of the lenders, including, without limitation, incurring additional indebtedness, entering into certain mergers or other business combination transactions, permitting liens or other encumbrances on its assets and making restricted payments, including dividends, in each case, except as expressly permitted under the U.K. and Europe Revolver Facility. The Company is currently in compliance with the covenants under the U.K. and Europe Revolver Facility.

Mexico Credit Facility

On December 14, 2018, certain of the Company's Mexican subsidiaries entered into an unsecured credit agreement (the "Mexico Credit Facility") with Banco del Bajio, Sociedad Anónima, Institución de Banca Múltiple, as lender. The loan commitment under the Mexico Credit Facility is $1.5 billion Mexican pesos and can be borrowed on a revolving basis. Outstanding borrowings under the Mexico Credit Facility accrue interest at a rate equal to the 28-Day Interbank Equilibrium Interest Rate plus 1.5%. The Mexico Credit Facility contains covenants and defaults that the Company believes are customary for transactions of this type. The Mexico Credit Facility will be used for general corporate and working capital purposes. The Mexico Credit Facility will mature on December 14, 2023. As of December 25, 2022, the U.S. dollar-equivalent of the loan commitment under the Mexico Credit Facility is $77.5 million. As of December 25, 2022, there were no outstanding borrowings under the Mexico Credit Facility.

14. STOCKHOLDERS' EQUITY

Accumulated Other Comprehensive Loss

The following tables provide information regarding the changes in accumulated other comprehensive loss during 2022 and 2021:

	2022				
	Gains (Losses) Related to Foreign Currency Translation	Unrealized Losses on Derivative Financial Instruments Classified as Cash Flow Hedges	Losses Related to Pension and Other Postretirement Benefits	Gains (Losses) on Available-for-Sale Securities	Total
			(In thousands)		
Balance, beginning of year	$ 27,241	$ (2,365)	$ (72,873)	$ —	$ (47,997)
Other comprehensive income (loss) before reclassifications	(297,066)	(1,718)	6,383	(1)	(292,402)
Amounts reclassified from accumulated other comprehensive loss to net income	—	4,118	1,043	(13)	5,148
Currency translation	—	(1,197)	—	—	(1,197)
Net current year other comprehensive income (loss)	(297,066)	1,203	7,426	(14)	(288,451)
Balance, end of year	$ (269,825)	$ (1,162)	$ (65,447)	$ (14)	$ (336,448)

	2021				
	Gains (Losses) Related to Foreign Currency Translation	Unrealized Losses on Derivative Financial Instruments Classified as Cash Flow Hedges	Losses Related to Pension and Other Postretirement Benefits	Unrealized Holding Gains on Available-for-Sale Securities	Total
	(In thousands)				
Balance, beginning of year	$ 82,782	$ (1,191)	$ (102,211)	$ —	$ (20,620)
Other comprehensive income (loss) before reclassifications	(55,541)	405	27,598	—	(27,538)
Amounts reclassified from accumulated other comprehensive loss to net income	—	(1,594)	1,740	—	146
Currency translation	—	15	—	—	15
Net current year other comprehensive income (loss)	(55,541)	(1,174)	29,338	—	(27,377)
Balance, end of year	$ 27,241	$ (2,365)	$ (72,873)	$ —	$ (47,997)

Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss[a] 2022	2021	Affected Line Item in the Consolidated Statements of Income
	(In thousands)		
Realized gain (loss) on settlement of foreign currency derivatives classified as cash flow hedges	$ (3,193)	$ 1,359	Net sales
Realized gain (loss) on settlement of foreign currency derivatives classified as cash flow hedge	(851)	709	Cost of sales
Realized loss on settlement of interest rate swap derivatives classified as cash flow hedges	(98)	(631)	Interest expense, net of capitalized interest
Realized gain on sale of securities	17	—	Interest income
Amortization of pension and other postretirement plan actuarial losses[b]	(1,381)	(2,278)	Miscellaneous, net
Total before tax	(5,506)	(841)	
Tax expense	358	695	
Total reclassification for the period	$ (5,148)	$ (146)	

(a) Positive amounts represent income to the results of operations while amounts in parentheses represent expenses to the results of operations.
(b) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See “Note 15. Pension and Other Postretirement Benefits.”

Preferred Stock

The Company has authorized 50,000,000 shares of $0.01 par value preferred stock, although no shares have been issued and no shares are outstanding.

Share Repurchase Program and Treasury Stock

On October 31, 2018, the Company’s Board of Directors approved a $200.0 million share repurchase authorization. The Company repurchased shares through open market purchases. As of December 25, 2022, the Company repurchased approximately 6.3 million shares under this program with a market value of approximately $113.4 million. The Company accounted for the shares repurchased using the cost method. The Company currently plans to maintain these shares as treasury stock. This program expired on February 6, 2021.

On March 8, 2022, the Company’s Board of Directors approved a $200.0 million share repurchase authorization. The Company repurchased shares through open market purchases. As of September 25, 2022, the Company repurchased approximately 7.5 million shares under this plan with a market value of approximately $199.6 million. The Company accounted for the shares repurchased using the cost method. The Company currently plans to maintain these shares as treasury stock.

Restrictions on Dividends

Both the U.S. Credit Facility and the indentures governing the Company's senior notes restrict, but do not prohibit, the Company from declaring dividends. Additionally, the U.K. and Europe Revolver Facility prohibits MPH(E) and other Pilgrim's entities located in the U.K. and Republic of Ireland to, among other things, make payments and distributions to the Company.

15. PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company sponsors programs that provide retirement benefits to most of its employees. These programs include qualified defined benefit pension plans such as the Pilgrim's Pride Retirement Plan for Union Employees (the "Union Plan") the Pilgrim's Pride Pension Plan for Legacy Gold Kist Employees (the "GK Pension Plan"), the Tulip Limited Pension Plan and the Geo Adams Group Pension Fund (together, the "U.K. Plans"), nonqualified defined benefit retirement plans, a defined benefit postretirement life insurance plan and defined contribution retirement savings plan. Expenses recognized under all retirement plans totaled $30.9 million, $19.2 million and $17.4 million in 2022, 2021 and 2020, respectively.

The Company used a year-end measurement date of December 25, 2022 for its pension and postretirement benefits plans. Certain disclosures are listed below. Other disclosures are not material to the financial statements.

Qualified Defined Benefit Pension Plans

The Company sponsors four qualified defined benefit pension plans named the Pilgrim's Pride Retirement Plan for Union Employees (the "Union Plan"), the Pilgrim's Pride Pension Plan for Legacy Gold Kist Employees (the "GK Pension Plan"), the Tulip Limited Pension Plan (the "Tulip Plan") and the Geo Adams Group Pension Fund (the "Geo Adams Plan" and, together with the Tulip Plan, the "U.K. Plans"). The Union Plan covers certain locations or work groups within PPC. The GK Pension Plan covers certain eligible U.S. employees who were employed at locations that the Company purchased through its acquisition of Gold Kist in 2007. Participation in the GK Pension Plan was frozen as of February 8, 2007 for all participants with the exception of terminated vested participants who are or may become permanently and totally disabled. The plan was frozen for that group as of March 31, 2007. The U.K. Plans cover certain eligible active and former U.K. employees who were employed at locations that the Company purchased through its acquisition of Tulip in 2019. Participation in the Tulip Plan was frozen as of October 31, 2007 and participation in the Geo Adams Plan was frozen as of September 5, 2008.

Nonqualified Defined Benefit Pension Plans

The Company sponsors two nonqualified defined benefit retirement plans named the Former Gold Kist Inc. Supplemental Executive Retirement Plan (the "SERP Plan") and the Former Gold Kist Inc. Directors' Emeriti Retirement Plan (the "Directors' Emeriti Plan"). Pilgrim's Pride assumed sponsorship of the SERP Plan and Directors' Emeriti Plan through its acquisition of Gold Kist in 2007. The SERP Plan provides benefits on compensation in excess of certain IRC limitations to certain former executives with whom Gold Kist negotiated individual agreements. Benefits under the SERP Plan were frozen as of February 8, 2007. The Directors' Emeriti Plan provides benefits to former Gold Kist directors.

Defined Benefit Postretirement Life Insurance Plan

The Company sponsors one defined benefit postretirement life insurance plan named the Gold Kist Inc. Retiree Life Insurance Plan (the "Retiree Life Plan" and together with the Union Plan, the GK Pension Plan, the SERP Plan and the Directors' Emeriti Plan, the "U.S. Plans"). Pilgrim's Pride assumed defined benefit postretirement medical and life insurance obligations, including the Retiree Life Plan, through its acquisition of Gold Kist in 2007. In January 2001, Gold Kist began to substantially curtail its programs for active employees. On July 1, 2003, Gold Kist terminated medical coverage for retirees age 65 or older, and only retired employees in the closed group between ages 55 and 65 could continue their coverage at rates above the average cost of the medical insurance plan for active employees. These retired employees all reached the age of 65 in 2012 and liabilities of the postretirement medical plan then ended.

Defined Benefit Plans Obligations and Assets

The change in benefit obligation, change in fair value of plan assets, funded status and amounts recognized in the Consolidated Balance Sheets for these plans were as follows:

	Pension Benefits		Other Benefits	
	2022	2021	2022	2021
Change in projected benefit obligation	(In thousands)			
Projected benefit obligation, beginning of year	$ 373,062	$ 404,194	$ 1,346	$ 1,593
Interest cost	6,777	5,763	23	18
Actuarial gains	(106,909)	(14,535)	(184)	(33)
Benefits paid	(12,867)	(13,483)	(16)	—
Curtailments and settlements	(5,053)	(6,714)	—	(232)
Currency translation gain	(18,863)	(2,163)	—	—
Projected benefit obligation, end of year	$ 236,147	$ 373,062	$ 1,169	$ 1,346

	Pension Benefits		Other Benefits	
	2022	2021	2022	2021
Change in plan assets	(In thousands)			
Fair value of plan assets, beginning of year	$ 326,409	$ 305,983	$ —	$ —
Actual return on plan assets	(89,479)	29,126	—	—
Contributions by employer	9,789	14,393	16	232
Benefits paid	(12,867)	(13,483)	(16)	—
Curtailments and settlements	(5,053)	(6,714)	—	(232)
Expenses paid from assets	(337)	(425)	—	—
Currency translation loss	(18,329)	(2,471)	—	—
Fair value of plan assets, end of year	$ 210,133	$ 326,409	$ —	$ —

	Pension Benefits		Other Benefits	
	2022	2021	2022	2021
Funded status	(In thousands)			
Unfunded benefit obligation, end of year	$ (26,014)	$ (46,653)	$ (1,169)	$ (1,346)

	Pension Benefits		Other Benefits	
	2022	2021	2022	2021
Amounts recognized in the Consolidated Balance Sheets as of end of year	(In thousands)			
Current liabilities	$ (841)	$ (6,063)	$ (177)	$ (157)
Long-term liabilities	(25,173)	(40,590)	(992)	(1,189)
Recognized liabilities	$ (26,014)	$ (46,653)	$ (1,169)	$ (1,346)

	Pension Benefits		Other Benefits	
	2022	2021	2022	2021
Amounts recognized in accumulated other comprehensive loss at end of year	(In thousands)			
Net actuarial loss (gain)	$ 48,121	$ 58,143	$ (66)	$ 118

The accumulated benefit obligation for the Company's defined benefit pension plans was $236.1 million and $373.1 million as of December 25, 2022 and December 26, 2021, respectively. Each of the Company's defined benefit pension plans had accumulated benefit obligations that exceeded the fair value of plan assets as of December 25, 2022 and December 26, 2021. As of December 25, 2022, the weighted average duration of our defined benefit obligation is 14.6 years.

Net Periodic Benefit Costs

Net benefit costs include the following components:

	Pension Benefits			Other Benefits		
	2022	2021	2020	2022	2021	2020
	(In thousands)					
Interest cost	$ 6,777	$ 5,763	$ 8,102	$ 23	$ 18	$ 36
Estimated return on plan assets	(10,298)	(10,562)	(13,071)	—	—	—
Settlement loss	1,591	2,313	3,371	—	21	7
Expenses paid from assets	337	425	735	—	—	—
Amortization of net loss	1,364	2,257	1,503	—	2	—
Amortization of past service cost	17	19	—	—	—	—
Net cost (income)	$ (212)	$ 215	$ 640	$ 23	$ 41	$ 43

Economic Assumptions

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

	Pension Benefits			Other Benefits		
	2022	2021	2020	2022	2021	2020
Benefit obligation						
Discount rate	5.04 %	2.23 %	1.83 %	5.16 %	2.38 %	1.80 %
Net pension and other postretirement cost						
Discount rate	3.67 %	2.08 %	2.16 %	2.38 %	1.80 %	2.77 %
Expected return on plan assets	4.68 %	3.53 %	4.34 %	NA	NA	NA

The discount rate represents the interest rate used to determine the present value of future cash flows currently expected to be required to settle the Company’s pension and other benefit obligations. The discount rate assumptions used to determine future pension obligations at December 25, 2022 and December 26, 2021 were based on the Empower Above Mean Curve, which was designed by Empower to provide a means for plan sponsors to value the liabilities of their postretirement benefit plans. The Empower Above Mean Curve represents a series of annual discount rates from bonds with an AA minimum average credit quality rating as rated by Moody’s Investor Service, Standard & Poor’s and Fitch Ratings. The expected benefit payments were discounted by each corresponding discount rate on the yield curve. For payments beyond 30 years, the Company extended the curve assuming the discount rate derived in year 30 is extended to the end of the plan’s payment expectations. Once the present value of the string of benefit payments was established, the Company determined the single rate on the yield curve, that when applied to all obligations of the plan, would exactly match the previously determined present value. The discount rate assumptions used to determine future pension obligations for the U.K. pension plans at December 25, 2022 and December 26, 2021 were based on corporate bond spot yield curves provided by Merrill Lynch. Merrill Lynch bases this calculation entirely on AA1-AA3 rated bonds. As part of the evaluation of pension and other postretirement assumptions, the Company applied assumptions for mortality that incorporate generational white and blue collar mortality trends. In determining its benefit obligations, the Company used generational tables that take into consideration increases in plan participant longevity. As of December 25, 2022 and December 26, 2021, the U.S. pension and other postretirement benefit plans used variations of the Pri-2012 mortality table. The MP-2021 and MP-2020 mortality improvement scales were used for 2022 and 2021, respectively. As of December 25, 2022 and December 26, 2021, the U.K. pension plans used variations of the AxC00 mortality table in combination with the CMI_2021 Sk=7.5 and CMI_2020 Sk=7.5 mortality improvement scales for 2022 and 2021, respectively, for pre-retirement employees and the S3PMA mortality table in combination with the CMI_2021 Sk=7.5 and CMI_2020 Sk=7.5 mortality improvement scales for 2022 and 2021, respectively, for postretirement employees.

The sensitivity of the projected benefit obligation for pension benefits to changes in the discount rate is set out below. The impact of a change in the discount rate of 0.25% on the projected benefit obligation for other benefits is immaterial. This sensitivity analysis is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as that for calculating the liability recognized in the Consolidated Balance Sheets.

	Increase in Discount Rate of 0.25%	Decrease in Discount Rate of 0.25%
	(In thousands)	
Impact on projected benefit obligation for pension benefits	$ (6,321)	$ 6,655

The expected rate of return on plan assets was primarily based on the determination of an expected return and behaviors for each plan's current asset portfolio that the Company believes are likely to prevail over long periods. This determination was made using assumptions for return and volatility of the portfolio. Asset class assumptions were set using a combination of empirical and forward-looking analysis. To the extent historical results were affected by unsustainable trends or events, the effects of those trends or events were quantified and removed. The Company also considered anticipated asset allocations, investment strategies and the views of various investment professionals when developing this rate.

Plan Assets

The following table reflects the pension plans' actual asset allocations:

	2022	2021
Cash and cash equivalents	6 %	2 %
Pooled separate accounts for the Union Plan[(a)]:		
Equity securities	2 %	2 %
Fixed income securities	2 %	2 %
Pooled separate accounts and common collective trust funds for the GK Pension Plan[(a)]:		
Equity securities	23 %	19 %
Fixed income securities	15 %	12 %
Real estate	3 %	1 %
Pooled separate accounts for the U.K. Plans[(a)]:		
Equity securities	27 %	37 %
Fixed income funds	1 %	19 %
Liability driven investments	13 %	— %
Real estate	8 %	6 %
Total assets	100 %	100 %

(a) Pooled separate accounts ("PSAs") and common collective trust funds ("CCTs") are two of the most common types of alternative vehicles in which benefit plans invest. These investments are pooled funds that look like mutual funds, but they are not registered with the SEC. Often times, they will be invested in mutual funds or other marketable securities, but the unit price generally will be different from the value of the underlying securities because the fund may also hold cash for liquidity purposes, and the fees imposed by the fund are deducted from the fund value rather than charged separately to investors. Some PSAs and CCTs have no restrictions as to their investment strategy and can invest in riskier investments, such as derivatives, hedge funds, private equity funds, or similar investments.

Absent regulatory or statutory limitations, the target asset allocation for the investment of pension assets in the PSAs for the Union Plan is 50% in each of fixed income securities and equity securities, the target asset allocation for the investment of pension assets in the PSAs and/or CCTs for the GK Pension Plan is 35% in fixed income securities, 60% in equity securities and 5% in real estate and investment of pension assets in the PSAs for the U.K. Plans is 25% overseas equity, 25% diversified alternatives, 15% real estate, 15% equity-linked liability driven investments, 15% other liability driven investments and 5% cash for the Tulip Pension Plan; and 37% global equities, 20% equity-linked liability driven investments, 18% liability driven investments, 15% corporate bonds and 10% cash for the Geo Adams Group Pension Fund. The plans only invest in fixed income and equity instruments for which there is a readily available public market. The Company develops its expected long-term rate of return assumptions based on the historical rates of returns for equity and fixed income securities of the type in which its plans invest.

The fair value measurements of plan assets fell into the following levels of the fair value hierarchy as of December 25, 2022 and December 26, 2021:

	2022				2021			
	Level 1[(a)]	Level 2[(b)]	Level 3[(c)]	Total	Level 1[(a)]	Level 2[(b)]	Level 3[(c)]	Total
	(In thousands)							
Cash and cash equivalents	$ 12,072	$ —	$ —	$ 12,072	$ 6,166	$ —	$ —	$ 6,166
PSAs for the Union Plan:								
Large U.S. equity funds[(d)]	—	1,995	—	1,995	—	2,595	—	2,595
Small/Mid U.S. equity funds[(e)]	—	1,055	—	1,055	—	1,338	—	1,338
International equity funds[(f)]	—	1,672	—	1,672	—	1,954	—	1,954
Fixed income funds[(g)]	—	3,838	—	3,838	—	5,186	—	5,186
PSAs and CCTs for the GK Pension Plan:								
Large U.S. equity funds[(d)]	—	23,541	—	23,541	—	31,960	—	31,960
Small/Mid U.S. equity funds[(e)]	—	12,446	—	12,446	—	16,232	—	16,232
International equity funds[(f)]	—	13,171	—	13,171	—	15,710	—	15,710
Fixed income funds[(g)]	—	30,865	—	30,865	—	40,470	—	40,470
Real estate[(h)]	—	6,458	—	6,458	—	5,405	—	5,405
PSAs for the U.K. Plans:								
Large U.S. equity funds[(d)]	—	23,149	—	23,149	—	47,995	—	47,995
International equity funds[(f)]	—	31,767	—	31,767	—	71,883	—	71,883
Fixed income funds[(g)]	—	3,081	—	3,081	—	60,914	—	60,914
Real estate[(h)]	—	16,297	—	16,297	—	18,601	—	18,601
Liability driven investments[(i)]	—	28,726	—	28,726	—	—	—	—
Total assets	$ 12,072	$ 198,061	$ —	$ 210,133	$ 6,166	$ 320,243	$ —	$ 326,409

(a) Unadjusted quoted prices in active markets for identical assets are used to determine fair value.
(b) Quoted prices in active markets for similar assets and inputs that are observable for the asset are used to determine fair value.
(c) Unobservable inputs, such as discounted cash flow models or valuations, are used to determine fair value.
(d) This category is comprised of investment options that invest in stocks, or shares of ownership, in large, well-established U.S. companies. These investment options typically carry more risk than fixed income options but have the potential for higher returns over longer time periods.
(e) This category is generally comprised of investment options that invest in stocks, or shares of ownership, in small to medium-sized U.S. companies. These investment options typically carry more risk than larger U.S. equity investment options but have the potential for higher returns.
(f) This category is comprised of investment options that invest in stocks, or shares of ownership, in companies with their principal place of business or office outside of the U.S.
(g) This category is comprised of investment options that invest in bonds, or debt of a company or government entity (including U.S. and non-U.S. entities). These investment options typically carry more risk than short-term fixed income investment options, but less overall risk than equities.
(h) This category is comprised of investment options that invest in real estate investment trusts or private equity pools that own real estate. These long-term investments are primarily in office buildings, industrial parks, apartments or retail complexes. These investment options typically carry more risk, including liquidity risk, than fixed income investment options.
(i) This category is comprised of investments that seek to ensure availability of funds to cover current and future liabilities. These investments are typically focused on both the assets and liabilities of the plan.

Benefit Payments

The following table reflects the benefits as of December 25, 2022 expected to be paid through 2032 from the Company's pension and other postretirement plans. The Company's pension plans are primarily funded plans. Therefore, anticipated benefits with respect to these plans will come primarily from the trusts established for these plans. The Company's other postretirement plans are unfunded. Therefore, anticipated benefits with respect to these plans will come from the Company's own assets.

	Pension Benefits	Other Benefits
	(In thousands)	
2023	$ 24,013	$ 177
2024	15,656	166
2025	15,430	154
2026	15,296	142
2027	15,351	130
2028-2032	74,062	471
Total	$ 159,808	$ 1,240

As required by funding regulations or laws, the Company anticipates contributing $0.8 million and less than $0.2 million to its pension and other postretirement plans, respectively, during 2023.

Unrecognized Benefit Amounts in Accumulated Other Comprehensive Loss

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

	Pension Benefits			Other Benefits		
	2022	2021	2020	2022	2021	2020
	(In thousands)					
Net actuarial loss, beginning of year	$ 58,143	$ 95,522	$ 58,239	$ 118	$ 174	$ 91
Amortization	(1,381)	(2,276)	(1,503)	—	(2)	—
Settlement adjustments	(1,591)	(2,313)	(3,371)	—	(21)	(7)
Actuarial loss (gain)	(106,909)	(14,535)	38,822	(184)	(33)	90
Asset loss (gain)	99,777	(18,563)	400	—	—	—
Net prior service cost	—	—	378	—	—	—
Currency translation loss	82	308	2,557	—	—	—
Net actuarial loss (gain), end of year	$ 48,121	$ 58,143	$ 95,522	$ (66)	$ 118	$ 174

Risk Management

Through its defined benefit plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility. The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets under perform this yield, this will create a deficit. The pension plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while contributing volatility and risk in the short-term. The Company monitors the level of investment risk but has no current plan to significantly modify the mixture of investments. The investment position is discussed more below.

Changes in bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

The investment position is managed and monitored by a committee of individuals from various departments. This group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The group has not changed the processes used to manage its risks from previous periods. The group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The majority of equities are in U.S. large and small cap companies with some global diversification into international entities.

Remeasurement

The Company remeasures both plan assets and obligations on a quarterly basis.

Defined Contribution Plans

The Company sponsors two defined contribution retirement savings plans in the U.S. reportable segment for eligible U.S. and Puerto Rico employees. The Company maintains three postretirement plans for eligible employees in the Mexico reportable segment, as required by Mexico law, which primarily cover termination benefits. The Company maintains two defined contribution retirement savings plans in the U.K. and Europe reportable segment for eligible U.K. and Europe employees, as required by U.K. and Europe law. The Company's expenses related to its defined contribution plans totaled $27.0 million, $17.0 million and $14.1 million in 2022, 2021 and 2020, respectively.

16. INCENTIVE COMPENSATION

The Company sponsors short-term incentive plans that provide the grant of either cash or stock-based bonus awards payable upon achievement of specified performance goals. As of December 25, 2022, the Company has accrued $61.8 million, $6.9 million and $3.5 million related to cash bonus awards that are recognized in the U.S., U.K & Europe, and Mexico reportable segments, respectively.

The Company also sponsors a performance-based, omnibus long-term incentive plan that provides for the grant of a broad range of long-term equity-based and liability-based awards to the Company's officers and other employees, members of the Board of Directors and any consultants (the "LTIP"). Awards that may be granted under the LTIP include "incentive stock options," within the meaning of the IRC, nonqualified stock options, stock appreciation rights, restricted stock awards and restricted stock units ("RSUs"). Equity-based awards are converted into shares of the Company's common stock shortly after award vesting. Compensation cost to be recognized for an equity-based awards grant is determined by multiplying the number of awards granted by the closing price of a share of the Company's common stock on the award grant date. Liability-based awards granted under the LTIP are converted into cash shortly after award vesting. Compensation cost to be recognized for a liability-based awards grant is first determined by multiplying the number of awards granted by the closing price of a share of PPC's common stock on the award grant date. However, the compensation cost to be recognized is adjusted at each subsequent milestone date (i.e., forfeiture date, vesting date or financial reporting date) by multiplying the number of awards granted by the closing price of a share of PPC's common stock on the milestone date. On May 1, 2019, the Company's stockholders approved the Pilgrim's Pride Corporation 2019 Long Term Incentive Plan (the "2019 LTIP"), which replaced the expiring Pilgrim's Pride Corporation 2009 Long-Term Incentive Plan (the "2009 LTIP"). The 2019 LTIP became effective as of December 28, 2019. As of December 25, 2022, we have in reserve approximately 0.9 million shares of common stock for future issuance under the 2019 LTIP.

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

	2022	2021	2020
		(In thousands)	
Equity-based awards compensation cost:			
Cost of sales	$ 959	$ 3,209	$ 838
Selling, general and administrative expense	5,904	7,420	1,938
Total cost	6,863	10,629	2,776
Income tax benefit	1,671	2,587	676
Net cost	$ 5,192	$ 8,042	$ 2,100
Liability-based awards compensation cost:			
Selling, general and administrative expense	$ 1,773	$ 7,715	$ 1,081
Income tax benefit	432	1,878	263
Net cost	$ 1,341	$ 5,837	$ 818

The Company's RSU activity is included below:

	2022			2021			2020		
	Number		Weighted Average Milestone Date Fair Value[(a)]	Number		Weighted Average Milestone Date Fair Value[(a)]	Number		Weighted Average Milestone Date Fair Value[(a)]
	(In thousands, except weighted average fair values)								
Equity-based RSUs:									
Outstanding at beginning of year	554	$	20.40	584	$	22.12	926	$	24.04
Transferred to liability-based awards	—		—	(8)		23.53	(200)		26.91
Granted	405		23.88	817		21.58	249		28.14
Vested	(266)		23.25	(153)		19.48	(66)		24.93
Forfeited awards reinstated (forfeited)	300		23.52	(686)		23.44	(325)		25.95
Outstanding at end of year	993	$	22.00	554	$	20.40	584	$	22.12

	2022			2021			2020		
	Number		Weighted Average Milestone Date Fair Value[(a)]	Number		Weighted Average Milestone Date Fair Value[(a)]	Number		Weighted Average Milestone Date Fair Value[(a)]
	(In thousands, except weighted average fair values)								
Liability-based RSUs:									
Outstanding at beginning of year	574	$	27.55	267	$	19.35	143	$	32.97
Transferred from equity-based awards	—		—	8		23.53	200		26.91
Granted	269		22.09	358		21.61	135		29.47
Vested	(139)		27.55	(59)		20.10	(211)		16.04
Forfeited	(327)		24.71	—		—	—		—
Outstanding at end of year	377	$	23.80	574	$	27.55	267	$	19.35

(a) The milestone date fair value is either the closing price of the Company's common stock on the grant date for equity-based awards or the closing price of a share of the Company's common stock on the respective milestone date for cash-based liability-based awards (i.e., grant date, vesting date, forfeiture date or financial reporting date).

The total fair values of equity-based awards and liability-based awards vested during 2022 were $7.5 million and $5.6 million, respectively. The total fair values of equity-based awards and liability-based awards vested during 2021 were $3.0 million and $1.2 million, respectively.

As of December 25, 2022, the total unrecognized compensation cost related to all nonvested equity-based awards was $9.5 million. This cost is expected to be recognized over a weighted average period of 2.17 years. As of December 25, 2022, the total unrecognized compensation cost related to all nonvested liability-based awards was $2.5 million. This cost is expected to be recognized over a weighted average period of 1.60 years.

Historically, we have issued new shares, as opposed to treasury shares, to satisfy equity-based award conversions.

17. FAIR VALUE MEASUREMENTS

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets and liabilities measured at fair value must be categorized into one of three different levels depending on the assumptions (i.e., inputs) used in the valuation:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 Quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability; or

Level 3 Unobservable inputs, such as discounted cash flow models or valuations.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement in its entirety.

As of December 25, 2022 and December 26, 2021, the Company held derivative assets and liabilities that were required to be measured at fair value on a recurring basis. Derivative assets and liabilities consist of long and short positions on exchange-traded commodity futures instruments, commodity options instruments, sales contracts instruments, foreign currency instruments to manage translation and remeasurement risk and interest rate swap instruments.

The following items were measured at fair value on a recurring basis:

	December 25, 2022			December 26, 2021		
	Level 1	Level 2	Total	Level 1	Level 2	Total
	(In thousands)			(In thousands)		
Assets:						
Commodity derivative assets	$ 17,922	$ —	$ 17,922	$ 17,567	$ —	$ 17,567
Foreign currency derivative assets	555	—	555	518	—	518
Liabilities:						
Commodity derivative liabilities	(9,042)	—	(9,042)	(14,119)	—	(14,119)
Foreign currency derivative liabilities	(6,170)	—	(6,170)	(4,958)	—	(4,958)
Interest rate swap derivative liabilities	—	—	—	—	(98)	(98)
Sales contract derivative liabilities	—	(3,705)	(3,705)	—	(12,691)	(12,691)

See “Note 5. Derivative Financial Instruments” for additional information.

The valuation of financial assets and liabilities classified in Level 1 is determined using a market approach, taking into account current interest rates, creditworthiness, and liquidity risks in relation to current market conditions, and is based upon unadjusted quoted prices for identical assets in active markets. The valuation of financial assets and liabilities in Level 2 is determined using a market approach based upon quoted prices for similar assets and liabilities in active markets or other inputs that are observable for substantially the full term of the financial instrument. The valuation of financial assets in Level 3 is determined using an income approach based on unobservable inputs such as discounted cash flow models or valuations. For each class of assets and liabilities not measured at fair value in the Consolidated Balance Sheets but for which fair value is disclosed, the Company is not required to provide the quantitative disclosure about significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy.

In addition to the fair value disclosure requirements related to financial instruments carried at fair value, accounting standards require interim disclosures regarding the fair value of all of the Company’s financial instruments. The methods and significant assumptions used to estimate the fair value of financial instruments and any changes in methods or significant assumptions from prior periods are also required to be disclosed.

The carrying amounts and estimated fair values of our debt obligations recorded in the Consolidated Balance Sheets consisted of the following:

	December 25, 2022		December 26, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Fixed-rate senior notes payable at 5.75%, at Level 2 inputs	$ —	$ —	$ —	$ —
Fixed-rate senior notes payable at 5.875%, at Level 2 inputs	(846,582)	(846,175)	(845,866)	(900,193)
Fixed-rate senior notes payable at 4.25%, at Level 2 inputs	(991,691)	(734,349)	(990,691)	(1,055,140)
Fixed-rate senior notes payable at 3.50%, at Level 2 inputs	(900,000)	(726,498)	(900,000)	(915,120)
Variable-rate term note payable at 5.00%, at Level 3 inputs	(480,078)	(489,857)	—	—
Secured loans, at Level 3 inputs	—	—	(3)	(3)

See “Note 13. Debt” for additional information.

The carrying amounts of our cash and cash equivalents, derivative trading accounts’ margin cash, restricted cash and cash equivalents, accounts receivable, accounts payable and certain other liabilities approximate their fair values due to their relatively short maturities. Derivative assets were recorded at fair value based on quoted market prices and are included in the line item *Prepaid expenses and other current assets* on the Consolidated Balance Sheets. Derivative liabilities were recorded at fair value based on quoted market prices and are included in the line item *Accrued expenses and other current liabilities* on the

Consolidated Balance Sheets. The fair values of the Company's Level 2 fixed-rate debt obligation was based on the quoted market price at December 25, 2022 or December 26, 2021, as applicable. The fair value of the Company's Level 3 variable-rate term note payable was based on discounted cash flow using weighted average cost of debt of 5.0% as of December 25, 2022. The fair value of the Company's level 3 variable-rate term not payable approximated the carrying value as of December 26, 2021. The fair value of the Company's Level 3 fixed-rate secured loans were based on discounted cash flow using weighted average cost of debt of 0.5% as of December 25, 2022 and December 26, 2021.

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company records certain assets and liabilities at fair value on a nonrecurring basis. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges when required by U.S. GAAP. There were no significant fair value measurement losses recognized for such assets and liabilities in the periods reported.

18. RESTRUCTURING-RELATED ACTIVITIES

In 2022, the Company initiated a restructuring initiative to phase out and reduce processing volumes at multiple production facilities throughout the U.K. and Europe reportable segment. Implementation of this initiative is expected to result in total pre-tax charges of approximately $58.0 million, and approximately $53.0 million of these charges are estimated to result in cash outlays. These activities were initiated in the fourth quarter of 2022 and are expected to be substantially completed by the end of the second quarter of 2023.

The following table provides a summary of our estimates of costs associated with these restructuring initiatives by major type of cost:

Type of Cost	Moy Park	Pilgrim's Pride Ltd.	Pilgrim's Food Masters	Total Estimated Amount Expected to be Incurred
	(In thousands)			
Contract termination	$ 9,437	$ 833	$ 2,170	$ 12,440
Asset impairment	3,559	—	—	3,559
Severance	8,244	6,160	5,303	19,707
Employee retention benefits	1,398	276	—	1,674
Other employee costs	301	181	121	603
Lease termination	458	642	1,808	2,908
Inventory adjustment	470	615	—	1,085
Other charges [(a)]	7,543	1,386	7,110	16,039
Total estimated costs, net	$ 31,410	$ 10,093	$ 16,512	$ 58,015

(a) Comprised of other costs directly related to the restructuring initiatives including Moy Park flock depletion, Pilgrim's Pride Ltd. prepayment balances and maintenance contracts exit costs and Pilgrim's Pride Ltd. consulting fees.

During 2022, the Company recognized the following expenses and paid the following cash related to each restructuring initiative:

	Expenses	Cash Outlays
	(In thousands)	
Moy Park	$ 19,325	$ 10,526
Pilgrim's Pride Ltd.	10,140	2,590
Pilgrim's Food Masters	1,001	341
	$ 30,466	$ 13,457

These expenses are reported in the line item *Restructuring activities* on the Consolidated Statements of Income.

The following table reconciles liabilities and reserves associated with each restructuring initiative from initiative inception to December 25, 2022. Ending liability balances for employee termination benefits and other charges are reported in the line item *Accrued expenses and other current liabilities* in our Consolidated Balance Sheets. The ending reserve balance for inventory impairments is reported in the line item *Inventories* in our Consolidated Balance Sheets.

Moy Park	Restructuring charges incurred	Cash payments and disposals	Currency translation	Liability or reserve as of December 25, 2022
	(In thousands)			
Employee retention benefits	$ 9,590	$ (9,452)	$ (138)	$ —
Other employee costs	18	(17)	(1)	—
Asset impairment	3,559	(1,053)	(115)	2,391
Contract termination	122	—	—	122
Inventory adjustments	5	(4)	—	1
Other charges	6,031	—	(6)	6,025
Total	$ 19,325	$ (10,526)	$ (260)	$ 8,539

Pilgrim's Pride Ltd.	Restructuring charges incurred	Cash payments and disposals	Currency translation	Liability or reserve as of December 25, 2022
	(In thousands)			
Employee retention benefits	$ 994	$ (984)	$ (10)	$ —
Severance	7,211	(1,606)	(102)	5,503
Inventory adjustments	621	—	(6)	615
Lease termination	808	—	(8)	800
Other charges	506	—	(5)	501
Total	$ 10,140	$ (2,590)	$ (131)	$ 7,419

Pilgrim's Food Masters	Restructuring charges incurred	Cash payments and disposals	Currency translation	Liability or reserve as of December 25, 2022
	(In thousands)			
Severance	$ 959	$ (300)	$ (20)	$ 639
Other charges	42	(41)	(1)	—
Total	$ 1,001	$ (341)	$ (21)	$ 639

19. RELATED PARTY TRANSACTIONS

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

	Year Ended		
	December 25, 2022	December 26, 2021	December 27, 2020
	(In thousands)		
Sales to related parties			
JBS USA Food Company[(a)]	$ 24,224	$ 17,296	$ 14,228
JBS Australia Pty. Ltd.	2,855	2,439	2,540
Other related parties	2,868	1,721	1,112
Total sales to related parties	$ 29,947	$ 21,456	$ 17,880

	Year Ended		
	December 25, 2022	December 26, 2021	December 27, 2020
	(In thousands)		
Cost of goods purchased from related parties			
JBS USA Food Company[(a)]	$ 156,452	$ 210,657	$ 142,615
Seara Meats B.V.	44,364	4,722	8,138
Penasul UK LTD	13,516	6,697	—
JBS Asia CO Limited	7,762	5	—
Other related parties	1,476	1,054	829
Total cost of goods purchased from related parties	$ 223,570	$ 223,135	$ 151,582

	Year Ended December 25, 2022	December 26, 2021	December 27, 2020
		(In thousands)	
Expenditures paid by related parties			
JBS USA Food Company[(b)]	$ 91,568	$ 97,713	$ 39,025
Other related parties	97	13	9
Total expenditures paid by related parties	$ 91,665	$ 97,726	$ 39,034

	Year Ended December 25, 2022	December 26, 2021	December 27, 2020
		(In thousands)	
Expenditures paid on behalf of related parties			
JBS USA Food Company[(b)]	$ 53,065	$ 42,951	$ 16,266
Other related parties	5,514	—	—
Total expenditures paid on behalf of related parties	$ 58,579	$ 42,951	$ 16,266

	Year Ended December 25, 2022	December 26, 2021	December 27, 2020
		(In thousands)	
Other related party transactions			
Capital distribution under tax sharing agreement [(c)]	$ 1,592	$ 1,961	$ 650

	December 25, 2022	December 26, 2021
	(In thousands)	
Accounts receivable from related parties		
JBS USA Food Company[(a)]	$ 2,062	$ 1,059
Seara Meats B.V.	61	—
Other related parties	389	286
Total accounts receivable from related parties	$ 2,512	$ 1,345

	December 25, 2022	December 26, 2021
	(In thousands)	
Accounts payable to related parties		
JBS USA Food Company[(a)]	$ 7,434	$ 21,628
JBS Asia Co Limited	2,099	—
Seara Meats B.V.	1,565	534
Penasul UK LTD	940	147
Other related parties	117	8
Total accounts payable to related parties	$ 12,155	$ 22,317

(a) The Company routinely execute transactions to both purchase products from JBS USA Food Company and sell products to them. As of December 25, 2022, approximately $0.9 million of goods from JBS USA were in transit and not reflected on our Consolidated Balance Sheets.

(b) The Company has an agreement with JBS USA to allocate costs associated with JBS USA's procurement of SAP licenses and maintenance services for both companies. Under this agreement, the fees associated with procuring SAP licenses and maintenance services are allocated between the Company and JBS USA in proportion to the percentage of licenses used by each company. The agreement expires on the date of expiration, or earlier termination, of the underlying SAP license agreement. The Company also has an agreement with JBS USA to allocate the costs of supporting the business operations by one consolidated corporate team, which have historically been supported by their respective corporate teams. Expenditures paid by JBS USA on behalf of the Company will be reimbursed by the Company and expenditures paid by the Company on behalf of JBS USA will be reimbursed by JBS USA. This agreement expires on December 31, 2023.

(c) The Company entered into a TSA during 2014 with JBS USA Holdings effective for tax years starting in 2010. The net tax payable for tax year 2022 was accrued in 2022 and will be paid in 2023. The net tax payable for tax year 2021 was accrued in 2021 and was paid in 2022. The net tax payable for tax year 2020 was accrued in 2020 and was paid in 2021.

20. REPORTABLE SEGMENTS

The Company operates in three reportable segments: U.S., U.K. and Europe and Mexico. The Company measures segment profit as operating income. Corporate expenses are allocated to the Mexico and U.K. and Europe reportable segments based upon various apportionment methods for specific expenditures incurred related thereto with the remaining amounts allocated to the U.S. reportable segment.

We conduct separate operations in the continental U.S. and in Puerto Rico. For segment reporting purposes, the Puerto Rico operations are included in the U.S. reportable segment. The chicken products processed by the U.S. reportable segment are sold to foodservice, retail and frozen entrée customers. The segment's primary distribution is through retailers, foodservice distributors and restaurants.

The U.K. and Europe reportable segment processes primarily fresh chicken, pork products, specialty meats, ready meals and other prepared foods that are sold to foodservice, retail and direct to consumer customers. The segment's primary distribution is through retailers, foodservice distributors and restaurants.

The chicken products processed by the Mexico reportable segment are sold to foodservice, retail and frozen entrée customers. The segment's primary distribution is through retailers, foodservice distributors and restaurants.

Additional information regarding reportable segments is as follows:

	Year Ended		
	December 25, 2022[a]	December 26, 2021[b]	December 27. 2020[c]
	(In thousands)		
Net sales			
U.S.	$ 10,748,350	$ 9,113,879	$ 7,496,017
U.K. and Europe	4,874,738	3,934,062	3,274,292
Mexico	1,845,289	1,729,517	1,321,592
Total	$ 17,468,377	$ 14,777,458	$ 12,091,901

(a) For the year 2022, the U.S. reportable segment had intercompany sales to the Mexico reportable segment of $120.9 million. These sales consisted of fresh products, prepared products, eggs and grain. For the year 2022, the U.K. and Europe reportable segment had intercompany sales of eggs to the U.S. reportable segment of $5.3 million.

(b) For the year 2021, the U.S. reportable segment had intercompany sales to the Mexico reportable segment of $296.9 million. These sales consisted of fresh products, prepared products and grain.

(c) For the year 2020, the U.S. reportable segment had intercompany sales to the Mexico reportable segment of $210.6 million. These sales consisted of fresh products, prepared products and grain.

	Year Ended		
	December 25, 2022	December 26, 2021	December 27, 2020
	(In thousands)		
Operating income			
U.S.	$ 1,094,025	$ (17,036)	$ 69,377
U.K. and Europe	(934)	(627)	102,734
Mexico	83,450	228,773	72,879
Eliminations	54	54	473
Total operating income	1,176,595	211,164	245,463
Interest expense, net of capitalized interest	152,672	145,792	126,118
Interest income	(9,028)	(6,056)	(7,305)
Foreign currency transaction losses (gains)	30,817	(9,382)	760
Gain on bargain purchase	—	—	3,746
Miscellaneous, net	(23,339)	(11,580)	(39,681)
Income before income taxes	1,025,473	92,390	161,825
Income tax expense	278,935	61,122	66,755
Net income	$ 746,538	$ 31,268	$ 95,070

	Year Ended		
	December 25, 2022	December 26, 2021	December 27, 2020
	(In thousands)		
Depreciation and amortization			
U.S.	$ 244,617	$ 242,944	$ 218,244
U.K. and Europe	134,374	113,256	92,673
Mexico	24,119	24,624	26,187
Total	$ 403,110	$ 380,824	$ 337,104

	Year Ended		
	December 25, 2022	December 26, 2021	December 27, 2020
	(In thousands)		
Capital expenditures			
U.S.	$ (343,825)	$ 274,934	$ 264,149
U.K. and Europe	(114,330)	87,004	77,597
Mexico	(28,955)	19,733	13,016
Total	$ (487,110)	$ 381,671	$ 354,762

	December 25, 2022	December 26, 2021
	(In thousands)	
Total assets		
U.S.	$ 6,847,209	$ 6,390,845
U.K. and Europe	4,033,990	4,292,558
Mexico	1,292,056	1,146,204
Eliminations	(2,917,486)	(2,916,402)
Total	$ 9,255,769	$ 8,913,205

	Year Ended		
	December 25, 2022	December 26, 2021	December 27, 2020
	(In thousands)		
Net sales to customers by customer location			
U.S.	$ 10,204,411	$ 8,657,648	$ 7,190,808
Europe	4,813,108	3,878,475	3,225,717
Mexico	1,895,658	1,778,355	1,350,588
Asia-Pacific	390,679	317,685	252,574
Canada, Caribbean and Central America	87,515	81,549	30,792
Africa	61,894	47,948	25,321
South America	15,112	15,798	16,101
Total	$ 17,468,377	$ 14,777,458	$ 12,091,901

	December 25, 2022	December 26, 2021
	(In thousands)	
Long-lived assets[(a)]		
U.S.	$ 1,943,967	$ 1,862,584
U.K. and Europe	1,011,283	1,125,197
Mexico	295,069	284,980
Eliminations	(3,675)	(3,729)
Total	$ 3,246,644	$ 3,269,032

(a) For this disclosure, we exclude financial instruments, deferred tax assets and intangible assets in accordance with ASC 280-10-50-41, *Segment Reporting*. Long-lived assets, as used in ASC 280-10-50-41, implies hard assets that cannot be readily removed.

Information regarding net sales attributable to each of our primary product lines and markets served with those products is included in “Note 2. Revenue Recognition.” We based the table on our internal sales reports and their classification of products.

21. COMMITMENTS AND CONTINGENCIES

General

The Company is a party to many routine contracts in which it provides general indemnities in the normal course of business to third parties for various risks. Among other considerations, the Company has not recorded a liability for any of these indemnities because, based upon the likelihood of payment, the fair value of such indemnities would not have a material impact on its financial condition, results of operations and cash flows.

Purchase Obligations

The Company will sometimes enter into noncancelable contracts to purchase capital equipment and certain commodities such as corn, soybean meal, wheat and energy. As of December 25, 2022, the Company was party to outstanding purchase contracts totaling $588.1 million payable in 2023, $115.2 million payable in 2024, $2.1 million payable in 2025, $2.0 million payable in 2026 and $14.4 million payable thereafter.

Operating Leases

Additional information regarding operating leases is included in “Note 4. Leases.”

Financial Instruments

The Company’s loan agreements generally obligate the Company to reimburse the applicable lender for incremental increased costs due to a change in law that imposes (1) any reserve or special deposit requirement against assets of, deposits with or credit extended by such lender related to the loan, (2) any tax, duty or other charge with respect to the loan (except standard income tax) or (3) capital adequacy requirements. In addition, some of the Company’s loan agreements contain a withholding tax provision that requires the Company to pay additional amounts to the applicable lender or other financing party, generally if withholding taxes are imposed on such lender or other financing party as a result of a change in the applicable tax law. These increased cost and withholding tax provisions continue for the entire term of the applicable transaction, and there is no limitation on the maximum additional amounts the Company could be obligated to pay under such provisions. Any failure to pay amounts due under such provisions generally would trigger an event of default and, in a secured financing transaction, would entitle the lender to foreclose upon the collateral to realize the amount due.

Litigation

The Company is subject to various legal proceedings and claims which arise in the ordinary course of business. In the Company’s opinion, it has made appropriate and adequate accruals for claims where necessary; however, the ultimate liability for these matters is uncertain, and if significantly different than the amounts accrued, the ultimate outcome could have a material effect on the financial condition or results of operations of the Company.

Tax Claims and Proceedings

During 2014 and 2015, the Mexican Tax Administration Service (“SAT”) opened a review of Avícola Pilgrim’s Pride de Mexico, S.A. de C.V. (“Avícola”) with regard to tax years 2009 and 2010. In both instances, the SAT claims that controlled company status did not exist for certain subsidiaries because Avícola did not own 50% of the shares in voting rights of Incubadora Hidalgo, S. de R.L de C.V. and Comercializadora de Carnes de México S. de R.L de C.V. (both in 2009) and Pilgrim’s Pride, S. de R.L. de C.V. (in 2010). As a result, according to the SAT, Avícola should have considered dividends paid out of these subsidiaries partially taxable since a portion of the dividend amount was not paid from the net tax profit account (CUFIN). Avícola appealed the opinion, and on January 31, 2023, the appeal as to tax year 2009 was dismissed by the Mexico Supreme Court. Accordingly, the Company has accrued $39.2 million with regard to both tax years in connection with the dismissal. PPC recognized this expense in *Income tax expense* in the Consolidated Statement of Income statement for year ended December 25, 2022.

On May 12, 2022, the Mexican Tax Authorities issued tax assessments against Pilgrim’s Pride, S. de R.L. de C.V. and Provemex Holdings, LLC in connection with PPC’s acquisition of Tyson de México. Following the acquisition, PPC re-domiciled Provemex Holdings, LLC from the U.S. to Mexico. The tax authorities claim that Provemex Holdings, LLC was a Mexican entity at the time of the acquisition and, as a result, was obligated to pay taxes on the sale. The Mexican subsidiaries of PPC are currently appealing these assessments. Amounts under appeal are approximately $255.0 million for such tax assessments. No loss has been recorded for these amounts at this time.

U.S. Litigation

Between September 2, 2016 and October 13, 2016, a series of federal class action lawsuits were filed with the U.S. District Court for the Northern District of Illinois (“Illinois Court”) against PPC and other defendants by and on behalf of direct and indirect purchasers of broiler chickens alleging violations of antitrust and unfair competition laws and styled as In re Broiler Chicken Antitrust Litigation, Case No. 1:16-cv-08637 (“Broiler Antitrust Litigation”). The complaints seek, among other relief, treble damages for an alleged conspiracy among defendants to reduce output and increase prices of broiler chickens from the period of January 2008 to the present. The class plaintiffs have filed three consolidated amended complaints: the direct purchasers (“Broiler DPPs”), the commercial and institutional indirect purchasers (“Broiler CIIPPs”), and the end-user consumer indirect purchasers (“Broiler EUCPs”). Between December 8, 2017 and September 1, 2021, 82 individual direct action complaints were filed with the Illinois Court by individual direct purchaser entities (“Broiler DAPs”) naming PPC as a defendant, the allegations of which largely mirror those in the class action complaints, though some added allegations of price fixing and bid rigging on certain sales. The Illinois Court issued a revised scheduling order for certain plaintiffs who limited their claims to reduction of output, which sets the first trial date on September 12, 2023. The schedule for the rest of the plaintiffs is still awaiting an order from the Illinois Court. On May 27, 2022, the Illinois Court certified each of the three classes. PPC has entered into agreements to settle all claims made by the Broiler DPPs, Broiler CIIPPs, and Broiler EUCPs, for an aggregate total of $195.5 million, each of which has received final approval from the Illinois Court. PPC continues to defend itself against the Broiler DAPs as well as parties that have opted out of the class settlements (collectively, the “Broiler Opt Outs”). PPC will seek reasonable settlements where they are available. To date, PPC has recognized an expense of $514.4 million to cover settlements with various Broiler Opt Outs. PPC recognized these settlement expenses in *SG&A expense* in the Consolidated Statements of Income for the years ended December 25, 2022 and December 26, 2021.

Between August 30, 2019 and October 16, 2019, four purported class action lawsuits were filed in the U.S. District Court for the District of Maryland (“Maryland Court”) against PPC and a number of other chicken producers, as well as Webber, Meng, Sahl & Company and Agri Stats. The plaintiffs are a putative class of poultry processing plant production and maintenance workers (“Poultry Workers Class”) and allege that the defendants conspired to fix and depress the compensation paid to Poultry Workers Class in violation of the Sherman Antitrust Act. Defendants moved to dismiss on December 18, 2020, which the Maryland Court denied on March 10, 2021. On June 14, 2021, PPC entered into an agreement to settle all claims made by the Poultry Workers Class for $29.0 million, though the agreement is still subject to final approval by the Maryland Court. On February 16, 2022, the plaintiffs filed a an amended complaint, which extended the relevant period, added defendants, and included additional workers in the class. PPC recognizes these settlement expenses within *SG&A expenses* in the Consolidated Statements of Income.

On January 27, 2017, a purported class action on behalf of broiler chicken farmers was brought against PPC and other chicken producers in the U.S. District Court for the Eastern District of Oklahoma (the “Oklahoma Court”) alleging, among other things, a conspiracy to reduce competition for grower services and depress the price paid to growers. The complaint was consolidated with several subsequently filed consolidated amended class action complaints and styled as In re Broiler Chicken Grower Litigation, Case No. CIV-17-033. The defendants (including PPC) jointly moved to dismiss the consolidated amended complaint, which the Oklahoma Court denied as to PPC and certain other defendants. PPC, therefore, continues to litigate against the putative class plaintiffs.

On October 20, 2016, Patrick Hogan, acting on behalf of himself and a putative class of certain PPC stockholders, filed a class action complaint in the U.S. District Court for the District of Colorado (“Colorado Court”) against PPC and its named executive officers styled as Hogan v. Pilgrim’s Pride Corporation, et al., No. 16-CV-02611 (“Hogan Litigation”). The complaint alleges, among other things, that PPC’s SEC filings contained statements that were rendered materially false and misleading by PPC’s failure to disclose that (1) PPC colluded with several of its industry peers to fix prices in the broiler-chicken market as alleged in the Broilers Litigation, (2) its conduct constituted a violation of federal antitrust laws, and (3) PPC’s revenues during the class period were the result of illegal conduct. On July 31, 2020, defendants filed a motion to dismiss, which the Colorado Court granted on April 19, 2021. On May 17, 2021, the plaintiff filed a motion for amended judgment, which the Colorado Court denied on November 29, 2021. The plaintiff then filed a notice of appeal on December 28, 2021, and the appeal was opened in the U.S. Court of Appeals for the Tenth Circuit, which is now fully briefed, including oral argument on January 17, 2023, and is awaiting a decision.

Between March 9, 2017 and April 17, 2017, a series of putative stockholder derivative class actions were brought against all of PPC’s directors and two executives, William Lovette and Fabio Sandri, in the Nineteenth Judicial District Court for the County of Weld in Colorado (“Weld County Court”). The complaints allege, among other things, that the named defendants breached their fiduciary duties by failing to prevent PPC and its officers from engaging in an antitrust conspiracy as alleged in the Broiler Antitrust Litigation and issuing false and misleading statements as alleged in the Hogan Litigation. The complaints were amended and consolidated, adding former PPC executives Jayson Penn, Roger Austin, and Jimmie Little as named defendants, and styled as DiSalvio and Brima v. Tomazoni, et al., 2017 CV 30207. Following a series of stays in the action, PPC filed a motion to dismiss, which the Weld County Court granted in its entirety and with prejudice on December 12, 2022. On December 27, 2022, the plaintiffs filed a motion for reconsideration, which PPC plans to oppose in due course.

U.S. State Matters

From February 21, 2017 through May 4, 2021, the Attorneys General for multiple U.S. states have issued civil investigative demands (“CIDs”). The CIDs request, among other things, data and information related to the acquisition and processing of broiler chickens and the sale of chicken products. PPC is cooperating with the Attorneys General in these states in producing documents pursuant to the CIDs.

On September 1, 2020, February 22, 2021, and October 28, 2021, the Attorneys General in New Mexico (State of New Mexico v. Koch Foods, et al., D-101-CV-2020-01891), Alaska (State of Alaska v. Agri Stats, Inc., et al., 3AN-21-04632), and

Washington (State of Washington v. Tyson Foods Inc., et al., 21-2-14174-5), respectively, filed complaints against PPC based on allegations similar to those asserted in the Broiler Antitrust Litigation. PPC has answered all of the complaints and each case is now in discovery.

U.S. Federal Matters

On February 9, 2022, the Company learned that the DOJ opened a civil investigation into human resources antitrust matters, and on October 6, 2022 the Company learned that the DOJ opened a civil investigation into grower contracts and payment practices. The Company has begun, and will continue, to cooperate with the DOJ in its investigations.

22. BUSINESS INTERRUPTION INSURANCE

On December 10, 2021, the Company experienced a tornado in Mayfield, Kentucky that significantly damaged two hatcheries and a feed mill. The Company maintains certain insurance coverage, including business interruption insurance, intended to cover such circumstances. In the year ended December 25, 2022, the Company received $11.0 million in proceeds from business interruption insurance. In the year ended December 25, 2022, the Company recognized $26.4 million in income from business interruption insurance on the Consolidated Statement of Income.

23. MARKET RISKS AND CONCENTRATIONS

The Company’s financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents, investment securities and trade accounts receivable. The Company’s cash equivalents and investment securities are high-quality debt and equity securities placed with major banks and financial institutions. The Company’s trade accounts receivable are generally unsecured. Credit evaluations are performed on all significant customers and updated as circumstances dictate. Concentrations of credit risk with respect to trade accounts receivable are limited due to the large number of customers and their dispersion across geographic areas. The Company does not have a single customer that exceeds the 10% of net sales. For the year ended December 25, 2022, our largest single customer was 7.5% of net sales. The Company does not believe it has significant concentrations of credit risk in its trade accounts receivable.

As of December 25, 2022, we employed over 61,500 people. Approximately 46.4% of the Company’s employees were covered under collective bargaining agreements. Substantially all employees covered under collective bargaining agreements are covered under agreements that expire in 2023 or later. We have not experienced any labor-related work stoppage at any location in over ten years. We believe our relationship with our employees and union leadership is satisfactory. At any given time, we will likely be in some stage of contract negotiations with various collective bargaining units. In the absence of an agreement, we may become subject to labor disruption at one or more of these locations, which could have an adverse effect on our financial results.

As of December 25, 2022, the aggregate carrying amount of net assets belonging to our Mexico and U.K. and Europe reportable segments was $1.1 billion and $2.8 billion, respectively. As of December 26, 2021, the aggregate carrying amount of net assets belonging to our Mexico and U.K. and Europe reportable segments was $1.1 billion and $3.2 billion, respectively.

SCHEDULE II

PILGRIM’S PRIDE CORPORATION

VALUATION AND QUALIFYING ACCOUNTS

	Beginning Balance	Additions: Charged to Operating Results	Additions: Charged to Other Accounts	Deductions	Ending Balance
			(In thousands)		
Trade Accounts and Other Receivables—					
Allowance for Credit Losses					
2022	$ 9,673	$ 675	$ (192)	$ 597 [a]	$ 9,559
2021	7,173	2,243	51	(206) [a]	9,673
2020	7,467	94	186	574 [a]	7,173
Trade Accounts and Other Receivables—					
Allowance for Sales Adjustments					
2022	$ 11,472	$ 238,135	$ —	$ 242,702 [b]	$ 6,905
2021	6,002	234,735	—	229,265 [b]	11,472
2020	8,380	287,193	—	289,571 [b]	6,002
Deferred Tax Assets—					
Valuation Allowance					
2022	$ 24,261	$ 43,188	$ —	$ 3,088 [c]	$ 64,361
2021	33,678	(9,417)	—	— [c]	24,261
2020	33,522	156	—	— [c]	33,678

(a) Uncollectible accounts written off, net of recoveries.
(b) Deductions either written off, rebilled or reclassified as liabilities for market development fund rebates.
(c) Reductions in the valuation allowance.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the “Exchange Act”), “disclosure controls and procedures” means controls and other procedures that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s (the “SEC”) rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by our Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of December 25, 2022. Based on that evaluation and subject to the foregoing, the Company’s Chief Executive Officer and Chief Financial Officer, concluded that, as of December 25, 2022, the Company’s disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There was no change in the Company’s internal control over financial reporting that occurred during the Company’s quarter ended December 25, 2022 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Management’s Report on Internal Control over Financial Reporting

Pilgrim’s Pride Corporation’s management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). PPC’s internal control is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles.

PPC's management assessed the effectiveness of the Company's internal control over financial reporting as of December 25, 2022 based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Integrated Framework (2013). Based on this assessment, management concluded that PPC's internal control over financial reporting was effective as of December 25, 2022.

KPMG LLP, an independent registered public accounting firm which audited our Consolidated Financial Statements included in this Form 10-K, has issued an unqualified report on the effectiveness of the Company's internal control over financial reporting as of December 25, 2022. That report is included in Part I, Item 8. Financial Statements and Supplementary Data, of this annual report.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Certain information regarding our executive officers has been presented under "Information about our Executive Officers" included in "Item 1. Business," above.

We have adopted a Code of Business Conduct and Ethics, which applies to all employees, including our Chief Executive Officer and our Chief Financial Officer and Principal Accounting Officer. The full text of our Code of Business Conduct and Ethics is published on our website, at www.pilgrims.com, under the "Investors-Corporate Governance" caption. We intend to disclose, if required, future amendments to, or waivers from, certain provisions of this Code on our website within four business days following the date of such amendment or waiver.

The other information required by Item 10 is incorporated by reference herein from the Company's Definitive Proxy Statement for its 2023 Annual Meeting of Stockholders to be filed no later than 120 days after the close of the fiscal year covered by this report, which sections are incorporated herein by reference.

Item 11. Executive Compensation

The information required by Item 11 is incorporated by reference herein from the Company's Definitive Proxy Statement for its 2023 Annual Meeting of Stockholders to be filed no later than 120 days after the close of the fiscal year covered by this report, which sections are incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Equity Compensation Plan Information

Plan Category[(a)]	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights[(b)]	Weighted-Average Exercise Price of Outstanding Option, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by securities holders	1,004,336	$ 23.41	864,750
Equity compensation plans not approved by securities holders	—	—	—
Total	1,004,336	$ 23.41	864,750

(a) The table provides certain information about our common stock that may be issued under the Long Term Incentive Plan (the "LTIP"), as of December 25, 2022. For additional information concerning terms of the LTIP, see Part II. Item 8, Notes to Consolidated Financial Statements, "Note 16. Incentive Compensation" in this annual report.

(b) These amounts represent restricted stock units outstanding, but not yet vested, under the 2019 LTIP as of December 25, 2022.

The other information required by Item 12 is incorporated by reference herein from the Company's Definitive Proxy Statement for its 2023 Annual Meeting of Stockholders to be filed no later than 120 days after the close of the fiscal year covered by this report, which sections are incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 is incorporated by reference herein from the Company's Definitive Proxy Statement for its 2023 Annual Meeting of Stockholders to be filed no later than 120 days after the close of the fiscal year covered by this report, which sections are incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Our independent registered public accounting firm is KPMG LLP, Denver, CO, Auditor Firm ID: 185.

The information required by Item 14 is incorporated by reference herein from the Company's Definitive Proxy Statement for its 2023 Annual Meeting of Stockholders to be filed no later than 120 days after the close of the fiscal year covered by this report, which sections are incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statements

(i) The financial statements and schedules listed in the index to financial statements and schedules on page 1 of this annual report are filed as part of this annual report.

(ii) All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are not applicable and therefore have been omitted.

(iii) The financial statements schedule entitled "Valuation and Qualifying Accounts and Reserves" is filed as part of this annual report on page 86.

(b) Exhibits

Exhibit Number

2.1 Share Purchase Agreement, dated as of September 8, 2017, among JBS S.A., Granite Holdings S.à r.l., Onix Investments UK Limited and the Company (incorporated by reference from Exhibit 2.1 of the Company's Current Report on Form 8-K (No. 001-09273) filed on September 11, 2017).

2.2 Share Purchase Agreement, dated as of August 25, 2019, by and among Tulip International (UK) Limited and Onix Investments UK Limited (incorporated by reference from Exhibit 2.4 of the Company's Annual Report Form 10-K filed on February 21, 2020).

2.3 Exhibits to the Share Purchase Agreement, dated as of August 25, 2019, by and among Tulip International (UK) Limited and Onix Investments UK Limited (incorporated by reference from Exhibit 2.5 of the Company's Annual Report on Form 10-K filed on February 21, 2020).

2.4 Share Purchase Agreement, dated as of June 17, 2021, by and among Kerry Group plc, Pilgrim's Pride Corporation, Onix Investments UK Limited and Arkose Investments ULC (incorporated by reference from Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q (No. 001-09273) filed on July 29, 2021).

2.5 Side Letter to the Sale and Purchase Agreement, dated as of September 24, 2021, by and among Kerry Group plc, Pilgrim's Pride Corporation, Onix Investments UK Limited and Arkose Investments ULC (incorporated by reference from Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q (No. 001-09273) filed on October 28, 2021).

3.1 Amended and Restated Certificate of Incorporation of the Company. (incorporated by reference from Exhibit 3.1 of the Company's Current Form 8-K (No. 001-09273) filed on May 3, 2021).

3.2 Amended and Restated Corporate Bylaws of the Company. (incorporated by reference from Exhibit 3.2 of the Company's Current Form 8-K (No. 001-09273) filed on May 3, 2021).

4.1 Stockholders Agreement dated December 28, 2009 between the Company and JBS USA Holding Lux, S.à.r.l., formerly known as JBS USA Holdings, LLC, as amended (incorporated by reference from Exhibit 3.3 to the Company's Form 8-A (No. 001-09273) filed on December 27, 2012).

4.2 Form of Common Stock Certificate (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K (No. 001-09273) filed on December 29, 2009).

4.3 Indenture dated as of September 29, 2017 among the Company, Pilgrim's Pride Corporation of West Virginia, Inc., Gold'n Plump Poultry, LLC, Gold'n Plump Farms, LLC, JFC LLC and U.S. Bank National Association, as Trustee (incorporated by reference from Exhibit 4.2 of the Company's Current Report on Form 8-K (No. 001-09273) filed on October 3, 2017).

4.4 Form of Senior 5.875% Note due 2027 (included in Exhibit 4.3).

4.5 Indenture dated as of April 8, 2021 among the Company, Pilgrim's Pride Corporation of West Virginia, Inc., Gold'n Plump Poultry, LLC, Gold'n Plump Farms, LLC, JFC LLC and Regions Bank, as Trustee (incorporated by reference from Exhibit 4.1 of the Company's Current Report on Form 8-K (No. 001-09273) filed on April 9, 2021).

4.6 Form of Senior 4.25% Note due 2031 (included in Exhibit 4.5).

4.7	Indenture, dated as of September 2, 2021 among the Company, as issuer, Pilgrim's Pride Corporation of West Virginia, Inc., Gold'n Plump Poultry, LLC, Gold'n Plump Farms, LLC and JFC LLC, as Guarantors, and Regions Bank, as Trustee (incorporated by reference from Exhibit 4.1 of the Company's Current Report on Form 8-K (No. 001-09273) filed on September 2, 2021).
4.8	Form of Senior 3.50% Note due 2032 (included in Exhibit 4.7).
4.9	Description of Securities Registered Pursuant to Section 12(b) of the Exchange Act.
4.10	First Supplemental Indenture, dated as of September 22, 2022 among the Company, as issuer, Pilgrim's Pride Corporation of West Virginia, Inc., Gold'n Plump Poultry, LLC, Gold'n Plump Farms, LLC and JFC LLC, as Guarantors, and Regions Bank, as Trustee (incorporated by reference from Exhibit 4.1 of the Company's Current Report on Form 8-K (No. 001-09273) filed on September 26, 2022).
4.11	First Supplemental Indenture, dated as of September 22, 2022 among the Company, as issuer, Pilgrim's Pride Corporation of West Virginia, Inc., Gold'n Plump Poultry, LLC, Gold'n Plump Farms, LLC and JFC LLC, as Guarantors, and Regions Bank, as Trustee (incorporated by reference from Exhibit 4.1 of the Company's Current Report on Form 8-K (No. 001-09273) filed on September 26, 2022).
10.1	Pilgrim's Pride Corporation Long Term Incentive Plan (incorporated by reference from Exhibit 10.2 of the Company's Current Report on Form 8-K (No. 001-09273) filed on December 30, 2009). †
10.2	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K (No. 001-09273) filed on September 10, 2012). †
10.3	Multicurrency Revolving Facility Agreement, dated as of June 24, 2022, by and among Moy Park Holdings (Europe) Limited and other Pilgrim's subsidiaries, the Governor and Company of the Bank of Ireland, as agent, and the other lenders party thereto (incorporated by reference from Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on July 28, 2022).
10.4	Revolving Line of Credit Agreement, dated as of December 14, 2018, by and among Banco del Bajío, Sociedad Anónima, Institución de Banca Múltiple as lender, Avícola Pilgrim's Pride de México, Sociedad Anónima de Capital Variable as borrower, and Comercializadora de Carnes de México, Sociedad de Responsabilidad Limitada de Capital Variable, Pilgrim's Pride, Sociedad de Responsabilidad Limitada de Capital Variable, and Pilgrim's Operaciones Laguna, Sociedad de Responsabilidad Limitada de Capital Variable, as guarantors (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K (No. 001-09273) filed on December 20, 2018).
10.5	2019 Pilgrim's Pride Corporation Long-Term Incentive Plan (incorporated by reference from Exhibit 10.14 of the Company's Annual Report on Form 10-K filed on February 21, 2020).†
10.6	Fifth Amended and Restated Credit Agreement, dated as of August 9, 2021, by and among Pilgrim's Pride Corporation, certain of its subsidiaries, CoBank, ACB, as administrative agent and collateral agent, and the other lenders party thereto (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K (No. 001-09273) filed on August 11, 2021, as amended on August 16, 2021).
10.7	Form of Stock Award Agreement under the Pilgrim's Pride Corporation Long Term Incentive Plan (incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on April 28, 2021).†
21	Subsidiaries of Registrant.*
23.1	Consent of KPMG LLP.*
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Principal Executive Officer of Pilgrim's Pride Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of Principal Financial Officer of Pilgrim's Pride Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation
101.DEF	Inline XBRL Taxonomy Extension Definition
101.LAB	Inline XBRL Taxonomy Extension Label

101.PRE	Inline XBRL Taxonomy Extension Presentation
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

*	**Filed herewith**
**	**Furnished herewith**
†	**Represents a management contract or compensation plan arrangement**

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 9, 2023.

PILGRIM'S PRIDE CORPORATION

By: /s/ Matthew Galvanoni

Matthew Galvanoni
Chief Financial Officer and Chief Accounting Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENT that the undersigned officers and directors of Pilgrim's Pride Corporation do hereby constitute and appoint Matthew Galvanoni as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming that all said attorney-in-fact and agent, or any of them or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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 dates indicated.

Signature	Title	Date
/s/ Gilberto Tomazoni Gilberto Tomazoni	Chairman of the Board	February 9, 2023
/s/ Fabio Sandri Fabio Sandri	President and Chief Executive Officer (Principal Executive Officer)	February 9, 2023
/s/ Matthew Galvanoni Matthew Galvanoni	Chief Financial Officer and Chief Accounting Officer (Principal Financial Officer and Principal Accounting Officer)	February 9, 2023
/s/ Farha Aslam Farha Aslam	Director	February 9, 2023
/s/ Arquimedes A. Celis Arquimedes A. Celis	Director	February 9, 2023
/s/ Raul Padilla Raul Padilla	Director	February 9, 2023
/s/ Wallim Cruz de Vasconcellos Junior Wallim Cruz de Vasconcellos Junior	Director	February 9, 2023
/s/ Joanita Maria Maestri Karoleski Joanita Maria Maestri Karoleski	Director	February 9, 2023
/s/ Ajay Menon Ajay Menon	Director	February 9, 2023
/s/ Andre Nogueira de Souza Andre Nogueira de Souza	Director	February 9, 2023
/s/ Vincent Trius Vincent Trius	Director	February 9, 2023

EXHIBIT 21
PILGRIM'S PRIDE CORPORATION
SUBSIDIARIES OF REGISTRANT

	Jurisdiction of Incorporation or Organization
U.S. Subsidiaries	
PFS Distribution Company	Delaware
Pilgrim's Pride, LLC	Delaware
Pilgrim's Pride Finance LLC	Delaware
POPPSA 3, LLC	Delaware
POPPSA 4, LLC	Delaware
PPC Transportation Company	Delaware
Merit Provisions, LLC	Delaware
40 North Foods, Inc.	Delaware
GC Properties	Georgia
PPC of Alabama, Inc.	Georgia
Gold'n Plump Farms, LLC	Minnesota
Gold'n Plump Poultry, LLC	Minnesota
JFC LLC	Minnesota
Pilgrim's Pride Affordable Housing Corporation	Nevada
Pilgrim's Pride of Nevada, Inc.	Nevada
PPC Marketing, Ltd.	Texas
Pilgrim's Pride Corporation of West Virginia, Inc.	West Virginia
Foreign Subsidiaries	
To-Ricos Distribution, Ltd.	Bermuda
To-Ricos, Ltd.	Bermuda
Moy Park Beef Orléans Sàrl	France
Moy Park France Holdings SAS	France
Moy Park France SAS	France
Ivory Investments Luxembourg Holding S.C.S.	Luxembourg
Sandstone Holdings Sàrl	Luxembourg
Pilgrim's Pride Malta Finance Limited	Malta
Avícola Pilgrim's Pride de Mexico, S. A. de C.V.	Mexico
FAMPAT, S.A. de C.V.	Mexico
Gallina Pesada S.A.P.I. de C.V.	Mexico
Inmobiliaria Avicolas Pilgrim's Pride S. de C.V.	Mexico
Pilgrim's Pride S. de R.L. de C.V.	Mexico
Plan Pro Restaurantes, S.A. de C.V.	Mexico
Servicios Administrativos Pilgrim's Pride S. de R.L. de C.V.	Mexico
Albert van Zoonen B.V.	Netherlands
Arkose Investments Unlimited Company	Republic of Ireland
Consumer Foods Van Sales (Ireland) Ltd.	Republic of Ireland
Pilgrim's Food Masters Ireland Ltd.	Republic of Ireland
Rye Valley Foods Ltd.	Republic of Ireland

EXHIBIT 21
PILGRIM'S PRIDE CORPORATION
SUBSIDIARIES OF REGISTRANT

	Jurisdiction of Incorporation or Organization
Foreign Subsidiaries (Continued)	
Attleborough Foods Ltd.	United Kingdom
Bakewell Foods Ltd.	United Kingdom
Consumer Foods Van Sales (UK) Ltd.	United Kingdom
Dungannon Proteins Ltd.	United Kingdom
Hamer International Ltd.	United Kingdom
Kitchen Range Foods Ltd.	United Kingdom
Moy Park (Bondco) Plc	United Kingdom
Moy Park Holdings (Europe) Ltd.	United Kingdom
Moy Park Ltd.	United Kingdom
Moy Park Newco Ltd.	United Kingdom
Noon Products Ltd.	United Kingdom
Oakhouse Foods Ltd.	United Kingdom
O'Kane Blue Rose (Newco 1) Ltd.	United Kingdom
O'Kane Poultry Ltd.	United Kingdom
Onix Investments UK Ltd.	United Kingdom
Pilgrim's Food Masters Holdings Ltd.	United Kingdom
Pilgrim's Food Masters UK Ltd.	United Kingdom
Pilgrim's Pride, Ltd.	United Kingdom
Pilgrim's Shared Services Ltd.	United Kingdom
Pioneer Brands Ltd.	United Kingdom
Randall Parker Foods Ltd.	United Kingdom
Rollover Ltd.	United Kingdom
Spurway Foods Ltd.	United Kingdom
W. & J. Parker (Wholesale) Ltd.	United Kingdom

EXHIBIT 23.1
CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the registration statements (Nos. 333-179563, 333-182586, and 333-237154) on Form S-8 and registration statement (No. 333-268974) on Form S-4 of our report dated February 9, 2023, with respect to the consolidated financial statements of Pilgrim's Pride Corporation and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

Denver, Colorado
February 9, 2023

EXHIBIT 31.1

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

I, Fabio Sandri, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 25, 2022, of Pilgrim's Pride Corporation;

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

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

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

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

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: February 9, 2023

/s/ Fabio Sandri
Fabio Sandri
Principal Executive Officer

EXHIBIT 31.2

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

I, Matthew Galvanoni, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 25, 2022, of Pilgrim's Pride Corporation;

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

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

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

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

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: February 9, 2023

/s/ Matthew Galvanoni

Matthew Galvanoni
Principal Financial Officer

EXHIBIT 32.1

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

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

The Annual Report on Form 10-K for the year ended December 25, 2022 (the “Form 10-K”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 9, 2023	/s/ Fabio Sandri
	Fabio Sandri
	Principal Executive Officer

EXHIBIT 32.2

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

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

The Annual Report on Form 10-K for the year ended December 25, 2022 (the "Form 10-K") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 9, 2023	/s/ Matthew Galvanoni
	Matthew Galvanoni
	Principal Financial Officer