

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2019
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
(State or other jurisdiction of
incorporation or organization)
1770 Promontory Circle,
Greeley, CO
(Address of principal executive offices)

75-1285071
(I.R.S. Employer
Identification No.)

80634-9038
(Zip code)

Registrant's telephone number, including area code: (970) 506-8000
(Former name, former address and former fiscal year, if changed since last report.)

Title of each class

Common Stock, Par Value \$0.01

Trading Symbol

PPC

Name of Exchange on Which Registered

The NASDAQ Stock Market LLC

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 and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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
Non-accelerated Filer

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares outstanding of the issuer's common stock, \$0.01 par value per share, as of May 1, 2019, was 249,419,815.

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PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES

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

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

	March 31, 2019	December 30, 2018
	(In thousands)	
Cash and cash equivalents	\$ 378,518	\$ 338,386
Restricted cash and cash equivalents	20,373	23,192
Trade accounts and other receivables, less allowance for doubtful accounts	564,055	561,549
Accounts receivable from related parties	854	1,331
Inventories	1,166,002	1,159,519
Income taxes receivable	31,985	38,479
Prepaid expenses and other current assets	124,265	112,023
Assets held for sale	178	178
Total current assets	2,286,230	2,234,657
Deferred tax assets	4,166	4,248
Other long-lived assets	16,275	16,717
Identified intangible assets, net	569,870	564,128
Goodwill	970,640	949,750
Operating lease assets, net	330,040	—
Property, plant and equipment, net	2,195,706	2,161,702
Total assets	\$ 6,372,927	\$ 5,931,202
Accounts payable	\$ 818,482	\$ 830,059
Accounts payable to related parties	5,550	7,269
Revenue contract liability	25,812	33,328
Accrued expenses and other current liabilities	472,365	386,941
Income taxes payable	7,884	8,221
Current maturities of long-term debt	27,637	30,405
Total current liabilities	1,357,730	1,296,223
Noncurrent operating lease liability, less current maturities	252,281	—
Long-term debt, less current maturities	2,303,735	2,295,190
Noncurrent income taxes payable	7,731	7,731
Deferred tax liabilities	236,931	237,422
Other long-term liabilities	70,019	75,051
Total liabilities	4,228,427	3,911,617
Common stock	2,609	2,604
Treasury stock	(231,994)	(231,994)
Additional paid-in capital	1,947,013	1,945,136
Retained earnings	505,899	421,888
Accumulated other comprehensive loss	(88,926)	(127,834)
Total Pilgrim's Pride Corporation stockholders' equity	2,134,601	2,009,800
Noncontrolling interest	9,899	9,785
Total stockholders' equity	2,144,500	2,019,585
Total liabilities and stockholders' equity	\$ 6,372,927	\$ 5,931,202

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

PILGRIM'S PRIDE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Thirteen Weeks Ended	
	March 31, 2019	April 1, 2018
	(In thousands, except per share data)	
Net sales	\$ 2,724,675	\$ 2,746,678
Cost of sales	2,505,736	2,459,013
Gross profit	218,939	287,665
Selling, general and administrative expense	81,924	85,283
Administrative restructuring activity	(27)	789
Operating income	137,042	201,593
Interest expense, net of capitalized interest	33,562	50,300
Interest income	(3,340)	(1,590)
Foreign currency transaction loss (gain)	2,636	(1,721)
Miscellaneous, net	(357)	(1,617)
Income before income taxes	104,541	156,221
Income tax expense	20,416	36,997
Net income	84,125	119,224
Less: Net income (loss) attributable to noncontrolling interests	114	(194)
Net income attributable to Pilgrim's Pride Corporation	\$ 84,011	\$ 119,418
Weighted average shares of Pilgrim's Pride Corporation common stock outstanding:		
Basic	249,167	248,838
Effect of dilutive common stock equivalents	390	151
Diluted	249,557	248,989
Net income attributable to Pilgrim's Pride Corporation per share of common stock outstanding:		
Basic	\$ 0.34	\$ 0.48
Diluted	\$ 0.34	\$ 0.48

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

PILGRIM'S PRIDE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Thirteen Weeks Ended	
	March 31, 2019	April 1, 2018
	(In thousands)	
Net income	\$ 84,125	\$ 119,224
Other comprehensive income:		
Foreign currency translation adjustment		
Gains arising during the period	37,442	52,565
Income tax effect	—	(37)
Derivative financial instruments designated as cash flow hedges		
Losses arising during the period	(898)	(15)
Reclassification to net earnings for losses (gains) realized	(221)	250
Available-for-sale securities		
Gains arising during the period	22	374
Income tax effect	(5)	(91)
Reclassification to net earnings for gains realized	(135)	(172)
Income tax effect	34	42
Defined benefit plans		
Gains arising during the period	3,200	5,899
Income tax effect	(779)	(1,434)
Reclassification to net earnings of losses realized	328	301
Income tax effect	(80)	(73)
Total other comprehensive income, net of tax	38,908	57,609
Comprehensive income	123,033	176,833
Less: Comprehensive income (loss) attributable to noncontrolling interests	114	(194)
Comprehensive income attributable to Pilgrim's Pride Corporation	\$ 122,919	\$ 177,027

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

PILGRIM'S PRIDE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
	Shares	Amount	Shares	Amount					
(In thousands)									
Balance at December 30, 2018	260,396	\$ 2,604	(11,431)	\$ (231,994)	\$ 1,945,136	\$ 421,888	\$ (127,834)	\$ 9,785	\$ 2,019,585
Net income	—	—	—	—	—	84,011	—	114	84,125
Other comprehensive income, net of tax	—	—	—	—	—	—	38,908	—	38,908
Share-based compensation plans:									
Common stock issued under compensation plans	459	5	—	—	(5)	—	—	—	—
Requisite service period recognition	—	—	—	—	1,882	—	—	—	1,882
Balance at March 31, 2019	<u>260,855</u>	<u>\$ 2,609</u>	<u>(11,431)</u>	<u>\$ (231,994)</u>	<u>\$ 1,947,013</u>	<u>\$ 505,899</u>	<u>\$ (88,926)</u>	<u>\$ 9,899</u>	<u>\$ 2,144,500</u>
Balance at December 31, 2017	260,168	\$ 2,602	(11,416)	\$ (231,758)	\$ 1,932,509	\$ 173,943	\$ (31,140)	\$ 9,505	\$ 1,855,661
Net income (loss)	—	—	—	—	—	119,418	—	(194)	119,224
Other comprehensive income, net of tax	—	—	—	—	—	—	57,609	—	57,609
Share-based compensation plans:									
Common stock issued under compensation plans	228	2	—	—	(2)	—	—	—	—
Requisite service period recognition	—	—	—	—	1,273	—	—	—	1,273
Balance at April 1, 2018	<u>260,396</u>	<u>\$ 2,604</u>	<u>(11,416)</u>	<u>\$ (231,758)</u>	<u>\$ 1,933,780</u>	<u>\$ 293,361</u>	<u>\$ 26,469</u>	<u>\$ 9,311</u>	<u>\$ 2,033,767</u>

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

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

	Thirteen Weeks Ended	
	March 31, 2019	April 1, 2018
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 84,125	\$ 119,224
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	67,182	67,444
Loan cost amortization	1,201	1,757
Share-based compensation	1,882	1,273
Foreign currency transaction loss (gain) related to borrowing arrangements	(1,034)	5,745
Deferred income tax benefit	(4,089)	(4,735)
Accretion of discount related to Senior Notes	246	76
Amortization of premium related to Senior Notes	(167)	(167)
Loss (gain) on property disposals	(108)	80
Gain on equity-method investments	(16)	(16)
Noncash loss on early extinguishment of debt	—	3,918
Asset impairment	—	470
Changes in operating assets and liabilities:		
Trade accounts and other receivables	2,381	(61,945)
Inventories	(1,368)	19,541
Prepaid expenses and other current assets	(11,479)	(20,777)
Accounts payable, accrued expenses and other current liabilities	(21,968)	(29,171)
Income taxes	6,579	(98,784)
Long-term pension and other postretirement obligations	(1,315)	(2,759)
Other operating assets and liabilities	(1,683)	(534)
Cash provided by operating activities	120,369	640
Cash flows from investing activities:		
Acquisitions of property, plant and equipment	(87,941)	(76,681)
Proceeds from property disposals	539	1,021
Cash used in investing activities	(87,402)	(75,660)
Cash flows from financing activities:		
Proceeds from revolving line of credit and long-term borrowings	67,193	502,341
Payments on revolving line of credit, long-term borrowings and capital lease obligations	(62,293)	(433,550)
Proceeds (payment) from equity contribution (distribution) under Tax Sharing Agreement between JBS USA Food Company Holdings and Pilgrim's Pride Corporation	(525)	5,558
Payment of capitalized loan costs	(458)	(4,061)
Cash provided by financing activities	3,917	70,288
Effect of exchange rate changes on cash and cash equivalents	429	6,669
Increase in cash, cash equivalents and restricted cash	37,313	1,937
Cash, cash equivalents and restricted cash, beginning of period	361,578	589,531
Cash, cash equivalents and restricted cash, end of period	\$ 398,891	\$ 591,468

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Business

Pilgrim's Pride Corporation (referred to herein as "Pilgrim's," "PPC," "the Company," "we," "us," "our," or similar terms) is one of the largest chicken producers in the world, with operations in the United States ("U.S."), the United Kingdom ("U.K."), Mexico, France, Puerto Rico and the Netherlands. Pilgrim's products are sold to foodservice, retail and frozen entrée customers. The Company's primary distribution is through retailers, foodservice distributors and restaurants throughout the countries listed above. Additionally, the Company exports chicken products to approximately 100 countries. Pilgrim's fresh chicken products consist of refrigerated (nonfrozen) whole chickens, whole cut-up chickens and selected chicken parts that are either marinated or non-marinated. The Company's prepared chicken products include fully cooked, ready-to-cook and individually frozen chicken parts, strips, nuggets and patties, some of which are either breaded or non-breaded and either marinated or non-marinated. The Company's other products include ready-to-eat meals, multi-protein frozen foods, vegetarian foods and desserts. As a vertically integrated company, we control every phase of the production of our products. We operate feed mills, hatcheries, processing plants and distribution centers in 14 U.S. states, the U.K., Mexico, France, Puerto Rico and the Netherlands. As of March 31, 2019, Pilgrim's had approximately 52,100 employees and the capacity to process approximately 45.3 million birds per work week for a total of more than 13.0 billion pounds of live chicken annually. Approximately 5,000 contract growers supply poultry for the Company's operations. As of March 31, 2019, JBS S.A., through its indirect wholly-owned subsidiaries (together, "JBS"), beneficially owned 78.4% of the Company's outstanding common stock.

Condensed Consolidated Financial Statements

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the U.S. Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal and recurring adjustments unless otherwise disclosed) considered necessary for a fair presentation have been included. Operating results for the thirteen weeks ended March 31, 2019 are not necessarily indicative of the results that may be expected for the year ending December 29, 2019. For further information, refer to the consolidated and combined financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 30, 2018.

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 (for example, 2019) in the notes to these Condensed Consolidated Financial Statements applies to our fiscal year and not the calendar year.

The Condensed Consolidated Financial Statements include the accounts of the Company and its majority-owned subsidiaries. We eliminate all significant affiliate accounts and transactions upon consolidation.

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

The functional currency of the Company's U.S. and Mexico operations and certain holding-company subsidiaries in Luxembourg, the U.K. and Ireland is the U.S. dollar. The functional currency of its U.K. operations is the British pound. The functional currency of the Company's operations in France and the Netherlands is the euro. For foreign currency-denominated entities other than the Company's Mexico operations, translation from local currencies into U.S. dollars is performed for most assets and liabilities using the exchange rates in effect as of the balance sheet date. Income and expense accounts are remeasured using average exchange rates for the period. Adjustments resulting from translation of these financial records are reflected as a separate component of *Accumulated other comprehensive loss* in the Condensed Consolidated 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, as well as foreign currency transaction gains and losses, are reflected in *Foreign currency transaction loss (gain)* in the Condensed Consolidated Statements of Income.

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 liabilities, less current maturities*, in our Condensed Consolidated Balance Sheet. Finance leases are included in *Property, plant and equipment, net, Current portion of long-term debt, and Long-term debt, less current maturities*, in our Condensed Consolidated Balance Sheet.

Beginning with the adoption of Accounting Standards Update ("ASU") 2016-02 on December 31, 2018, 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 our leases do not provide an implicit interest rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The operating lease asset also includes any lease payments made, including upfront costs and prepayments, and excludes lease incentives and initial direct costs incurred. Our lease terms may include options to extend or terminate a lease when it is reasonably certain that we 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. Beginning in 2019, lease and non-lease components are generally accounted for separately. For certain equipment leases, such as vehicles, we account for the lease and non-lease components as a single lease component. The Company's finance lease agreements are immaterial.

Restricted Cash

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

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

	March 31, 2019		December 30, 2018
	(In thousands)		
Cash and cash equivalents	\$ 378,518	\$	338,386
Restricted cash	20,373		23,192
Total cash, cash equivalents and restricted cash shown in the Condensed Consolidated Statements of Cash Flows	<u>\$ 398,891</u>	<u>\$</u>	<u>361,578</u>

Recent Accounting Pronouncements Adopted as of March 31, 2019

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases (Topic 842)*, along with several updates, which, in an effort to increase transparency and comparability among organizations utilizing leasing, requires an entity that is a lessee to recognize the assets and liabilities arising from operating leases on the balance sheet. This guidance also requires disclosures about the amount, timing and uncertainty of cash flows arising from leases. In transition, the entity may elect to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach or the beginning of the period of adoption using a cumulative-effect adjustment approach. We adopted the new standard on December 31, 2018 and recognized and measured leases at the beginning of the period of adoption. We elected the package of practical expedients available under the transition guidance which, among other things, allows the carry-forward of historical lease classification. The Company also elected the practical expedient allowing use of hindsight in assessing the lease term. We made an accounting policy election to not apply the new guidance to leases with a term of 12 months or less and will recognize those payments in the Condensed Consolidated Statement of Income on a straight-line basis over the lease term. We implemented a system solution for administering our leases and facilitating compliance with the new guidance. Adoption of the standard had a material impact on our Condensed Consolidated Balance Sheet as a result of the increase in assets and liabilities from recognition of operating lease assets and operating lease liabilities. However, the standard did not have a material impact on our Condensed Consolidated Statement of Income.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, an accounting standard update that simplifies the application of hedge accounting guidance in current GAAP and improves the reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. Among the simplification updates, the standard eliminates the requirement in current GAAP to separately recognize periodic hedge ineffectiveness. Mismatches between the changes in value of the hedged item and hedging instrument may still occur but they will no longer be separately reported. The standard requires the presentation of the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. The standard is effective for annual and interim reporting periods beginning after December 15, 2018, but early adoption is permitted. We have adopted this standard as of December 31, 2018. The adoption of this guidance did not have a material impact on our financial statements.

In February 2018, the FASB issued ASU 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, an accounting standard update that allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the U.S. Tax Cuts and Jobs Act. The Company will not reclassify the stranded tax effects associated with the U.S. Tax Cuts and Jobs Act from accumulated other comprehensive income to retained earnings. We adopted this standard as of December 31, 2018. The adoption of this guidance did not have a material impact on our financial statements.

In July 2018, the FASB issued ASU 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, an accounting standard update to improve non-employee share-based payment accounting. The accounting standard update more closely aligns the accounting for employee and non-employee share based payments. The accounting standards update is effective as of the beginning of our 2019 calendar year with early adoption permitted. We adopted this standard as of December 31, 2018. The adoption of this guidance did not have a material impact on our financial statements.

Recent Accounting Pronouncements Not Yet Adopted as of March 31, 2019

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which, in an effort to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments, replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, reinsurance receivables and any other financial assets not excluded from the scope that have the contractual right to receive cash. The provisions of the new guidance will be effective as of the beginning of our 2020 fiscal year. Early adoption is permitted after our 2018 fiscal year. We are currently evaluating the impact of the new guidance on our financial statements and have not yet selected an adoption date.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, new accounting guidance to improve the effectiveness of disclosures related to fair value measurements. The new guidance removes certain disclosure requirements related to transfers between Level 1 and Level 2 of the fair value hierarchy along with the policy for timing of transfers between levels and the valuation processes for Level 3 fair value measurements. Additions to the disclosure requirements include more quantitative information related to significant unobservable inputs used in Level 3 fair value measurements and gains and losses included in other comprehensive income. The new guidance will be effective as of our 2020 fiscal year with early adoption permitted. We are currently evaluating the impact of the new guidance on our financial statements and have not yet selected an adoption date.

In August 2018, the FASB issued ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, new accounting guidance to improve the effectiveness of disclosures related to defined benefit plans by eliminating certain required disclosures, clarifying existing disclosures, and adding new disclosures. Changes include removing disclosures related to the amounts in accumulated other comprehensive income expected to be recognized in the next fiscal year, adding narrative disclosure of the reasons for significant gains and losses related to changes in the defined benefit obligation, and clarifying the disclosures required for plans with projected and accumulated benefit obligations in excess of plan assets. The new guidance will be effective as of our 2020 fiscal year with early adoption permitted. We are currently evaluating the impact of the new guidance on our financial statements and have not yet selected an adoption date.

2. 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 March 31, 2019 and December 30, 2018, 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 and foreign currency instruments to manage translation and remeasurement risk.

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

	March 31, 2019	
	Level 1	Total
	(In thousands)	
Fair value assets:		
Commodity futures instruments	\$ 2,207	\$ 2,207
Commodity options instruments	1,384	1,384
Foreign currency instruments	1,009	1,009
Fair value liabilities:		
Commodity futures instruments	(7,677)	(7,677)
Commodity options instruments	(3,439)	(3,439)
Foreign currency instruments	(2,034)	(2,034)

	December 30, 2018	
	Level 1	Total
	(In thousands)	
Fair value assets:		
Commodity futures instruments	\$ 2,244	\$ 2,244
Foreign currency instruments	1,311	1,311
Fair value liabilities:		
Commodity futures instruments	(1,479)	(1,479)
Commodity option instruments	(3,312)	(3,312)
Foreign currency instruments	(6,649)	(6,649)

See "Note 6. 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 Condensed 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 fixed-rate debt obligation recorded in the Condensed Consolidated Balance Sheets consisted of the following:

	March 31, 2019		December 30, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(In thousands)				
Fixed-rate senior notes payable at 5.75%, at Level 1 inputs	\$ (1,002,396)	\$ (1,014,930)	\$ (1,002,497)	\$ (937,300)
Fixed-rate senior notes payable at 5.875%, at Level 1 inputs	(843,896)	(856,333)	(843,717)	(768,188)
Secured loans, at Level 3 inputs	(2,990)	(2,936)	(319)	(319)

See "Note 11. Long-Term Debt and Other Borrowing Arrangements" 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 Condensed 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 Condensed Consolidated Balance Sheets. The fair value of the Company's Level 1 fixed-rate debt obligations was based on the quoted market price at March 31, 2019 or December 30, 2018, as applicable. The fair value of the Company's Level 3 fixed-rate debt obligation was based on discounted cash flows at March 31, 2019 or December 30, 2018, as applicable.

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company records certain assets and liabilities at fair value on a nonrecurring basis. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges when required by U.S. GAAP. The Company recognized impairment charges during the thirteen weeks ended April 1, 2018 of \$0.5 million within the U.S. segment on such assets. There were no impairment charges on such assets during the thirteen weeks ended March 31, 2019. See "Note 9. Property, Plant and Equipment" for additional detail.

3. TRADE ACCOUNTS AND OTHER RECEIVABLES

Trade accounts and other receivables, less allowance for doubtful accounts, consisted of the following:

	March 31, 2019		December 30, 2018	
	(In thousands)			
Trade accounts receivable	\$ 524,466	\$ 524,466	\$ 533,645	\$ 533,645
Notes receivable - current	4,630	4,630	4,630	4,630
Other receivables	43,114	43,114	31,331	31,331
Receivables, gross	572,210	572,210	569,606	569,606
Allowance for doubtful accounts	(8,155)	(8,155)	(8,057)	(8,057)
Receivables, net	\$ 564,055	\$ 564,055	\$ 561,549	\$ 561,549
Accounts receivable from related parties ^(a)	\$ 854	\$ 854	\$ 1,331	\$ 1,331

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

Activity in the allowance for doubtful accounts for the thirteen weeks ended March 31, 2019 was as follows (in thousands):

Balance, beginning of period	\$	(8,057)
Provision charged to operating results		(261)
Account write-offs and recoveries		78
Effect of exchange rate		85
Balance, end of period	\$	(8,155)

4. INVENTORIES

Inventories consisted of the following:

	March 31, 2019	December 30, 2018
	(In thousands)	
Raw materials and work in process	\$ 744,811	\$ 747,801
Finished products	324,604	317,410
Operating supplies	43,966	43,825
Maintenance materials and parts	52,621	50,483
Total inventories	\$ 1,166,002	\$ 1,159,519

5. INVESTMENTS IN SECURITIES

We recognize investments in available-for-sale securities as cash equivalents, current investments or long-term investments depending upon each security's length to maturity. Additionally, those securities identified by management at the time of purchase for funding operations in less than one year are classified as current.

The following table summarizes our investments in available-for-sale securities:

	March 31, 2019		December 30, 2018	
	Cost	Fair Value	Cost	Fair Value
	(In thousands)			
Cash equivalents:				
Fixed income securities	\$ 150,812	\$ 150,812	\$ 135,286	\$ 135,286
Other	88,151	88,151	67,474	67,474

Securities classified as cash and cash equivalents mature within 90 days. Securities classified as short-term investments mature between 91 and 365 days. Securities classified as long-term investments mature after 365 days. The specific identification method is used to determine the cost of each security sold and each amount reclassified out of accumulated other comprehensive loss to earnings. Gross realized gains during the thirteen weeks ended March 31, 2019 related to the Company's available-for-sale securities totaled \$2.3 million while gross realized losses were immaterial. Gross realized gains during the thirteen weeks ended April 1, 2018 related to the Company's available-for-sale securities totaled \$0.2 million, while gross realized losses were immaterial. Proceeds received from the sale or maturity of available-for-sale securities recognized as either short- or long-term investments are historically disclosed in the Condensed Consolidated Statements of Cash Flows. No proceeds were received from the sale or maturity of available-for-sale securities recognized as either short- or long-term investments during the thirteen weeks ended March 31, 2019 and April 1, 2018, respectively. Net unrealized holding gains and losses on the Company's available-for-sale securities recognized during the thirteen weeks ended March 31, 2019 and April 1, 2018 that have been included in accumulated other comprehensive loss and the net amount of gains and losses reclassified out of accumulated other comprehensive loss to earnings during the thirteen weeks ended March 31, 2019 and April 1, 2018 are disclosed in "Note 15. Stockholders' Equity".

6. 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 12 months. The Company may purchase longer-term derivative financial instruments on particular commodities if deemed appropriate.

The Company has operations in Mexico and U.K. and Europe and, therefore, has exposure to foreign currency 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 foreign currency exchange risk.

The fair value of derivative assets is included in the line item *Prepaid expenses and other current assets* on the Condensed 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. Our counterparties require that we post cash 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 Condensed Consolidated Balance Sheets.

We have not designated certain derivative financial instruments that we have purchased to mitigate commodity purchase or foreign currency transaction exposures on our Mexico operations as cash flow hedges. Items designated as cash flow hedges are disclosed and described further below. Therefore, we recognized changes in the fair value of these derivative financial instruments immediately in earnings. Gains or losses related to these derivative financial instruments are included in the line item *Foreign currency transaction loss (gain)* in the Condensed Consolidated Statements of Income.

We have designated certain derivative financial instruments related to our U.K. and Europe segment that we have purchased to mitigate foreign currency transaction exposures as cash flow hedges. Before the settlement date of the financial derivative instruments, we recognize changes in the fair value of the cash flow hedge into accumulated other comprehensive income ("AOCI"). When each derivative financial instrument for which we have designated a cash flow hedge is settled, the amount in AOCI is then reclassified to earnings. Gains or losses related to these derivative financial instruments are included in the line item *Cost of sales* in the Condensed Consolidated Statements of Income.

The Company recognized net losses of \$8.0 million and net gains of \$6.4 million related to changes in the fair value of its derivative financial instruments during the thirteen weeks ended March 31, 2019 and April 1, 2018, respectively. Information regarding the Company's outstanding derivative instruments and cash collateral posted with brokers is included in the following table:

	March 31, 2019		December 30, 2018
	(Fair values in thousands)		
Fair values:			
Commodity derivative assets	\$	3,591	\$ 2,263
Commodity derivative liabilities		(11,116)	(4,791)
Foreign currency derivative assets		1,009	1,311
Foreign currency derivative liabilities		(2,034)	(6,649)
Cash collateral posted with brokers ^(a)		20,373	23,192
Derivatives coverage^(b):			
Corn		12.0%	6.0%
Soybean meal		7.0%	6.0%
Period through which stated percent of needs are covered:			
Corn		March 2020	March 2020
Soybean meal		December 2019	December 2019

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

Gain (Loss) Recognized in Other Comprehensive Income on Derivative

	Thirteen Weeks Ended			
	March 31, 2019		April 1, 2018	
	(In thousands)			
Foreign currency derivatives	\$	(915)	\$	1
Total	\$	(915)	\$	1

Gain (Loss) Reclassified from AOCI into Income

	Thirteen Weeks Ended			
	March 31, 2019		April 1, 2018	
	(In thousands)			
Foreign currency derivatives	\$	221	\$	(250)
Total	\$	221	\$	(250)

At March 31, 2019, the pre-tax deferred net gains on derivatives recorded in AOCI that are expected to be reclassified to the Condensed Consolidated Statements of Income during the next twelve months are \$0.9 million. This expectation is based on the anticipated settlements on the hedged investments in foreign currencies that will occur over the next twelve months, at which time the Company will recognize the deferred gains (losses) to earnings.

7. GOODWILL AND INTANGIBLE ASSETS

The activity in goodwill by segment for the thirteen weeks ended March 31, 2019 was as follows:

	December 30, 2018		Currency Translation		March 31, 2019	
	(In thousands)					
U.S.	\$	41,936	\$	—	\$	41,936
U.K. and Europe		782,207		20,890		803,097
Mexico		125,607		—		125,607
Total	\$	949,750	\$	20,890	\$	970,640

Identified intangible assets consisted of the following:

	December 30, 2018		Amortization		Currency Translation		March 31, 2019	
	(In thousands)							
Cost:								
Trade names	\$	78,343	\$	—	\$	—	\$	78,343
Customer relationships		247,706		—		2,326		250,032
Non-compete agreements		320		—		—		320
Trade names not subject to amortization		380,067		—		9,891		389,958
Accumulated amortization:								
Trade names		(43,552)		(491)		—		(44,043)
Customer relationships		(98,441)		(5,191)		(791)		(104,423)
Non-compete agreements		(315)		(2)		—		(317)
Total	\$	564,128	\$	(5,684)	\$	11,426	\$	569,870

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

Customer relationships	5-16 years
Trade names	3-20 years
Non-compete agreements	3 years

At March 31, 2019, the Company assessed if events or changes in circumstances indicated that the aggregate carrying amount of its identified 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 identified intangible assets subject to amortization at that date.

8. 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 geographic business segments. The Company is also party to a limited number of finance lease agreements in the U.S.

Our leases have remaining lease terms of one year to 20 years, some of which may include options to extend the lease for up to two years and some which may include options to terminate the lease within one year. The exercise of options to extend lease terms is at our 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. Operating lease cost, finance lease amortization and finance lease interest are respectively included in *Cost of sales, Selling, general and administrative expense* and *Interest expense, net of capitalized interest* in the Condensed Consolidated Statements of Income.

	Thirteen Weeks Ended	
	March 31, 2019	
	(In thousands)	
Operating lease cost ^(a)	\$	25,663
Finance lease cost		
Amortization of finance leases		27
Interest on finance leases		3
Short-term and variable lease cost		14,218
Net lease cost	\$	39,911

(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 Condensed Consolidated Balance Sheet are as follows:

	March 31, 2019
Weighted-average remaining lease term (years):	
Operating leases	6.35
Finance leases	1.75
Weighted-average discount rate:	
Operating leases	4.80%
Finance leases	8.51%

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

Thirteen Weeks Ended
March 31, 2019

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 23,994
Financing cash flows from finance leases	27
Operating lease assets obtained in exchange for operating lease liabilities	\$ 22,798

Future minimum lease payments under non-cancellable leases at March 31, 2019 are as follows (in thousands):

	Operating Leases	Finance Leases
For the fiscal years ending December:		
Less than one year	\$ 97,683	\$ 98
Year two	68,481	67
Year three	58,476	—
Year four	49,761	—
Year five	39,684	—
Thereafter	73,457	—
Total future minimum lease payments	387,542	165
Less: imputed interest	56,298	12
Present value of lease liabilities	\$ 331,244	\$ 153

Lease liabilities as of March 31, 2019 are included in our Condensed Consolidated Balance Sheet as follows (in thousands):

	Operating Leases	Finance Leases
Accrued expenses and other current liabilities	\$ 78,963	\$ 1
Current maturities of long-term debt	—	88
Noncurrent operating lease liability, less current maturities	252,281	—
Long-term debt, less current maturities	—	64
Total lease liabilities	\$ 331,244	\$ 153

As of March 31, 2019, the Company's operating and finance leases that have not commenced are immaterial.

9. PROPERTY, PLANT AND EQUIPMENT

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

	March 31, 2019	December 30, 2018
	(In thousands)	
Land	\$ 197,988	\$ 196,769
Buildings	1,711,953	1,697,703
Machinery and equipment	2,667,438	2,618,213
Autos and trucks	61,839	59,195
Construction-in-progress	304,431	269,166
PP&E, gross	4,943,649	4,841,046
Accumulated depreciation	(2,747,943)	(2,679,344)
PP&E, net	\$ 2,195,706	\$ 2,161,702

The Company recognized depreciation expense of \$61.5 million and \$60.6 million during the thirteen weeks ended March 31, 2019 and April 1, 2018, respectively.

During the thirteen weeks ended March 31, 2019, Pilgrim's spent \$87.9 million on capital projects and transferred \$56.1 million of completed projects from construction-in-progress to depreciable assets. Capital expenditures were primarily incurred during the thirteen weeks ended March 31, 2019 to improve efficiencies and reduce costs. During the thirteen weeks ended April 1, 2018, the Company spent \$76.7 million on capital projects and transferred \$43.5 million of completed projects from construction-in-progress to depreciable assets.

During the thirteen weeks ended March 31, 2019, the Company sold miscellaneous equipment for \$0.5 million in cash and recognized a net gain on these sales of \$0.1 million. During the thirteen weeks ended April 1, 2018, the Company sold certain PP&E for cash of \$1.0 million and recognized a net loss on these sales of \$0.1 million. PP&E sold in the thirteen weeks ended April 1, 2018 included a processing plant in Alabama and miscellaneous equipment.

Management has committed to the sale of miscellaneous equipment that no longer fit into the operating plans of the Company. The Company is actively marketing these assets for immediate sale and believes a sale of each asset can be consummated within the next 12 months. At both March 31, 2019 and December 30, 2018, the Company reported properties and related assets totaling \$0.2 million in the line item *Assets held for sale* on its Condensed Consolidated Balance Sheets. The fair values of the miscellaneous equipment that were classified as assets held for sale as of March 31, 2019 were based on quoted market prices.

The Company has closed or idled various facilities in the U.S. and in the U.K. Neither the Board of Directors nor JBS has determined if it would be in the best interest of the Company to divest any of these idled assets. Management is therefore not certain that it can or will divest any of these assets within one year, is not actively marketing these assets and, accordingly, has not classified them as assets held for sale. The Company continues to depreciate these assets. At March 31, 2019, the carrying amounts of these idled assets totaled \$43.4 million based on depreciable value of \$154.4 million and accumulated depreciation of \$111.0 million.

At March 31, 2019, 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.

10. CURRENT LIABILITIES

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

	March 31, 2019	December 30, 2018
	(In thousands)	
Accounts payable:		
Trade accounts	\$ 734,960	\$ 744,105
Book overdrafts	66,080	69,475
Other payables	17,442	16,479
Total accounts payable	818,482	830,059
Accounts payable to related parties ^(a)	5,550	7,269
Revenue contract liability ^(b)	25,812	33,328
Accrued expenses and other current liabilities:		
Compensation and benefits	148,666	149,507
Interest and debt-related fees	32,785	33,596
Insurance and self-insured claims	79,254	80,990
Current maturities of operating lease liabilities	78,963	—
Derivative liabilities:		
Commodity futures	7,677	1,479
Commodity options	3,439	3,312
Foreign currency derivatives	2,034	6,649
Other accrued expenses	119,547	111,408
Total accrued expenses and other current liabilities	472,365	386,941
	<u>\$ 1,322,209</u>	<u>\$ 1,257,597</u>

- (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 13. Revenue Recognition.”

11. LONG-TERM DEBT AND OTHER BORROWING ARRANGEMENTS

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

	Maturity	March 31, 2019		December 30, 2018	
(In thousands)					
Long-term debt and other long-term borrowing arrangements:					
Senior notes payable, net of premium and discount at 5.75%	2025	\$	1,002,396	\$	1,002,497
Senior notes payable, net of discount at 5.875%	2027		843,896		843,717
U.S. Credit Facility (defined below):					
Term note payable at 3.65%	2023		493,750		500,000
Revolving note payable at 5.25%	2023		—		—
Moy Park Bank of Ireland Revolving Facility with notes payable at LIBOR or EURIBOR plus 1.25% to 2.00%	2023		14,471		—
Moy Park France Invoice Discounting Revolver with payables at EURIBOR plus 0.8%	2019		—		2,277
Moy Park Credit Agricole Bank Overdraft with notes payable at EURIBOR plus 1.50%	On Demand		—		88
Mexico Credit Facility (defined below) with notes payable at THIE plus 0.95%	2023		—		—
Secured loans with payables at weighted average of 3.80%	Various		2,990		319
Finance lease obligations	Various		152		3,707
Long-term debt			2,357,655		2,352,605
Less: Current maturities of long-term debt			(27,637)		(30,405)
Long-term debt, less current maturities			2,330,018		2,322,200
Less: Capitalized financing costs			(26,283)		(27,010)
Long-term debt, less current maturities, net of capitalized financing costs:		\$	2,303,735	\$	2,295,190

U.S. Senior Notes

On March 11, 2015, the Company completed a sale of \$500.0 million aggregate principal amount of its 5.75% senior notes due 2025. On September 29, 2017, the Company completed an add-on offering of \$250.0 million of these senior notes. The issuance price of this add-on offering was 102.0%, which created gross proceeds of \$255.0 million. The additional \$5.0 million will be amortized over the remaining life of the senior notes. On March 7, 2018, the Company completed another add-on offering of \$250.0 million of these senior notes (together with the senior notes issued in March 2015 and September 2017, the “Senior Notes due 2025”). The issuance price of this add-on offering was 99.25%, which created gross proceeds of \$248.1 million. The \$1.9 million discount will be amortized over the remaining life of the senior notes. Each issuance of the Senior Notes due 2025 is treated as a single class for all purposes under the 2015 Indenture (defined below) and have the same terms.

The Senior Notes due 2025 are governed by, and were issued pursuant to, an indenture dated as of March 11, 2015 by and among the Company, its guarantor subsidiary and Wells Fargo Bank, National Association, as trustee (the “2015 Indenture”). The 2015 Indenture provides, among other things, that the Senior Notes due 2025 bear interest at a rate of 5.75% per annum from the date of issuance until maturity, payable semi-annually in cash in arrears, beginning on September 15, 2015 for the Senior Notes due 2025 that were issued in March 2015 and beginning on March 15, 2018 for the Senior Notes due 2025 that were issued in September 2017 and March 2018.

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 subsidiary and U.S. Bank National Association, as trustee (the "2017 Indenture"). The 2017 Indenture provides, among other things, that the Senior Notes due 2027 bear interest at a rate of 5.875% per annum from the date of issuance until maturity, payable semi-annually in cash in arrears, beginning on March 30, 2018 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.

The Senior Notes due 2025 and the Senior Notes due 2027 are each guaranteed on a senior unsecured basis by the Company's guarantor subsidiary. In addition, any of the Company's other existing or future domestic restricted subsidiaries that incur or guarantee any other indebtedness (with limited exceptions) must also guarantee the Senior Notes due 2025 and the Senior Notes due 2027. The Senior Notes due 2025 and the Senior Notes due 2027 and related guarantees are unsecured senior obligations of the Company and its guarantor subsidiary and rank equally with all of the Company's and its guarantor subsidiary's other unsubordinated indebtedness. The Senior Notes due 2025, the 2015 Indenture, the Senior Notes due 2027 and the 2017 Indenture also contain customary covenants and events of default, including failure to pay principal or interest on the Senior Notes due 2025 and the Senior Notes due 2027, respectively, when due, among others.

The Company used the net proceeds from the sale of the Senior Notes due 2025 and the Senior Notes due 2027 that were issued in September 2017 to repay in full the JBS S.A. Promissory Note issued as part of the Moy Park acquisition and for general corporate purposes. The Company used the net proceeds from the sale of the Senior Notes due 2025 and the Senior Notes due 2027 that were issued in March 2018 to pay the second tender price of Moy Park Notes (as described below), repay a portion of outstanding secured debt, and for general corporate purposes. The Senior Notes due 2025 and the Senior Notes due 2027 were sold to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act.

U.S. Credit Facility

On July 20, 2018, the Company, and certain of the Company's subsidiaries entered into a Fourth 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 a \$750.0 million revolving credit commitment and a term loan commitment of up to \$500.0 million (the "Term Loans"). The Company used the proceeds from the term loan commitment under the U.S. Credit Facility, together with cash on hand, to repay the outstanding loans under the Company's previous credit agreement with Coöperatieve Rabobank U.A., New York Branch, as administrative agent, and the other lenders and financial institutions party thereto.

The U.S. Credit Facility includes an accordion feature that allows the Company, at any time, to increase the aggregate revolving loan and term loan commitments by up to an additional \$1.25 billion, subject to the satisfaction of certain conditions, including obtaining the lenders' agreement to participate in the increase.

The revolving loan commitment under the U.S. Credit Facility matures on July 20, 2023. All principal on the Term Loans is due at maturity on July 20, 2023. Installments of principal are required to be made, in an amount equal to 1.25% of the original principal amount of the Term Loans, on a quarterly basis prior to the maturity date of the Term Loans. Covenants in the U.S. Credit Facility also require the Company to use the proceeds it receives from certain asset sales and specified debt or equity issuances and upon the occurrence of other events to repay outstanding borrowings under the U.S. Credit Facility. As of March 31, 2019, the Company had Term Loans outstanding totaling \$493.8 million and the amount available for borrowing under the revolving loan commitment was \$708.4 million. The Company had letters of credit of \$41.6 million and no borrowings outstanding under the revolving loan commitment as of March 31, 2019.

The U.S. Credit Facility includes a \$75.0 million sub-limit for swingline loans and a \$125.0 million sub-limit for letters of credit. Outstanding borrowings under the revolving loan commitment and the Term Loans bear interest at a per annum rate equal to (i) in the case of LIBOR loans, LIBOR plus 1.25% through August 2, 2018 and, thereafter, based on the Company's net senior secured leverage ratio, between LIBOR plus 1.25% and LIBOR plus 2.75% and (ii) in the case of alternate base rate loans, the base rate plus 0.25% through August 2, 2018 and, based on the Company's net senior secured leverage ratio, between the base rate plus 0.25% and base rate plus 1.75% thereafter.

The U.S. Credit Facility contains 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 level of tangible net worth covenant. The U.S. Credit Facility also provides that the Company may not incur capital expenditures in excess of \$500.0 million in any fiscal year.

All obligations under the U.S. Credit Facility continue to be unconditionally guaranteed by certain of the Company's subsidiaries and continue to be secured by a first priority lien on (i) the accounts receivable and inventory of the Company and its non-Mexico subsidiaries, (ii) 100% of the equity interests in the Company's domestic subsidiaries, To-Ricos, Ltd. and To-Ricos Distribution, Ltd., and 65% of the equity interests in its direct foreign subsidiaries and (iii) substantially all of the 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.

Moy Park Bank of Ireland Revolving Facility Agreement

On June 2, 2018, Moy Park Holdings (Europe) Ltd. and its subsidiaries entered into an unsecured multicurrency revolving facility agreement (the "Bank of Ireland Facility Agreement") with the Governor and Company of the Bank of Ireland, as agent, and the other lenders party thereto. The Bank of Ireland Facility Agreement provides for a multicurrency revolving loan commitment of up to £100.0 million. The multicurrency revolving loan commitments under the Bank of Ireland Facility Agreement mature on June 2, 2023. Outstanding borrowings under the Bank of Ireland Facility Agreement bear interest at a rate per annum equal to the sum of (i) LIBOR or, in relation to any loan in euros, EURIBOR, plus (ii) a margin, ranging from 1.25% to 2.00% based on Leverage (as defined in the Bank of Ireland Facility Agreement). All obligations under the Bank of Ireland Facility Agreement are guaranteed by certain of Moy Park's subsidiaries. As of March 31, 2019, the U.S. dollar-equivalent loan commitment, borrowing availability, and outstanding borrowings under the Bank of Ireland Facility Agreement were \$130.3 million, \$115.8 million, and \$14.5 million, respectively.

The Bank of Ireland Facility Agreement contains representations and warranties, covenants, indemnities and conditions that the Company believes are customary for transactions of this type. Pursuant to the terms of the Bank of Ireland Facility Agreement, Moy Park is required to meet certain financial and other restrictive covenants. Additionally, Moy Park 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 Bank of Ireland Facility Agreement. The Bank of Ireland Facility Agreement contains events of default that the Company believes are customary for transactions of this type. If a default occurs, any outstanding obligations under the Bank of Ireland Facility Agreement may be accelerated.

Moy Park France Invoice Discounting Facility

In June 2009, Moy Park France Sàrl entered into a €20.0 million invoice discounting facility with GE De Facto (the "Invoice Discounting Facility"). The facility limit was decreased by 50 percent in June 2018. The Invoice Discounting Facility is payable on demand and the term is extended on an annual basis. The agreement can be terminated by either party with three months' notice. Outstanding borrowings under the Invoice Discounting Facility bear interest at a per annum rate equal to EURIBOR plus 0.80%. As of March 31, 2019, the U.S. dollar-equivalent of the loan commitment and borrowing availability was \$11.2 million. There were no outstanding borrowings under the Invoice Discounting Facility as of March 31, 2019.

The Invoice Discounting Facility contains financial covenants and various other covenants that may adversely affect Moy Park's ability to, among other things, incur additional indebtedness, consummate certain asset sales, enter into certain transactions with JBS and the Company's other affiliates, merge, consolidate and/or sell or dispose of all or substantially all of Moy Park's assets.

Moy Park Credit Agricole Bank Overdraft

On December 3, 2018, Moy Park entered into an unsecured €0.5 million bank overdraft agreement (the "Overdraft Agreement") with Credit Agricole. The Overdraft Agreement is payable on demand and can be cancelled anytime by the Company or Credit Agricole. Outstanding borrowings under the Overdraft Agreement bears interest at a per annum rate equal to EURIBOR plus 1.50%. As of March 31, 2019, there were no outstanding borrowing under the Overdraft Agreement.

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 Bajío, 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. The U.S. dollar-equivalent of the loan commitment under the Mexico Credit Facility is \$77.2 million. Outstanding borrowings under the Mexico Credit Facility accrue interest at a rate equal to the 28-Day Interbank Equilibrium Interest Rate plus 1.50%. 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.

12. INCOME TAXES

The Company recorded income tax expense of \$20.4 million, a 19.5% effective tax rate, for the thirteen weeks ended March 31, 2019 compared to income tax expense of \$37.0 million, a 23.7% effective tax rate, for the thirteen weeks ended April 1, 2018. The decrease in income tax expense in 2019 resulted primarily from a reduction in pre-tax income.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carry back and carry forward periods), projected future taxable income and tax-planning strategies in making this assessment. As of March 31, 2019, the Company did not believe it had sufficient positive evidence to conclude that realization of a portion of its foreign net deferred tax assets are more likely than not to be realized.

For the thirteen weeks ended March 31, 2019 and April 1, 2018, there is a tax effect of \$(0.8) million and \$(1.6) million, respectively, reflected in other comprehensive income.

For the thirteen weeks ended March 31, 2019 and April 1, 2018, there are immaterial tax effects reflected in income tax expense due to excess tax benefits and shortfalls related to share-based compensation.

The Company and its subsidiaries file a variety of consolidated and standalone income tax returns in various jurisdictions. In the normal course of business, our income tax filings are subject to review by various taxing authorities. In general, tax returns filed by our Company and our subsidiaries for years prior to 2011 are no longer subject to examination by tax authorities.

13. 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 categories below to show how economic factors affect the nature, amount, timing and uncertainty of revenue and cash flows.

Thirteen Weeks Ended March 31, 2019

	Domestic	Export	Net Sales
	(In thousands)		
U.S.	\$ 1,818,146	\$ 65,445	\$ 1,883,591
U.K. and Europe	451,799	63,163	514,962
Mexico	326,122	—	326,122
Net sales	\$ 2,596,067	\$ 128,608	\$ 2,724,675

Thirteen Weeks Ended April 1, 2018

	Domestic	Export	Net Sales
	(In thousands)		
U.S.	\$ 1,765,940	\$ 75,165	\$ 1,841,105
U.K. and Europe	464,367	79,933	544,300
Mexico	361,273	—	361,273
Net sales	\$ 2,591,580	\$ 155,098	\$ 2,746,678

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.

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

There is no change in accounting for taxes due to the adoption of the new revenue standard, as there is no material change to the timing of revenue recognition. We exclude 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 two weeks of delivery. There are rarely contract assets related to costs incurred to perform in advance of scheduled billings. Revenue contract liabilities relate to payments received in advance of satisfying the performance under the customer contract. The revenue contract liability relates to customer prepayments and the advanced consideration received from governmental agency contracts for which performance obligations to the end customer have not been satisfied.

Changes in the revenue contract liability balances during the thirteen weeks ended March 31, 2019 are as follows (in thousands):

Balance, beginning of period	\$	33,328
Revenue recognized		(14,130)
Cash received, excluding amounts recognized as revenue during the period		6,614
Balance, end of period	\$	25,812

Accounts Receivable

The Company records accounts receivable when revenue is recognized. The Company records an allowance for doubtful accounts to reduce the receivables balance to an amount it estimates is collectible from customers. Estimates used in determining the allowance for doubtful accounts are based on historical collection experience, current trends, aging of accounts receivable and

periodic credit evaluations of customers' financial condition. The Company writes 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.

14. PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company sponsors programs that provide retirement benefits to most of its employees. These programs include qualified defined benefit pension plans, nonqualified defined benefit retirement plans, a defined benefit postretirement life insurance plan and defined contribution retirement savings plans. Expenses recognized under all these retirement plans totaled \$3.9 million and \$3.1 million in the thirteen weeks ended March 31, 2019 and April 1, 2018, respectively.

Defined Benefit Plans Obligations and Assets

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

	Thirteen Weeks Ended March 31, 2019		Thirteen Weeks Ended April 1, 2018	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Change in projected benefit obligation:	(In thousands)			
Projected benefit obligation, beginning of period	\$ 157,619	\$ 1,462	\$ 178,247	\$ 1,603
Interest cost	1,467	13	1,366	12
Actuarial losses (gains)	4,235	32	(6,829)	(48)
Benefits paid	(5,611)	(37)	(2,174)	(37)
Projected benefit obligation, end of period	\$ 157,710	\$ 1,470	\$ 170,610	\$ 1,530
Change in plan assets:	(In thousands)			
Fair value of plan assets, beginning of period	\$ 102,414	\$ —	\$ 112,570	\$ —
Actual return on plan assets	8,816	—	541	—
Contributions by employer	1,752	37	2,888	37
Benefits paid	(5,611)	(37)	(2,174)	(37)
Fair value of plan assets, end of period	\$ 107,371	\$ —	\$ 113,825	\$ —
Funded status:	(In thousands)			
Unfunded benefit obligation, end of period	\$ (50,339)	\$ (1,470)	\$ (55,205)	\$ (1,462)
Amounts recognized in the Condensed Consolidated Balance Sheets at end of period:	(In thousands)			
Current liability	\$ (8,253)	\$ (148)	\$ (8,267)	\$ (149)
Long-term liability	(42,086)	(1,322)	(46,938)	(1,313)
Recognized liability	\$ (50,339)	\$ (1,470)	\$ (55,205)	\$ (1,462)

	March 31, 2019		December 30, 2018	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Amounts recognized in accumulated other comprehensive loss at end of period:	(In thousands)			
Net actuarial loss (gain)	\$ 50,783	\$ (2)	\$ 54,343	\$ (34)

The accumulated benefit obligation for the Company's defined benefit pension plans was \$157.7 million and \$157.6 million at March 31, 2019 and December 30, 2018, respectively. Each of the Company's defined benefit pension plans had accumulated benefit obligations that exceeded the fair value of plan assets at both March 31, 2019 and December 30, 2018. As of March 31, 2019, the weighted average duration of the Company's defined benefit pension obligation is 29.59 years.

Net Periodic Benefit Costs

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

	Thirteen Weeks Ended March 31, 2019		Thirteen Weeks Ended April 1, 2018	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
	(In thousands)			
Interest cost	\$ 1,467	\$ 13	\$ 1,366	\$ 12
Estimated return on plan assets	(1,349)	—	(1,517)	—
Amortization of net loss	328	—	301	—
Net costs	\$ 446	\$ 13	\$ 150	\$ 12

Economic Assumptions

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

	March 31, 2019		December 30, 2018	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Assumptions used to measure benefit obligation at end of period:				
Discount rate	4.15%	3.80%	4.40%	4.07%

	Thirteen Weeks Ended March 31, 2019		Thirteen Weeks Ended April 1, 2018	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Assumptions used to measure net pension and other postretirement cost:				
Discount rate	4.40%	4.07%	3.69%	3.39%
Expected return on plan assets	5.50%	NA	5.50%	NA

The discount rate represents the interest rate used to determine the present value of future cash flows currently expected to be required to settle the Company's pension and other benefit obligations. The weighted average discount rate for each plan was established by comparing the projection of expected benefit payments to the AA Above Median yield curve. The expected benefit payments were discounted by each corresponding discount rate on the yield curve. For payments beyond 30 years, the Company extended the curve assuming the discount rate derived in year 30 is extended to the end of the plan's payment expectations. Once the present value of the string of benefit payments was established, the Company determined the single rate on the yield curve, that when applied to all obligations of the plan, would exactly match the previously determined present value. As part of the evaluation of pension and other postretirement assumptions, the Company applied assumptions for mortality that incorporate generational white and blue collar mortality trends. In determining its benefit obligations, the Company used generational tables that take into consideration increases in plan participant longevity. As of March 31, 2019 and December 30, 2018, all pension and other postretirement benefit plans used variations of the RP2014 mortality table and the MP2015 mortality improvement scale.

The sensitivity of the projected benefit obligation for pension benefits to changes in the discount rate is set out below. The impact of a change in the discount rate of 0.25% on the projected benefit obligation for other benefits is less than \$1,000. This sensitivity analysis is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as for calculating the liability recognized in the Condensed Consolidated 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	\$ (3,927)	\$ 4,124

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:

	March 31, 2019	December 30, 2018
Cash and cash equivalents	1%	—%
Pooled separate accounts ^(a) :		
Equity securities	5%	4%
Fixed income securities	4%	5%
Common collective trust funds ^(a) :		
Equity securities	44%	45%
Fixed income securities	41%	41%
Real estate	5%	5%
Total assets	100%	100%

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

Absent regulatory or statutory limitations, the target asset allocation for the investment of pension assets in the pooled separate accounts is 50% in each of fixed income securities and equity securities and the target asset allocation for the investment of pension assets in the common collective trust funds is 30% in fixed income securities and 70% in equity securities. The plans only invest in fixed income and equity instruments for which there is a readily available public market. 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 March 31, 2019 and December 30, 2018:

	March 31, 2019				December 30, 2018			
	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	\$ 974	\$ —	\$ —	\$ 974	\$ 110	\$ —	\$ —	\$ 110
Pooled separate accounts:								
Large U.S. equity funds ^(d)	—	2,915	—	2,915	—	2,491	—	2,491
Small/Mid U.S. equity funds ^(e)	—	354	—	354	—	292	—	292
International equity funds ^(f)	—	1,704	—	1,704	—	1,489	—	1,489
Fixed income funds ^(g)	—	4,668	—	4,668	—	4,763	—	4,763
Common collective trusts funds:								
Large U.S. equity funds ^(d)	—	18,238	—	18,238	—	17,351	—	17,351
Small U.S. equity funds ^(e)	—	6,137	—	6,137	—	5,880	—	5,880
International equity funds ^(f)	—	23,278	—	23,278	—	22,516	—	22,516
Fixed income funds ^(g)	—	43,749	—	43,749	—	42,217	—	42,217
Real estate ^(h)	—	5,354	—	5,354	—	5,305	—	5,305
Total assets	\$ 974	\$ 106,397	\$ —	\$ 107,371	\$ 110	\$ 102,304	\$ —	\$ 102,414

- (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.

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

Benefit Payments

The following table reflects the benefits as of March 31, 2019 expected to be paid in each of the next five years and in the aggregate for the five years thereafter from our pension and other post retirement plans. Because our pension plans are primarily funded plans, the anticipated benefits with respect to these plans will come primarily from the trusts established for these plans. Because our other postretirement plans are unfunded, the anticipated benefits with respect to these plans will come from its own assets.

	Pension Benefits		Other Benefits	
	(In thousands)			
2019 (remaining)	\$	13,479	\$	112
2020		11,526		147
2021		11,200		145
2022		10,891		141
2023		10,627		137
2024-2028		48,429		589
Total	\$	106,152	\$	1,271

The Company anticipates contributing \$6.5 million and \$0.1 million, as required by funding regulations or laws, to its pension plans and other postretirement plans, respectively, during the remainder of 2019.

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:

	Thirteen Weeks Ended March 31, 2019		Thirteen Weeks Ended April 1, 2018	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
	(In thousands)			
Net actuarial loss (gain), beginning of period	\$ 54,343	\$ (34)	\$ 54,235	\$ 35
Amortization	(328)		(301)	—
Actuarial loss (gain)	4,235	32	(6,829)	(48)
Asset loss (gain)	(7,467)		976	—
Net actuarial loss (gain), end of period	\$ 50,783	\$ (2)	\$ 48,081	\$ (13)

The Company expects to recognize in net pension cost throughout the remainder of 2019 an actuarial loss of \$1.0 million that was recorded in accumulated other comprehensive loss at March 31, 2019.

Risk Management

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

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

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

The investment position is managed and monitored by a committee of individuals from various departments. This group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The group has not changed the processes used to manage its risks from previous periods. The group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would

not have a material impact on the overall level of assets. The majority of equities are in U.S. large and small cap companies with some global diversification into international entities. The plans are not exposed to significant foreign currency risk.

Remeasurement

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

15. STOCKHOLDERS' EQUITY

Accumulated Other Comprehensive Income (Loss)

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

	Thirteen Weeks Ended March 31, 2019 ^(a)				
	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 Losses on Available-for-Sale Securities	Total
	(In thousands)				
Balance, beginning of period	\$ (55,770)	\$ (683)	\$ (71,463)	\$ 82	\$ (127,834)
Other comprehensive income (loss) before reclassifications	37,442	(915)	2,421	17	38,965
Amounts reclassified from accumulated other comprehensive income (loss) to net income	—	(221)	248	(101)	(74)
Currency translation	—	17	—	—	17
Net current period other comprehensive income	37,442	(1,119)	2,669	(84)	38,908
Balance, end of period	\$ (18,328)	\$ (1,802)	\$ (68,794)	\$ (2)	\$ (88,926)

	Thirteen Weeks Ended April 1, 2018 ^(a)				
	Gains 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 period	\$ 42,081	\$ (1,848)	\$ (71,434)	\$ 61	\$ (31,140)
Other comprehensive income before reclassifications	52,528	1	4,465	283	57,277
Amounts reclassified from accumulated other comprehensive income (loss) to net income	—	250	228	(130)	348
Currency translation	—	(16)	—	—	(16)
Net current period other comprehensive income	52,528	235	4,693	153	57,609
Balance, end of period	\$ 94,609	\$ (1,613)	\$ (66,741)	\$ 214	\$ 26,469

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

Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss) ^(a)		Affected Line Item in the Condensed Consolidated Statements of Income
	Thirteen Weeks Ended March 31, 2019	Thirteen Weeks Ended April 1, 2018	
(In thousands)			
Realized gain (loss) on settlement of derivative financial instruments classified as cash flow hedges	\$ 221	\$ (250)	Cost of sales
Realized gain on sale of securities	135	172	Interest income
Amortization of defined benefit pension and other postretirement plan actuarial losses:			
Union employees pension plan ^{(b)(d)}	(18)	(12)	Miscellaneous, net
Legacy Gold Kist plans ^{(c)(d)}	(97)	(90)	Miscellaneous, net
Legacy Gold Kist plans ^{(c)(d)}	(213)	(199)	Miscellaneous, net
Total before tax	28	(379)	
Tax benefit	46	31	
Total reclassification for the period	\$ 74	\$ (348)	

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

(b) The Company sponsors the Union Plan, a qualified defined benefit pension plan covering certain locations or work groups with collective bargaining agreements.

(c) The Company sponsors the GK Pension Plan, a qualified defined benefit pension plan covering certain eligible U.S. employees who were employed at locations that the Company purchased through its acquisition of Gold Kist in 2007, the SERP Plan, a nonqualified defined benefit retirement plan covering certain former Gold Kist executives, the Directors' Emeriti Plan, a nonqualified defined benefit retirement plan covering certain former Gold Kist directors and the Retiree Life Plan, a defined benefit postretirement life insurance plan covering certain retired Gold Kist employees (collectively, the "Legacy Gold Kist Plans").

(d) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See "Note 14. Pension and Other Postretirement Benefits" to the Condensed Consolidated Financial Statements.

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 plans to repurchase shares through various means, which may include but are not limited to open market purchases, privately negotiated transactions, the use of derivative instruments and/or accelerated share repurchase programs. The extent to which the Company repurchases its shares and the timing of such repurchases will vary and depend upon market conditions and other corporate considerations, as determined by the Company's management team. The Company reserves the right to limit or terminate the repurchase program at any time without notice. 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. The Moy Park Bank of Ireland 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 the Company.

16. INCENTIVE COMPENSATION

The Company sponsors short-term incentive plans that provides the grant of either cash or share-based bonus awards payable upon achievement of specified performance goals. Full-time, salaried exempt employees of the Company's U.S. operations who are selected by the administering committee are eligible to participate in the Pilgrim's Short Term Incentive Plan ("STIP"). Certain full-time, salaried employees of the Company's Mexico operations are eligible to participate in the Pilgrim's Mexico Incentive Plan ("PMIP"). The Company assumed responsibility for the JFC LLC Long-Term Equity Incentive Plan dated January 1, 2014, as amended (the "JFC LTIP") through its acquisition of JFC LLC and its subsidiaries (together, "GNP") on January 6, 2017. The Company assumed responsibility for the Moy Park Incentive Plan dated January 1, 2013, as amended (the "MPIP") through its acquisition of Moy Park on September 8, 2017. At March 31, 2019, the Company had accrued \$8.7 million and \$1.3 million in costs related to cash bonus awards that could potentially be awarded under the STIP and JFC LTIP, respectively, during 2019. At March 31, 2019, the Company had accrued no costs related to cash bonus awards that could potentially be awarded under either the PMIP or MPIP.

The Company also sponsors a performance-based, omnibus long-term incentive plan that provides for the grant of a broad range of long-term equity-based and cash-based awards to the Company's officers and other employees, members of the Board of Directors and any consultants (the "LTIP"). The equity-based awards that may be granted under the LTIP include "incentive stock options," within the meaning of the IRC, nonqualified stock options, stock appreciation rights, restricted stock awards and restricted stock units ("RSUs"). At March 31, 2019, we have reserved approximately 3.9 million shares of common stock for future issuance under the LTIP. The LTIP will expire pursuant to its terms on December 28, 2019 and no awards will be granted under the LTIP after that date. On May 1, 2019, the Company's stockholders approved the Pilgrim's Pride Corporation 2019 Long Term Incentive Plan (the "2019 LTIP") and reserved 2.0 million shares of common stock for awards under the plan. The 2019 LTIP is intended to replace the expiring plan. The 2019 LTIP will be effective as of December 28, 2019.

The following awards were outstanding during the thirteen weeks ended March 31, 2019:

Award Type	Benefit Plan	Awards Granted	Grant Date	Grant Date Fair Value per Award	Vesting Condition	Vesting Date	Vesting Date Fair Value per Award ^(a)	Awards Forfeited to Date	Settlement Method
RSU	LTIP	410,000	02/14/2018	25.59	Service	01/01/2019	15.51	—	Stock
RSU	LTIP	163,764	03/01/2018	24.93	Service	(a)	15.51	45,755	Stock
RSU	LTIP	283,525	03/01/2018	24.93	Performance / Service	(b)	—	151,228	Stock
RSU	LTIP	11,144	05/10/2018	21.54	Service	(c)	—	—	Stock
RSU	LTIP	262,500	12/18/2018	16.06	Service	07/01/2019	—	—	Stock
RSU	LTIP	506,417	01/07/2019	16.47	Performance / Service	(d)	—	83,705	Stock

(a) The restricted stock units vest in ratable tranches on December 31, 2018, December 31, 2019 and December 31, 2020. Expected compensation cost related to these units totals \$2.9 million based on a closing stock price for the Company's common stock of \$24.93 per share on March 1, 2018. Compensation cost will be amortized to profit/loss over the remaining vesting period.

(b) The restricted stock units vest in ratable tranches on December 31, 2019, December 31, 2020 and December 31, 2021. Expected compensation cost related to these units totals \$3.3 million based on a closing stock price for the Company's common stock of \$24.93 per share on March 1, 2018. Compensation cost will be amortized to profit/loss over the remaining vesting period.

(c) These restricted stock units were granted to the four non-employees who currently serve on the Company's Board of Directors. Each participating director's units will vest upon his departure from the Company's Board of Directors. Compensation cost was recognized in profit/loss upon the grant date.

(d) If performance conditions related to the Company's 2019 operating results are satisfied, the restricted stock units vest in ratable tranches on December 31, 2020, December 31, 2021 and December 31, 2022. Expected compensation cost related to these units totals \$7.0 million based on a closing stock price for the Company's common stock of \$16.47 per share on January 7, 2019. Compensation cost will be amortized to profit/loss upon satisfaction of the performance conditions over the remaining vesting period.

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

	Thirteen Weeks Ended	
	March 31, 2019	April 1, 2018
(In thousands)		
Share-based compensation cost:		
Cost of sales	\$ 12	\$ 52
Selling, general and administrative expense	1,870	1,221
Total	<u>\$ 1,882</u>	<u>\$ 1,273</u>
Income tax benefit	\$ 458	\$ 310

The Company's RSU activity is included below:

	Thirteen Weeks Ended March 31, 2019		Thirteen Weeks Ended April 1, 2018	
	Number	Weighted Average Grant Date Fair Value	Number	Weighted Average Grant Date Fair Value
	(In thousands, except weighted average fair values)			
Outstanding at beginning of period	1,069	\$ 22.97	389	\$ 18.39
Granted	506	16.47	708	25.19
Vested	(459)	25.52	—	—
Forfeited	(218)	21.70	(389)	18.39
Outstanding at end of period	898	\$ 18.31	708	\$ 25.19

The fair value of awards that vested during the thirteen weeks ended March 31, 2019 was \$7.1 million. No awards vested during the thirteen weeks ended April 1, 2018.

At March 31, 2019, the total unrecognized compensation cost related to all nonvested awards was \$14.0 million. That cost is expected to be recognized over a weighted average period of 1.94 years.

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

17. RESTRUCTURING-RELATED ACTIVITIES

In 2018, the Company elected to close its 40 North Foods product incubator operation located in Boulder, Colorado. Implementation of this restructuring initiative is expected to result in total pre-tax charges of approximately \$0.7 million, and approximately \$0.6 million of these charges are estimated to result in cash outlays. These activities were initiated in the second quarter of 2018 and are expected to be substantially completed by the third quarter of 2019.

In 2017, the Company initiated a restructuring initiative to capitalize on cost-saving opportunities within its GNP operations located in Luverne, Minnesota and St. Cloud, Minnesota. Implementation of the initiative is expected to result in total pre-tax charges of approximately \$7.0 million, and approximately \$5.4 million of these charges are estimated to result in cash outlays. These activities were initiated in the first quarter of 2017 and are expected to be substantially completed by the second quarter of 2020.

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

Type of Cost	40 North Foods	GNP	Total Estimated Amount Expected to be Incurred
	(In thousands)		
Employee termination benefits	\$ 449	\$ 4,074	\$ 4,523
Inventory impairments	—	472	472
Asset impairments	103	470	573
Other charges ^(a)	150	1,983	2,133
	\$ 702	\$ 6,999	\$ 7,701

^(a) Comprised of other costs directly related to the restructuring initiatives, including prepaid software impairment, St. Cloud, Minnesota office lease costs, Luverne, Minnesota plant closure costs, and Boulder, Colorado office lease costs.

During the thirteen weeks ended March 31, 2019, the Company recognized the following expenses (income) and incurred the following cash outlays related to each restructuring initiative:

	Expenses (Income)	Cash Outlays
	(In thousands)	
40 North Foods other charges	\$ (27)	\$ 1
GNP employee termination benefits	—	34
	\$ (27)	\$ 35

These expenses (income) are reported in the line item *Administrative restructuring activity* on the Condensed Consolidated Statements of Income and are recognized in the U.S. segment.

The following table reconciles liabilities and reserves associated with each restructuring initiative from initiative inception to March 31, 2019. Ending liability balances for employee termination benefits and other charges are reported in the line item *Accrued expenses and other current liabilities* in our Condensed Consolidated Balance Sheets. The ending reserve balance for inventory impairments is reported in the line item *Inventories* in our Condensed Consolidated Balance Sheets.

	40 North Foods Initiative			GNP Initiative			Total
	Employee Termination Benefits	Other Charges	Total	Employee Termination Benefits	Inventory Impairments	Other Charges	
(In thousands)							
Restructuring charges incurred	\$ —	\$ —	\$ —	\$ 3,381	\$ 699	\$ 752	\$ 4,832
Payments and disposals	—	—	—	(2,581)	—	—	(2,581)
Liability or reserve at December 31, 2017	—	—	—	800	699	752	2,251
Restructuring charges incurred	449	115	564	936	(227)	(17)	692
Payments and disposals	(449)	(29)	(478)	(1,500)	(472)	(735)	(2,707)
Liability or reserve at December 30, 2018	—	86	86	236	—	—	236
Restructuring income recognized	—	(27)	(27)	—	—	—	—
Payments and disposals	—	(1)	(1)	(34)	—	—	(34)
Liability or reserve at March 31, 2019	\$ —	\$ 58	\$ 58	\$ 202	\$ —	\$ —	\$ 202

18. 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.

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 (i) any reserve or special deposit requirement against assets of, deposits with or credit extended by such lender related to the loan, (ii) any tax, duty or other charge with respect to the loan (except standard income tax) or (iii) 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 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 our financial condition, results of operations and cash flows.

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

Tax Claims and Proceedings

A Mexico subsidiary of the Company is currently appealing an unfavorable tax adjustment proposed by Mexican Tax Authorities due to an examination of a specific transaction undertaken by the Mexico subsidiary during tax years 2009 and 2010. Amounts under appeal are \$24.3 million and \$16.1 million for tax years 2009 and 2010, respectively. No loss has been recorded for these amounts at this time.

Other Claims and Proceedings

Between September 2, 2016 and October 13, 2016, a series of purported federal class action lawsuits styled as *In re Broiler Chicken Antitrust Litigation*, Case No. 1:16-cv-08637 were filed with the U.S. District Court for the Northern District of Illinois against PPC and 13 other producers by and on behalf of direct and indirect purchasers of broiler chickens alleging violations of federal and state antitrust and unfair competition laws. The complaints 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: one on behalf of direct purchasers and two on behalf of distinct groups of indirect purchasers. Between December 8, 2017 and April 24, 2019, 23 individual direct action complaints (*Affiliated Foods, Inc., et al. v. Claxton Poultry Farms, Inc., et al.*, Case No. 1:17-cv-08850; *Sysco Corp. v. Tyson Foods Inc., et al.*, Case No. 1:18-cv-00700; *US Foods Inc. v. Tyson Foods Inc., et al.*, Case No. 1:18-cv-00702; *Action Meat Distributors, Inc. et al., v. Claxton Poultry Farms, Inc., et al.*, Case No. 1:18-cv-03471; *Holdings, LLC, v. Tyson Foods, Inc. et al.*, Case No. 1:18-cv-04000; *Associated Grocers of the South, Inc. et al., v. Tyson Foods, Inc., et al.*, Case No. 1:18-cv-4616; *The Kroger Co., et al. v. Tyson Foods, Inc., et al.*, Case No. 1:18-cv-04534; *Ahold Delhaize USA, Inc. v. Koch Foods, Inc., et al.*, Case No. 1:18-cv-05351; *Samuels as Trustee In Bankruptcy for Central Grocers, Inc. et al v. Norman W. Fries, Inc., d/b/a Claxton Poultry Farms, Inc. et al.*, Case No. 1:18-cv-05341; *W. Lee Flowers & Company, Inc. v. Norman W. Fries, Inc., d/b/a Claxton Poultry Farms, Inc. et al.*, Case No. 1:18-cv-05345; *BJ's Wholesale Club, Inc. v. Tyson Foods, Inc., et al.*, Case No. 1:18-cv-05877; *United Supermarkets LLC, et al. v. Tyson Foods Inc., et al.*, Case No. 1:18-cv-06693; *Associated Wholesale Grocers, Inc. v. Koch Foods, Inc., et al.*, Case No. 1:18-cv-06316 (transferred from the U.S. District Court for the District of Kansas on September 17, 2018, following Defendants' successful motion to transfer); *Shamrock Foods Company and United Food Service, Inc. v. Tyson Foods, Inc., et al.*, Case No. 18-cv-7284; *Winn-Dixie Stores, Inc., et al. v. Koch Foods, Inc., et al.*, Case No. 1:18-cv-00245; *Quirch Foods, LLC, f/k/a Quirch Foods Co. v. Koch Foods, Inc., et al.*, Case No. 18-cv-08511; *Sherwood Food Distributors, L.L.C., et al. v. Tyson Foods, Inc., et al.*, Case No. 19-cv-00354; *Hooters of America, LLC v. Tyson Foods, Inc., et al.*, Case No. 1:19-cv-00390 (N.D. Ill.); *Darden Restaurants, Inc. v. Tyson Foods, Inc. et al.*, Case No. 1:19-cv-00530; *Associated Grocers, Inc., et al. v. Norman W. Fries, Inc., d/b/a Claxton Poultry Farms et al.*, Case No. 1:19-cv-00638; *Checkers Drive-In Restaurants, Inc. v. Tyson Foods, Inc. et al.*, Case No. 1:19-cv-01283; *Conagra Brands, Inc. et al. v. Tyson Foods, Inc. et al.*, Case No. 1:19-cv-02190, and *Giant Eagle, Inc. v. Norman W. Fries, Inc., d/b/a Claxton Poultry Farms et al.*, Case No. 19-cv-02758) were filed with the U.S. District Court for the Northern District of Illinois by individual direct purchaser entities, the allegations of which largely mirror those in the class action complaints. Substantial completion of document discovery for most Defendants, including PPC, occurred on July 18, 2018. The Court's scheduling order currently requires completion of fact discovery on October 14, 2019; class certification briefing and expert reports proceeding from November 12, 2019 to July 14, 2020; and summary judgment to proceed 60 days after the Court rules on motions for class certification. The Court has ordered the parties to coordinate scheduling of the direct action complaints with the class complaints with any necessary modifications to reflect time of filing. Discovery will be consolidated.

On October 10, 2016, Patrick Hogan, acting on behalf of himself and a putative class of persons who purchased shares of PPC's stock between February 21, 2014 and October 6, 2016, filed a class action complaint in the U.S. District Court for the District of Colorado against PPC and its named executive officers. The complaint alleges, among other things, that PPC's SEC filings contained statements that were rendered materially false and misleading by PPC's failure to disclose that (i) the Company colluded with several of its industry peers to fix prices in the broiler-chicken market as alleged in the *In re Broiler Chicken Antitrust Litigation*, (ii) its conduct constituted a violation of federal antitrust laws, (iii) PPC's revenues during the class period were the result of illegal conduct and (iv) that PPC lacked effective internal control over financial reporting. The complaint also states that PPC's industry was anticompetitive. On April 4, 2017, the Court appointed another stockholder, George James Fuller, as lead plaintiff. On May 11, 2017, the plaintiff filed an amended complaint, which extended the end date of the putative class period to November 17, 2017. PPC and the other defendants moved to dismiss on June 12, 2017, and the plaintiff filed its opposition on July 12, 2017. PPC and the other defendants filed their reply on August 1, 2017. On March 14, 2018, the Court dismissed the plaintiff's complaint without prejudice and issued final judgment in favor of PPC and the other defendants. On April 11, 2018, the plaintiff moved for reconsideration of the Court's decision and for permission to file a Second Amended Complaint. PPC and the other defendants filed a response to the plaintiff's motion on April 25, 2018. On November 19, 2018, the Court denied the plaintiff's motion for reconsideration and granted plaintiff leave to file a Second Amended Complaint. As of April 24, 2019, plaintiff has not yet filed a Second Amended Complaint.

On January 27, 2017, a purported class action on behalf of broiler chicken farmers was brought against PPC and four other producers in the Eastern District of Oklahoma, alleging, among other things, a conspiracy to reduce competition for grower

services and depress the price paid to growers. Plaintiffs allege violations of the Sherman Act and the Packers and Stockyards Act and seek, among other relief, treble damages. The complaint was consolidated with a subsequently filed consolidated amended class action complaint styled as *In re Broiler Chicken Grower Litigation*, Case No. CIV-17-033-RJS (the “Grower Litigation”). The defendants (including PPC) jointly moved to dismiss the consolidated amended complaint on September 9, 2017. The Court initially held oral argument on January 19, 2018, during which it considered and granted only motions from certain other defendants who were challenging jurisdiction. Oral argument on the remaining pending motions in the Oklahoma court occurred on April 20, 2018. Rulings on the motion are pending. In addition, on March 12, 2018, the Northern District of Texas, Fort Worth Division (“Bankruptcy Court”) enjoined plaintiffs from litigating the Grower Litigation complaint as pled against the Company because allegations in the consolidated complaint violate the confirmation order relating to the Company’s 2008-2009 bankruptcy proceedings. Specifically, the 2009 bankruptcy confirmation order bars any claims against the Company based on conduct occurring before December 28, 2009. On March 13, 2018, Pilgrim’s notified the trial court of the Bankruptcy Court’s injunction. To date, plaintiffs have not amended the consolidated complaint to comply with the Bankruptcy Court’s injunction order or the confirmation order.

On March 9, 2017, a stockholder derivative action styled as *DiSalvio v. Lovette, et al.*, No. 2017 cv. 30207, was brought against all of PPC’s directors and its Chief Financial Officer, Fabio Sandri, in the District Court for the County of Weld in Colorado. The complaint alleges, among other things, that the named defendants breached their fiduciary duties by failing to prevent PPC and its officers from engaging in an antitrust conspiracy as alleged in the *In re Broiler Chicken Antitrust Litigation*, and issuing false and misleading statements as alleged in the Hogan class action litigation. On April 17, 2017, a related stockholder derivative action styled *Brima v. Lovette, et al.*, No. 2017 cv. 30308, was brought against all of PPC’s directors and its Chief Financial Officer in the District Court for the County of Weld in Colorado. The Brima complaint contains largely the same allegations as the DiSalvio complaint. On May 4, 2017, the plaintiffs in both the DiSalvio and Brima actions moved to (i) consolidate the two stockholder derivative cases, (ii) stay the consolidated action until the resolution of the motion to dismiss in the Hogan putative securities class action, and (iii) appoint co-lead counsel. The Court granted the motion on May 8, 2017, staying the proceedings pending resolution of the motion to dismiss in the Hogan action.

In January 2018, a stockholder derivative action entitled *Raul v. Nogueira de Souza, et al.*, was filed in the U.S. District Court for the District of Colorado against the Company, as nominal defendant, as well as the Company’s directors, its Chief Financial Officer, and majority stockholder, JBS S.A. The complaint alleges, among other things, that (i) defendants permitted the Company to omit material information from its proxy statements filed in 2014 through 2017 related to the conduct of Wesley Mendonça Batista and Joesley Mendonça Batista, (ii) the individual defendants and JBS S.A. breached their fiduciary duties by failing to prevent the Company and its officers from engaging in an antitrust conspiracy as alleged in the Broiler Litigation and (iii) issuing false and misleading statements as alleged in the Hogan class action litigation. On May 17, 2018, the plaintiffs filed an unopposed motion to stay proceedings pending a final resolution of the Hogan class action litigation. The court-ordered deadline for the defendants to file an answer or otherwise respond to the complaint was originally set for July 30, 2018. This deadline was extended to August 31, 2018, at which time the plaintiffs filed an unopposed motion to voluntarily dismiss the complaint without prejudice. The Court granted the plaintiffs’ motion on September 4, 2018.

On January 25, 2018, a stockholder derivative action styled as *Sciabacucchi v. JBS S.A., et al.*, was brought against all of PPC’s directors, JBS S.A., JBS USA Holding Lux S.à r.l. (“JBS Holding Lux”) and several members of the Batista family, in the Court of Chancery of the State of Delaware (the “Chancery Court”). The complaint alleges, among other things, that the named defendants breached their fiduciary duties arising out of the Company’s acquisition of Moy Park. On March 15, 2018, the members of the Batista family were dismissed from the action without prejudice by stipulation. On March 20, 2018, nominal defendant PPC filed its answer. On March 20, 2018, the remaining defendants, including PPC’s directors, JBS S.A., and JBS Holding Lux moved to dismiss the complaint. On April 19, 2018, director defendants Bell, Macaluso, and Cooper filed their opening brief in support of their motion to dismiss. On April 19, 2018, defendants JBS S.A., JBS Holding Lux, and director defendants Lovette, Nogueira de Souza, Tomazoni, Farahat, Molina, and de Vasconcellos, Jr. filed their opening brief in support of their motion to dismiss. On May 24, 2018, Employees Retirement System of the City of St. Louis filed a derivative complaint, which was virtually identical to the Sciabacucchi complaint. On July 2, 2018, the Chancery Court granted a stipulation consolidating the cases and making the first complaint (Sciabacucchi) the operative complaint. On July 3, 2018, the plaintiffs dismissed the Special Committee defendants—Bell, Macaluso and Cooper. On July 9, 2018, the plaintiffs dismissed de Vasconcellos, Jr. and filed their opposition to the motion to dismiss by the entity and non-Special Committee defendants, who filed their reply on August 9, 2018. On November 15, 2018, the parties argued the dismissal of the remaining defendants (JBS S.A.; JBS Holding Lux; and director defendants Lovette, Nogueira de Souza, Tomazoni, Farahat, and Molina) before the Chancery Court. After arguments concluded, the Chancery Court asked the parties to submit supplemental briefing on the viability of an additional ground for dismissal. The parties filed their respective supplemental briefs on December 21, 2018. The Chancery Court has denied the defendants’ motion to dismiss, and the parties are negotiating the scope and schedule for discovery.

The Company believes it has strong defenses in each of the above litigations and intends to contest them vigorously. The Company cannot predict the outcome of these actions nor when they will be resolved. If the plaintiffs were to prevail in any of

these litigations, the Company could be liable for damages, which could be material and could adversely affect its financial condition or results of operations.

J&F Investigation

On May 3, 2017, certain officers of J&F Investimentos S.A. (“J&F,” and together with the companies controlled by J&F, the “J&F Group”), a company organized in Brazil and an indirect controlling stockholder of the Company, including a former senior executive and former board members of the Company, entered into plea bargain agreements (collectively, the “Plea Bargain Agreements”) with the Brazilian Federal Prosecutor’s Office (Ministério Público Federal) (the “MPF”) in connection with certain misconduct by J&F and such individuals acting in their capacity as J&F executives. The details of such misconduct are set forth in separate annexes to the Plea Bargain Agreements, and include admissions of payments to politicians and political parties in Brazil during a ten-year period in exchange for receiving, or attempting to receive, favorable treatment for certain J&F Group companies in Brazil.

On June 5, 2017, J&F, for itself and as the controlling shareholder of the J&F Group companies, entered into a leniency agreement (the “Leniency Agreement”) with the MPF, whereby J&F assumed responsibility for the conduct that was described in the annexes to the Plea Bargain Agreements. In connection with the Leniency Agreement, J&F has agreed to pay a fine of 10.3 billion Brazilian reais, adjusted for inflation, over a 25-year period. Various proceedings by Brazilian governmental authorities remain pending against J&F and certain of its officers to potentially invalidate the Plea Bargain Agreements and impose more severe penalties for additional alleged misconduct that were not disclosed in the annexes to the Plea Bargain Agreements.

J&F is conducting an internal investigation in accordance with the terms of the Leniency Agreement, and has engaged outside advisors to assist in conducting this investigation, which is ongoing, and with which we are fully cooperating. JBS S.A. and the Company have engaged outside U.S. legal counsel to: (i) conduct an independent investigation in connection with matters disclosed in the Leniency Agreement and the Plea Bargain Agreements; and (ii) communicate with relevant U.S. authorities, including the Department of Justice regarding the factual findings of that investigation. Additionally, JBS S.A. and the Company have taken, and are continuing to take, measures to enhance their compliance programs, including to prevent and detect bribery and corruption. We cannot predict when the J&F and JBS S.A. investigations will be completed or the results of such investigations, including whether any litigation will be brought against us or the outcome or impact of any resulting litigation. We will monitor the results of the investigations. Any proceedings that require us to make substantial payments, affect our reputation or otherwise interfere with our business operations could have a material adverse effect on our business, financial condition and operating results.

Any further developments in these, or other, matters involving the controlling shareholders, directors, or officers of J&F, or other parties affiliated with us, could subject JBS S.A. and its subsidiaries (including the Company) to potential fines or penalties, may materially adversely affect the public perception or reputation of JBS S.A. and its subsidiaries (including the Company) and could have a material adverse effect on JBS S.A. and its subsidiaries (including the Company).

19. RELATED PARTY TRANSACTIONS

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

	Thirteen Weeks Ended	
	March 31, 2019	April 1, 2018
	(In thousands)	
Sales to related parties:		
JBS USA Food Company ^(a)	\$ 3,658	\$ 1,529
JBS Five Rivers	—	7,096
JBS Global (U.K.) Ltd.	43	—
JBS Chile Ltda.	78	60
Combo, Mercado De Congelados	4	—
Total sales to related parties	\$ 3,783	\$ 8,685
Cost of goods purchased from related parties:		
JBS USA Food Company ^(a)	\$ 30,413	\$ 27,824
Seara Meats B.V.	4,521	4,240
JBS Aves Ltda.	—	703
JBS Toledo NV	120	165
Total cost of goods purchased from related parties	\$ 35,054	\$ 32,932
Expenditures paid by related parties:		
JBS USA Food Company ^(b)	\$ 10,006	\$ 10,499
JBS Chile Ltda.	5	—
Total expenditures paid by related parties	\$ 10,011	\$ 10,499
Expenditures paid on behalf of related parties:		
JBS USA Food Company ^(b)	\$ 2,203	\$ 2,288
Seara International Ltd.	—	20
Total expenditures paid on behalf of related parties	\$ 2,203	\$ 2,308

	March 31, 2019	December 30, 2018
	(In thousands)	
Accounts receivable from related parties:		
JBS USA Food Company ^(a)	\$ 788	\$ 1,236
JBS Chile Ltda.	20	—
Combo, Mercado de Congelados	—	79
Seara International Ltd.	3	16
JBS Global (U.K.) Ltd.	43	—
Total accounts receivable from related parties	\$ 854	\$ 1,331
Accounts payable to related parties:		
JBS USA Food Company ^(a)	\$ 4,562	\$ 5,121
Seara Meats B.V.	930	2,142
JBS Chile Ltda.	—	6
JBS Toledo NV	58	—
Total accounts payable to related parties	\$ 5,550	\$ 7,269

- (a) The Company routinely executes transactions to both purchase products from JBS USA Food Company (“JBS USA”) and sell products to them. As of March 31, 2019, approximately \$1.7 million of goods purchased from JBS USA were in transit and not reflected on our Condensed and Consolidated Balance Sheet.
- (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 its combined companies. Under this agreement, the fees associated with procuring SAP licenses and maintenance services are allocated between the Company and JBS USA in proportion to the percentage of licenses used by each company. The agreement expires on the date of expiration, or earlier termination, of the underlying SAP license agreement. The Company also has an agreement with JBS USA to allocate the costs of supporting the business operations by one consolidated corporate team, which have historically been supported by their respective corporate teams. Expenditures paid by JBS USA on behalf of the Company will be reimbursed by the Company and expenditures paid by the Company on behalf of JBS USA will be reimbursed by JBS USA. This agreement expires on December 31, 2019.

20. SEGMENT REPORTING

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

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

	Thirteen Weeks Ended	
	March 31, 2019	April 1, 2018
	(In thousands)	
Net Sales		
U.S.	\$ 1,883,591	\$ 1,841,105
U.K. and Europe	514,962	544,300
Mexico	326,122	361,273
Total	\$ 2,724,675	\$ 2,746,678

	Thirteen Weeks Ended	
	March 31, 2019	April 1, 2018
Operating Income	(In thousands)	
U.S.	\$ 114,840	\$ 127,286
U.K. and Europe	12,714	21,413
Mexico	9,464	52,870
Elimination	24	24
Total operating income	137,042	201,593
Interest expense, net of capitalized interest	33,562	50,300
Interest income	(3,340)	(1,590)
Foreign currency transaction loss (gain)	2,636	(1,721)
Miscellaneous, net	(357)	(1,617)
Income before income taxes	\$ 104,541	\$ 156,221

In addition to the net sales reported above, the U.S. segment also generated intersegment net sales of \$35.0 million and \$26.5 million in the thirteen weeks ended March 31, 2019 and April 1, 2018, respectively, from transactions with the Mexico segment. These intersegment net sales were transacted at market prices.

	March 31, 2019	December 30, 2018
	(In thousands)	
Long-Lived Assets^(a)		
U.S.	\$ 1,535,489	\$ 1,506,217
U.K. and Europe	367,765	359,621
Mexico	292,452	295,864
Total assets	\$ 2,195,706	\$ 2,161,702

(a) For this disclosure, we exclude financial instruments, deferred tax assets, operating lease assets and intangible assets in accordance with Accounting Standards Codification ("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.

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

Description of the Company

We are one of the largest chicken producers in the world, with operations in the U.S., U.K., Mexico, France, Puerto Rico and the Netherlands. We operate feed mills, hatcheries, processing plants and distribution centers in 14 U.S. states, the U.K., Mexico, France, Puerto Rico and the Netherlands. As of March 31, 2019, we had approximately 52,100 employees and the capacity to process approximately 45.3 million birds per work week for a total of approximately 13.0 billion pounds of live chicken annually. Approximately 5,000 contract growers supply poultry for our operations. As of March 31, 2019, JBS S.A., through its indirect wholly-owned subsidiaries (together, "JBS"), beneficially owned 78.4% of our outstanding common stock. See "Note 1. Description of Business and Basis of Presentation" of our Condensed Consolidated Financial Statements included in this quarterly report for additional information.

We operate on a 52/53-week fiscal year that ends on the Sunday falling on or before December 31. The reader should assume any reference we make to a particular year (for example, 2019) in this quarterly report applies to our fiscal year and not the calendar year.

Executive Summary

We reported net income attributable to Pilgrim's Pride Corporation of \$84.0 million, or \$0.34 per diluted common share, for the thirteen weeks ended March 31, 2019. These operating results included gross profit of \$218.9 million. During the thirteen weeks ended March 31, 2019, we generated \$120.4 million of cash from operations.

Our U.S. and Mexico segments use corn and soybean meal as the main ingredients for feed production, while our U.K. and Europe segment uses wheat and soybean meal as the main ingredients for feed production. The following table compares the highest and lowest prices reached on nearby futures for one bushel of corn, one ton of soybean meal and one metric tonne of wheat during the current and previous years:

	Corn ^(a)		Soybean Meal ^(a)		Wheat ^(a)	
	Highest Price	Lowest Price	Highest Price	Lowest Price	Highest Price	Lowest Price
2019:						
First Quarter	\$ 3.98	\$ 3.66	\$ 330.20	\$ 305.30	£ 173.80	£ 155.30
2018:						
Fourth Quarter	3.90	3.68	327.30	307.80	179.30	167.00
Third Quarter	3.87	3.43	341.40	303.30	194.65	165.75
Second Quarter	4.27	3.66	391.70	329.90	156.75	142.40
First Quarter	4.01	3.63	394.10	319.60	139.20	134.70

(a) We obtain corn and soybean meal prices from the Chicago Board of Trade, and we obtain wheat prices from the London International Financial Futures and Options Exchange.

We purchase derivative financial instruments, specifically exchange-traded futures and options, in an attempt to mitigate price risk related to our anticipated consumption of commodity inputs such as corn, soybean meal, wheat, soybean oil and natural gas. We will sometimes purchase a derivative instrument to minimize the impact of a commodity's price volatility on our operating results. We will also purchase derivative financial instruments in an attempt to mitigate currency exchange rate exposure related to the financial statements of our Mexico segment that are denominated in Mexican pesos and our U.K. and Europe segment that are denominated in British pounds. For additional information see "Note 6. Derivative Financial Instruments".

During the thirteen weeks ended March 31, 2019 and April 1, 2018, we recognized net losses totaling \$8.0 million and net gains totaling \$6.4 million, respectively, related to changes in the fair value of our derivative financial instruments.

Although changes in the market price paid for feed ingredients impact cash outlays at the time we purchase the ingredients, such changes do not immediately impact cost of sales. The cost of feed ingredients is recognized in cost of sales, on a first-in-first-out basis, at the same time that the sales of the chickens that consume the feed grains are recognized. Thus, there is a lag between the time cash is paid for feed ingredients and the time the cost of such feed ingredients is reported in cost of goods sold. For example, corn delivered to a feed mill and paid for one week might be used to manufacture feed the following week. However, the chickens that eat that feed might not be processed and sold for another 42 to 63 days, and only at that time will the costs of the feed consumed by the chicken become included in cost of goods sold.

Commodities such as corn, soybean meal and soybean oil are actively traded through various exchanges with future market prices quoted on a daily basis. These quoted market prices, although a good indicator of the commodity's base price, do not represent the final price for which we can purchase these commodities. There are several components in addition to the quoted market price, such as freight, storage and seller premiums, that are included in the final price that we pay for grain. Although changes in quoted market prices may be a good indicator of the commodity's base price, the components mentioned above may have a significant impact on the total change in grain costs recognized from period to period.

Market prices for chicken products are currently at levels sufficient to offset the costs of feed ingredients. However, there can be no assurance that chicken prices will not decrease due to such factors as competition from other proteins and substitutions by consumers of non-protein foods because of uncertainty surrounding the general economy and unemployment.

Brexit

The anticipated exit of the U.K. from the European Union ("E.U.") (commonly referred to as "Brexit") and the resulting significant change to the relationship between the U.K. and the E.U., as well as relationships between the U.K. and countries outside the E.U., could disrupt the overall economic growth or stability of the U.K. and the E.U. and otherwise negatively impact our European operations. The U.K. is due to exit the E.U. on October 31, 2019. The U.K. could leave the E.U. prior to October 31, 2019 if a withdrawal agreement negotiated between the U.K. and the E.U. is approved by the U.K. Parliament. If the U.K. were to approve the withdrawal agreement, it would maintain the status quo regarding trade rights with the E.U. until December 2020 in order to allow negotiation of a free trade agreement between the two governments. If the withdrawal agreement is not approved by October 31, 2019, the U.K. would either leave the E.U. immediately under World Trade Organization terms or would request and be reliant upon the E.U. approving a further extension to the exit date.

It is possible that Brexit could result in our European operations becoming subject to materially different, and potentially conflicting, laws, regulations or tariffs which could require costly new compliance initiatives. There could also be additional adverse impacts on immigration and trade between the U.K. and the E.U. or countries outside the E.U. Such impacts might directly increase our costs or could decrease demand for our goods. The completion of Brexit could also adversely affect the value of our British pound- and euro-denominated assets and obligations. Future fluctuations in the exchange rate between the British pound, the euro and other currencies of our suppliers may have the effect of increasing the cost of goods sold by our European operations. We might not be able to pass on such increases to our customers. Any one of these impacts could have an adverse effect on our results of operations and financial condition.

To prepare for the impacts of Brexit, our European operations have (i) engaged with various U.K. and E.U. government departments to highlight the issues of Brexit and to develop potential solutions to those issues, (ii) engaged with customers to formalize contingency plans to minimize business disruption should the U.K. exit the E.U. without an approved withdrawal agreement, (iii) analyzed product flows and reviewed meat availability to determine appropriate plans for customers, (iv) engaged with customers to commence post-Brexit business plans and to negotiate cost-sharing arrangements for such plans, and (v) increased stock levels where possible to help manage border delays that could occur following Brexit.

Significant uncertainty remains until the terms of the exit are known. We will continue to analyze and plan for the exit as information becomes available.

Business Segment and Geographic Reporting

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

Results of Operations

Thirteen Weeks Ended March 31, 2019 Compared to Thirteen Weeks Ended April 1, 2018

Net sales. Net sales generated in the thirteen weeks ended March 31, 2019 decreased \$22.0 million, or 0.8%, from net sales generated in the thirteen weeks ended April 1, 2018. The following table provides net sales information:

Sources of net sales	Thirteen Weeks Ended March 31, 2019	Change from Thirteen Weeks Ended April 1, 2018	
		Amount	Percent
(In thousands, except percent data)			
U.S. ^(a)	\$ 1,883,591	\$ 42,486	2.3 %
U.K. and Europe ^(b)	514,962	(29,338)	(5.4)%
Mexico ^(c)	326,122	(35,151)	(9.7)%
Total net sales	\$ 2,724,675	\$ (22,003)	(0.8)%

- (a) U.S. net sales generated in the thirteen weeks ended March 31, 2019 increased \$42.5 million, or 2.3%, from U.S. net sales generated in the thirteen weeks ended April 1, 2018 primarily because of increases in both net sales per pound and sales volume. The net sales per pound increase experienced by the U.S. segment contributed \$25.8 million, or 1.4 percentage points, to the increase in net sales. The increase in sales volume contributed \$16.6 million, or 0.9 percentage points, to the increase in net sales. Included in the U.S. net sales generated in the thirteen weeks ended March 31, 2019 and April 1, 2018 were net sales to JBS USA Food Company totaling \$3.7 million and \$1.5 million, respectively.
- (b) U.K. and Europe net sales generated in the thirteen weeks ended March 31, 2019 decreased \$29.3 million, or 5.4%, from U.K. and Europe net sales generated in the thirteen weeks ended April 1, 2018 primarily because of the unfavorable impact of foreign currency translation of \$35.3 million, or 6.5 percentage points, and a decrease in sales volume of \$23.1 million, or 4.2 percentage points. The increase in net sales per pound partially offset the unfavorable impact of foreign currency translation and decrease in sales volume by \$29.0 million, or 5.3 percentage points.
- (c) Mexico net sales generated in the thirteen weeks ended March 31, 2019 decreased \$35.2 million, or 9.7%, from Mexico net sales generated in the thirteen weeks ended April 1, 2018 primarily because of a decrease in net sales per pound of \$33.9 million, or 9.4 percentage points, and the unfavorable impact of foreign currency remeasurement of \$8.2 million, or 2.3 percentage points. The increase in sales volume partially offset the decrease in net sales per pound and unfavorable impact of foreign currency remeasurement by \$7.0 million, or 1.9 percentage points.

Gross profit. Gross profit decreased by \$68.7 million, or 23.9%, from \$287.7 million generated in the thirteen weeks ended April 1, 2018 to \$218.9 million generated in the thirteen weeks ended March 31, 2019. The following tables provide information regarding gross profit and cost of sales information:

Components of gross profit	Thirteen Weeks Ended March 31, 2019	Change from Thirteen Weeks Ended April 1, 2018		Percent of Net Sales	
		Amount	Percent	Thirteen Weeks Ended	
				March 31, 2019	April 1, 2018
(In thousands, except percent data)					
Net sales	\$ 2,724,675	\$ (22,003)	(0.8)%	100.0%	100.0%
Cost of sales ^{(a)(b)(c)}	2,505,736	46,723	1.9 %	92.0%	89.5%
Gross profit	\$ 218,939	\$ (68,726)	(23.9)%	8.0%	10.5%

Sources of gross profit	Thirteen Weeks Ended March 31, 2019	Change from Thirteen Weeks Ended April 1, 2018	
		Amount	Percent
(In thousands, except percent data)			
U.S. ^(a)	\$ 170,172	\$ (12,198)	(6.7)%
U.K. and Europe ^(b)	29,584	(13,149)	(30.8)%
Mexico ^(c)	19,159	(43,379)	(69.4)%
Elimination	24	—	— %
Total gross profit	\$ 218,939	\$ (68,726)	(23.9)%

Sources of cost of sales	Thirteen Weeks Ended March 31, 2019	Change from Thirteen Weeks Ended April 1, 2018	
		Amount	Percent
(In thousands, except percent data)			
U.S. ^(a)	\$ 1,713,419	\$ 54,685	3.3 %
U.K. and Europe ^(b)	485,378	(16,190)	(3.2)%
Mexico ^(c)	306,963	8,228	2.8 %
Elimination	(24)	—	— %
Total cost of sales	\$ 2,505,736	\$ 46,723	1.9 %

- (a) Cost of sales incurred by our U.S. segment during the thirteen weeks ended March 31, 2019 increased \$54.7 million, or 3.3%, from cost of sales incurred by our U.S. segment during the thirteen weeks ended April 1, 2018. Cost of sales increased primarily because of the \$39.7 million impact of increased cost per pound and the \$15.0 million impact of sales volume increases. Included in this increase in cost of sales is higher payroll related costs of \$28.9 million mainly due to increased pay rates and overtime pay, an increase in derivative related losses of \$10.0 million, an increase in lease costs of \$5.8 million, an increase of \$5.2 million related to employee health insurance and worker's compensation costs due to higher reserves and an increase of \$4.9 million related to contract services costs, mainly due to greater outside processing labor. Other factors affecting cost of sales were individually immaterial.
- (b) Cost of sales incurred by our U.K. and Europe segment during the thirteen weeks ended March 31, 2019 decreased \$16.2 million, or 3.2%, from cost of sales incurred by our U.K. and Europe segment during the thirteen weeks ended April 1, 2018. U.K. and Europe cost of sales decreased primarily because of a \$33.2 million impact of foreign currency translation and a \$21.3 million impact due to a reduction in sales volume. These decreases in cost of sales were partially offset by an increase in net cost per pound of \$38.3 million. Included in the impact of foreign currency translation, reduced sales volume and increased net cost per pound on the decrease in cost of sales was a reduction in meat input costs of \$52.0 million. The impact of reduced meat input costs on cost of sales was partially offset by increased feed cost of \$20.6 million, increased lease and rent costs of \$4.6 million and an increase in utility costs of \$3.3 million due to increased utility rates. Other factors affecting cost of sales were individually immaterial.
- (c) Cost of sales incurred by our Mexico segment during the thirteen weeks ended March 31, 2019 increased \$8.2 million, or 2.8%, from cost of sales incurred by our Mexico segment during the thirteen weeks ended April 1, 2018. Mexico cost of sales increased primarily because of the \$10.2 million impact of increased cost per pound and the \$5.8 million impact of sales volume increases. Partially offsetting the impact of the increases in both cost per pound and sales volume on cost of sales was a \$7.7 million impact of foreign currency remeasurement. Included in the impact of increased cost per pound, increased sales volume and foreign currency remeasurement on the increase in cost of sales was an increase in grower pay of \$3.7 million due to higher pay rates, a \$2.0 million increase in electricity costs due to higher rates and a \$1.8 million increase in freight costs. Other factors affecting cost of sales were individually immaterial.

Operating income. Operating income decreased by \$64.6 million, or 32.0%, from \$137.0 million generated in the thirteen weeks ended April 1, 2018 to \$201.6 million generated in the thirteen weeks ended March 31, 2019. The following tables provide information regarding operating income and SG&A expense:

Components of operating income	Thirteen Weeks Ended March 31, 2019	Change from Thirteen Weeks Ended April 1, 2018		Percent of Net Sales	
		Amount	Percent	March 31, 2019	April 1, 2018
(In thousands, except percent data)					
Gross profit	\$ 218,939	(68,726)	(23.9)%	8.0 %	10.5%
SG&A expense ^{(a)(b)(c)}	81,924	(3,359)	(3.9)%	3.0 %	3.1%
Administrative restructuring activities ^{(d)(e)}	(27)	(816)	(103.4)%	— %	—%
Operating income	\$ 137,042	\$ (64,551)	(32.0)%	5.0 %	7.3%

Sources of operating income	Thirteen Weeks Ended March 31, 2019	Change from Thirteen Weeks Ended April 1, 2018	
		Amount	Percent
		(In thousands, except percent data)	
U.S.	\$ 114,840	\$ (12,446)	(9.8)%
U.K. and Europe	12,714	(8,699)	(40.6)%
Mexico	9,464	(43,406)	(82.1)%
Elimination	24	—	— %
Total operating income	\$ 137,042	\$ (64,551)	(32.0)%

Sources of SG&A expense	Thirteen Weeks Ended March 31, 2019	Change from Thirteen Weeks Ended April 1, 2018	
		Amount	Percent
		(In thousands, except percent data)	
U.S. ^(a)	\$ 55,358	\$ 1,062	2.0 %
U.K. and Europe ^(b)	16,871	(4,448)	(20.9)%
Mexico ^(c)	9,695	27	0.3 %
Total SG&A expense	\$ 81,924	\$ (3,359)	(3.9)%

Sources of administrative restructuring activities	Thirteen Weeks Ended March 31, 2019	Change from Thirteen Weeks Ended April 1, 2018	
		Amount	Percent
		(In thousands, except percent data)	
U.S. ^(d)	\$ (27)	\$ (816)	(103.4)%
U.K. and Europe	—	—	— %
Mexico	—	—	— %
Total administrative restructuring activities	\$ (27)	\$ (816)	(103.4)%

- (a) SG&A expense incurred by our U.S. segment during the thirteen weeks ended March 31, 2019 increased \$1.1 million, or 2.0%, from SG&A expense incurred by our U.S. segment during the thirteen weeks ended April 1, 2018, primarily because of a \$1.6 million increase in payroll related expenses, a \$1.4 million increase in incentive compensation expenses, a \$0.5 million increase in legal expenses and a \$0.4 million increase in advertising and promotional expenses. These increases in SG&A expenses were partially offset by a \$2.8 million decrease in consulting expenses mostly related to our prepared foods line of business. Other factors affecting SG&A expense were individually immaterial.
- (b) SG&A expense incurred by our U.K. and Europe segment during the thirteen weeks ended March 31, 2019 decreased \$4.4 million, or 20.9%, from SG&A expense incurred by our U.K. and Europe segment during the thirteen weeks ended April 1, 2018. SG&A expense incurred by our U.K. and Europe segment decreased primarily because of a \$2.6 million reduction in payroll related expenses, a \$1.1 million reduction in legal fees and a \$0.6 million reduction in customer relationship amortization. Other factors affecting SG&A expense were individually immaterial.
- (c) SG&A expense incurred by our Mexico segment during the thirteen weeks ended March 31, 2019 increased approximately \$27,000, or 0.3%, from SG&A expense incurred by our Mexico segment during the thirteen weeks ended April 1, 2018. Factors affecting our Mexico segment's SG&A expense were individually immaterial.
- (d) Administrative restructuring activities incurred by our U.S. segment during the thirteen weeks ended March 31, 2019 included approximately \$27,000 in sublease rental income related to the termination of our 40 North Foods operations. Administrative restructuring activities incurred by our U.S. segment during the thirteen weeks ended April 1, 2018 included \$0.5 million in severance costs related to the GNP acquisition and \$0.3 million related to the closure of the Luverne, Minnesota facility.

Net interest expense. Net interest expense decreased to \$30.2 million recognized in the thirteen weeks ended March 31, 2019 from \$48.7 million recognized in the thirteen weeks ended April 1, 2018. Average borrowings decreased from \$2.7 billion in the thirteen weeks ended April 1, 2018 to \$2.4 billion in the thirteen weeks ended March 31, 2019. The weighted average interest rate increased from 5.0% in the thirteen weeks ended April 1, 2018 to 5.4% in the thirteen weeks ended March 31, 2019.

Income taxes. Income tax expense decreased to \$20.4 million, a 19.5% effective tax rate, for the thirteen weeks ended March 31, 2019 compared to income tax expense of \$37.0 million, a 23.7% effective tax rate, for the thirteen weeks ended April 1, 2018. The decrease in income tax expense in 2019 resulted primarily from a reduction in pre-tax income.

Liquidity and Capital Resources

The following table presents our available sources of liquidity as of March 31, 2019:

Source of Liquidity	Facility Amount	Amount Outstanding	Amount Available
	(In millions)		
Cash and cash equivalents	\$ —	\$ —	\$ 378.5
Borrowing arrangements:			
U.S. Credit Facility ^(a)	750.0	—	708.4
Mexico Credit Facility ^(b)	77.2	—	77.2
U.K. and Europe Credit Facilities ^(c)	141.5	14.5	127.0

(a) Availability under the U.S. Credit Facility (as described below) is also reduced by our outstanding standby letters of credit. Standby letters of credit outstanding at March 31, 2019 totaled \$41.6 million.

(b) The U.S. dollar-equivalent of the amount available under the Mexico Credit Facility (as described below) was \$77.2 million. The Mexico Credit Facility provides for a loan commitment of \$1.5 billion Mexican pesos.

(c) The U.K. and Europe Credit Facilities (as described below) provide for aggregate loan commitments of £100.0 million (or \$130.3 million U.S. dollar-equivalent) and €10.0 million (or \$11.2 million U.S. dollar equivalent).

Long-Term Debt and Other Borrowing Arrangements

U.S. Senior Notes

On March 11, 2015, we completed a sale of \$500.0 million aggregate principal amount of our 5.75% senior notes due 2025. On September 29, 2017, we completed an add-on offering of \$250.0 million of these senior notes. The issuance price of this add-on offering was 102.0%, which created gross proceeds of \$255.0 million. The additional \$5.0 million will be amortized over the remaining life of the senior notes. On March 7, 2018, we completed another add-on offering of \$250.0 million of these senior notes (together with the senior notes issued in March 2015 and September 2017, the “Senior Notes due 2025”). The issuance price of this add-on offering was 99.25%, which created gross proceeds of \$248.1 million. The \$1.9 million discount will be amortized over the remaining life of the senior notes. Each issuance of the Senior Notes due 2025 is treated as a single class for all purposes under the 2015 Indenture (defined below) and have the same terms.

The Senior Notes due 2025 are governed by, and were issued pursuant to, an indenture dated as of March 11, 2015 by and among us, our guarantor subsidiary and Wells Fargo Bank, National Association, as trustee (the “2015 Indenture”). The 2015 Indenture provides, among other things, that the Senior Notes due 2025 bear interest at a rate of 5.75% per annum from the date of issuance until maturity, payable semi-annually in cash in arrears, beginning on September 15, 2015 for the Senior Notes due 2025 that were issued in March 2015 and beginning on March 15, 2018 for the Senior Notes due 2025 that were issued in September 2017 and March 2018.

On September 29, 2017, we completed a sale of \$600.0 million aggregate principal amount of our 5.875% senior notes due 2027. On March 7, 2018, we 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 us, our guarantor subsidiary and U.S. Bank National Association, as trustee (the “2017 Indenture”). The 2017 Indenture provides, among other things, that the Senior Notes due 2027 bear interest at a rate of 5.875% per annum from the date of issuance until maturity, payable semi-annually in cash in arrears, beginning on March 30, 2018 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.

The Senior Notes due 2025 and the Senior Notes due 2027 are each guaranteed on a senior unsecured basis by our guarantor subsidiary. In addition, any of our other existing or future domestic restricted subsidiaries that incur or guarantee any other indebtedness (with limited exceptions) must also guarantee the Senior Notes due 2025 and the Senior Notes due 2027. The Senior Notes due 2025 and the Senior Notes due 2027 and related guarantees are unsecured senior obligations of us and our guarantor subsidiary and rank equally with all of our and our guarantor subsidiary’s other unsubordinated indebtedness. The Senior Notes due 2025, the 2015 Indenture, the Senior Notes due 2027 and the 2017 Indenture also contain customary covenants

and events of default, including failure to pay principal or interest on the Senior Notes due 2025 and the Senior Notes due 2027, respectively, when due, among others.

We used the net proceeds from the sale of the Senior Notes due 2025 and the Senior Notes due 2027 that were issued in September 2017 to repay in full the JBS S.A. Promissory Note issued as part of the Moy Park acquisition and for general corporate purposes. We used the net proceeds from the sale of the Senior Notes due 2025 and the Senior Notes due 2027 that were issued in March 2018 to pay the second tender price of Moy Park Notes (as described below), repay a portion of outstanding secured debt, and for general corporate purposes. The Senior Notes due 2025 and the Senior Notes due 2027 were sold to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act.

U.S. Credit Facility

On July 20, 2018, we, and certain of our subsidiaries entered into a Fourth 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 a \$750.0 million revolving credit commitment and a term loan commitment of up to \$500.0 million (the "Term Loans"). We used the proceeds from the term loan commitment under the U.S. Credit Facility, together with cash on hand, to repay the outstanding loans under our previous credit agreement with Coöperatieve Rabobank U.A., New York Branch, as administrative agent, and the other lenders and financial institutions party thereto.

The U.S. Credit Facility includes an accordion feature that allows us, at any time, to increase the aggregate revolving loan and term loan commitments by up to an additional \$1.25 billion, subject to the satisfaction of certain conditions, including obtaining the lenders' agreement to participate in the increase.

The revolving loan commitment under the U.S. Credit Facility matures on July 20, 2023. All principal on the Term Loans is due at maturity on July 20, 2023. Installments of principal are required to be made, in an amount equal to 1.25% of the original principal amount of the Term Loans, on a quarterly basis prior to the maturity date of the Term Loans. Covenants in the U.S. Credit Facility also require us to use the proceeds it receives from certain asset sales and specified debt or equity issuances and upon the occurrence of other events to repay outstanding borrowings under the U.S. Credit Facility. As of March 31, 2019, we had Term Loans outstanding totaling \$493.8 million and the amount available for borrowing under the revolving loan commitment was \$708.4 million. We had letters of credit of \$41.6 million and no borrowings outstanding under the revolving loan commitment as of March 31, 2019.

The U.S. Credit Facility includes a \$75.0 million sub-limit for swingline loans and a \$125.0 million sub-limit for letters of credit. Outstanding borrowings under the revolving loan commitment and the Term Loans bear interest at a per annum rate equal to (i) in the case of LIBOR loans, LIBOR plus 1.25% through August 2, 2018 and, thereafter, based on our net senior secured leverage ratio, between LIBOR plus 1.25% and LIBOR plus 2.75% and (ii) in the case of alternate base rate loans, the base rate plus 0.25% through August 2, 2018 and, based on our net senior secured leverage ratio, between the base rate plus 0.25% and base rate plus 1.75% thereafter.

The U.S. Credit Facility contains customary financial and other various covenants for transactions of this type, including restrictions on our ability to incur additional indebtedness, incur liens, pay dividends, make certain restricted payments, consummate certain asset sales, enter into certain transactions with our 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 us to comply with a minimum level of tangible net worth covenant. The U.S. Credit Facility also provides that we may not incur capital expenditures in excess of \$500.0 million in any fiscal year.

All obligations under the U.S. Credit Facility continue to be unconditionally guaranteed by certain of our subsidiaries and continue to be secured by a first priority lien on (i) the accounts receivable and inventory of us and our non-Mexico subsidiaries, (ii) 100% of the equity interests in our domestic subsidiaries, To-Ricos, Ltd. and To-Ricos Distribution, Ltd., and 65% of the equity interests in our direct foreign subsidiaries and (iii) substantially all of the assets of us and the guarantors under the U.S. Credit Facility. We are currently in compliance with the covenants under the U.S. Credit Facility.

U.K. and Europe Credit Facilities

Moy Park Bank of Ireland Revolving Facility Agreement

On June 2, 2018, Moy Park Holdings (Europe) Ltd. and its subsidiaries entered into an unsecured multicurrency revolving facility agreement (the "Bank of Ireland Facility Agreement") with the Governor and Company of the Bank of Ireland, as agent, and the other lenders party thereto. The Bank of Ireland Facility Agreement provides for a multicurrency revolving loan commitment of up to £100.0 million. The multicurrency revolving loan commitments under the Bank of Ireland Facility Agreement

mature on June 2, 2023. Outstanding borrowings under the Bank of Ireland Facility Agreement bear interest at a rate per annum equal to the sum of (i) LIBOR or, in relation to any loan in euros, EURIBOR, plus (ii) a margin, ranging from 1.25% to 2.00% based on Leverage (as defined in the Bank of Ireland Facility Agreement). All obligations under the Bank of Ireland Facility Agreement are guaranteed by certain of Moy Park's subsidiaries. As of March 31, 2019, the U.S. dollar-equivalent loan commitment, borrowing availability, and outstanding borrowings under the Bank of Ireland Facility Agreement were \$130.3 million, \$115.8 million, and \$14.5 million, respectively.

The Bank of Ireland Facility Agreement contains representations and warranties, covenants, indemnities and conditions that we believe are customary for transactions of this type. Pursuant to the terms of the Bank of Ireland Facility Agreement, Moy Park is required to meet certain financial and other restrictive covenants. Additionally, Moy Park 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 Bank of Ireland Facility Agreement. The Bank of Ireland Facility Agreement contains events of default that we believe are customary for transactions of this type. If a default occurs, any outstanding obligations under the Bank of Ireland Facility Agreement may be accelerated.

Moy Park France Invoice Discounting Facility

In June 2009, Moy Park France Sàrl entered into a €20.0 million invoice discounting facility with GE De Facto (the "Invoice Discounting Facility"). The facility limit was decreased by 50 percent in June 2018. The Invoice Discounting Facility is payable on demand and the term is extended on an annual basis. The agreement can be terminated by either party with three months' notice. Outstanding borrowings under the Invoice Discounting Facility bear interest at a per annum rate equal to EURIBOR plus 0.80%. As of March 31, 2019, the U.S. dollar-equivalent of the loan commitment and borrowing availability was \$11.2 million. There were no outstanding borrowings under the Invoice Discounting Facility as of March 31, 2019.

The Invoice Discounting Facility contains financial covenants and various other covenants that may adversely affect Moy Park's ability to, among other things, incur additional indebtedness, consummate certain asset sales, enter into certain transactions with JBS and our other affiliates, merge, consolidate and/or sell or dispose of all or substantially all of Moy Park's assets.

Moy Park Credit Agricole Bank Overdraft

On December 3, 2018, Moy Park entered into an unsecured €0.5 million bank overdraft agreement (the "Overdraft Agreement") with Credit Agricole. The Overdraft Agreement is payable on demand and can be cancelled anytime by us or Credit Agricole. Outstanding borrowings under the Overdraft Agreement bears interest at a per annum rate equal to EURIBOR plus 1.50%. As of March 31, 2019, there were no outstanding borrowings under the Overdraft Agreement.

Mexico Credit Facility

On December 14, 2018, certain of our Mexican subsidiaries entered into an unsecured credit agreement (the "Mexico Credit Facility") with Banco del Bajío, 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. The U.S. dollar-equivalent of the loan commitment under the Mexico Credit Facility is \$77.2 million. Outstanding borrowings under the Mexico Credit Facility accrue interest at a rate equal to the 28-Day Interbank Equilibrium Interest Rate plus 1.50%. The Mexico Credit Facility contains covenants and defaults that we believe 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.

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. The U.K. and Europe and Mexico credit facilities are unsecured.

Historical Flow of Funds

Thirteen Weeks Ended March 31, 2019

Cash provided by operating activities was \$120.4 million for the thirteen weeks ended March 31, 2019. The cash flows provided by operating activities resulted primarily from net income of \$84.1 million and net noncash expenses of \$65.1 million, a change in accounts payable, accrued expenses and other current liabilities of \$22.0 million and a change in prepaid expenses and other current assets of \$11.5 million. These cash flows were partially offset by \$6.6 million in cash provided by income taxes and \$2.4 million in cash provided by trade accounts and other receivables.

The change in trade accounts and other receivables, including accounts receivable from related parties, represented \$2.4 million source of cash related to operating activities for the thirteen weeks ended March 31, 2019. This change is primarily due to customer payment timing.

The change in inventories represented a \$1.4 million use of cash related to operating activities for the thirteen weeks ended March 31, 2019. This change resulted primarily from a decrease in our finished chicken products.

The change in prepaid expenses and other current assets represented a \$11.5 million use of cash related to operating activities for the thirteen weeks ended March 31, 2019. This change resulted primarily from a net increase in value-added tax receivables.

The change in accounts payable, revenue contract liabilities, accrued expenses and other current liabilities, including accounts payable to related parties, represented a \$22.0 million use of cash related to operating activities for the thirteen weeks ended March 31, 2019. This change resulted primarily from the timing of payments.

The change in income taxes, which includes income taxes receivable, income taxes payable, deferred tax assets, deferred tax liabilities reserves for uncertain tax positions, and the tax components within accumulated other comprehensive loss, represented a \$6.6 million source of cash related to operating activities for the thirteen weeks ended March 31, 2019. This change resulted primarily from the timing of estimated tax payments.

Net noncash expenses provided \$65.1 million in cash related to operating activities for the thirteen weeks ended March 31, 2019. Net noncash expense items included depreciation and amortization of \$67.2 million, share-based compensation of \$1.9 million and loan cost amortization of \$1.2 million, which were partially offset by a deferred income tax benefit of \$4.1 million and a foreign currency transaction gain related to borrowing arrangements of \$1.0 million.

Cash used in investing activities totaled \$87.4 million for the thirteen weeks ended March 31, 2019. Cash used to acquire property, plant and equipment totaled \$87.9 million. Capital expenditures were primarily incurred to improve operational efficiencies and reduce costs. Cash proceeds generated from property disposals totaled \$0.5 million during the thirteen weeks ended March 31, 2019.

Cash proceeds from financing activities totaled \$3.9 million for the thirteen weeks ended March 31, 2019. Cash proceeds from revolving line of credit and long-term debt totaled \$67.2 million. These cash proceeds were offset by cash payments on revolving line of credit and long-term debt of \$62.3 million, a cash distribution under our tax sharing agreement with JBS USA Food Company Holdings of \$0.5 million and cash used to pay capitalized loan costs of \$0.5 million.

Thirteen Weeks Ended April 1, 2018

Cash provided by operating activities was \$0.6 million for the thirteen weeks ended April 1, 2018. The cash flows provided by operating activities were primarily from net income of \$119.2 million, net noncash expenses of \$75.8 million and \$19.5 million related to inventories. These cash flows were offset by the use of \$98.8 million in cash related to income taxes, the use of \$61.9 million in cash related to trade accounts and other receivables, the use of \$29.2 million in cash related to accounts payable, accrued expenses and other current liabilities and the use of \$20.8 million in cash related to prepaid expense and other current assets.

The change in trade accounts and other receivables, including accounts receivable from related parties, represented a \$61.9 million use of cash related to operating activities for the thirteen weeks ended April 1, 2018. This change is primarily due to customer payment timing.

The change in inventories represented a \$19.5 million use of cash related to operating activities for the thirteen weeks ended April 1, 2018. This change resulted primarily from a decrease in our finished chicken products.

The change in prepaid expenses and other current assets represented a \$20.8 million use of cash related to operating activities for the thirteen weeks ended April 1, 2018. This change resulted primarily from a net increase in value-added tax receivables.

The change in accounts payable, revenue contract liabilities, accrued expenses and other current liabilities, including accounts payable to related parties, represented a \$29.2 million use of cash related to operating activities for the thirteen weeks ended April 1, 2018. This change resulted primarily from the timing of payments.

The change in income taxes, which includes income taxes receivable, income taxes payable, deferred tax assets, deferred tax liabilities reserves for uncertain tax positions, and the tax components within accumulated other comprehensive income (loss), represented a \$98.8 million use of cash related to operating activities for the thirteen weeks ended April 1, 2018. This change resulted primarily from the timing of estimated tax payments.

Net noncash expenses provided \$75.8 million in cash related to operating activities for the thirteen weeks ended April 1, 2018. Net noncash expense items included depreciation and amortization of \$67.4 million, foreign currency transaction loss related to borrowing arrangements of \$5.7 million, a noncash loss on early extinguishment of debt of \$3.9 million and loan cost amortization of \$1.8 million, which were partially offset by a deferred income tax benefit of \$4.7 million.

Cash used in investing activities totaled \$75.7 million for the thirteen weeks ended April 1, 2018. Cash used to acquire property, plant and equipment totaled \$76.7 million. Capital expenditures were primarily incurred to improve operational efficiencies and reduce costs. Cash proceeds from property disposals totaled \$1.0 million during the thirteen weeks ended April 1, 2018.

Cash proceeds from financing activities totaled \$70.3 million for the thirteen weeks ended April 1, 2018. Cash proceeds from long-term debt totaled \$502.3 million and cash proceeds from equity contributions under a tax sharing agreement with JBS USA totaled \$5.6 million. These sources of cash were partially offset by \$433.6 million in cash used for payments on revolving lines of credit, long-term borrowings and capital lease obligations and \$4.1 million in cash used to pay capitalized loan costs.

Contractual Obligations

Contractual obligations at March 31, 2019 were as follows:

Contractual Obligations ^(a)	Total	Less than One Year	One to Three Years	Three to Five Years	Greater than Five Years
(In thousands)					
Long-term debt ^(b)	\$ 2,361,210	\$ 27,549	\$ 50,440	\$ 433,221	\$ 1,850,000
Interest ^(c)	869,794	125,845	248,456	238,243	257,250
Finance leases	165	98	67	—	—
Operating leases	387,542	97,683	126,957	89,445	73,457
Derivative liabilities	13,150	13,150	—	—	—
Purchase obligations ^(d)	321,853	314,142	7,711	—	—
Total	\$ 3,953,714	\$ 578,467	\$ 433,631	\$ 760,909	\$ 2,180,707

(a) The total amount of unrecognized tax benefits at March 31, 2019 was \$12.4 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 \$41.6 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 March 31, 2019.

(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 our credit facilities, 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 Adopted as of March 31, 2019

In February 2016, the Financial Accounting Standards Board ("FASB") issued new accounting guidance on lease arrangements, which requires an entity that is a lessee to recognize the assets and liabilities arising from leases on the balance sheet. We adopted the standard as of December 31, 2018. Adoption of the standard had a material impact on our Condensed Consolidated Balance Sheet as a result of the increase in assets and liabilities from recognition of operating assets and lease liabilities. However, the standard did not have a material impact on our Condensed Consolidated Statement of Income.

In August 2017, the FASB issued an accounting standard update that simplifies the application of hedge accounting guidance in current accounting principles generally accepted in the U.S. and improves the reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. We adopted this standard as of December 31, 2018. The adoption of this guidance did not have a material impact on our financial statements.

In February 2018, the FASB issued an accounting standard update that allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the U.S. Tax Cuts and Jobs Act. We adopted this standard as of December 31, 2018, and elected not to reclassify the stranded tax effects. The adoption of this guidance did not have a material impact on our financial statements.

In July 2018, the FASB issued an accounting standard update to improve non-employee share-based payment accounting. The accounting standard update more closely aligns the accounting for employee and non-employee share based payments. We adopted this standard as of December 31, 2018. The adoption of this guidance did not have a material impact on our financial statements.

Recent Accounting Pronouncements Not Yet Adopted as of March 31, 2019

In June 2016, the FASB issued new accounting guidance on the measurement of credit losses on financial instruments, which replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The provisions of the new guidance will be effective as of the beginning of our 2020 fiscal year. We are currently evaluating the impact of the new guidance on our financial statements.

In August 2018, the FASB issued an accounting standard update to improve the effectiveness of disclosures related to fair value measurements. This accounting standard update removes certain disclosure requirements related to transfers between fair value hierarchy levels and the valuation processes used for certain fair value measurements. The update requires additional disclosures as to significant unobservable inputs used in certain fair value measurements and gains and losses included in other comprehensive income. The new guidance will be effective as of our 2020 fiscal year. We are currently evaluating the impact of the new guidance on our financial statements.

In August 2018, the FASB issued an accounting standard update to improve the effectiveness of disclosures related to defined benefit plans. The update removes disclosures related to the amounts in accumulated other comprehensive income expected to be recognized in the next fiscal year, adds narrative disclosure of the reasons for significant gains and losses related to changes in the defined benefit obligation, and clarifies the disclosures required for plans with projected and accumulated benefit obligations in excess of plan assets. The new guidance will be effective as of our 2020 fiscal year. We are currently evaluating the impact of the new guidance on our financial statements.

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

Critical Accounting Policies and Estimates

During the thirteen weeks ended March 31, 2019, (i) no existing accounting policies became critical accounting policies because of an increase in the materiality of associated transactions or changes in the circumstances to which associated judgments and estimates relate and (ii) there were no significant changes in the manner in which critical accounting policies were applied or in which related judgments and estimates were developed.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Market Risk-Sensitive Instruments and Positions

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

Commodity Prices

We purchase certain commodities, primarily corn, 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, (i) executing purchase agreements with suppliers for future physical delivery of feed ingredients at established prices and (ii) purchasing or selling derivative financial instruments such as futures and options.

For this sensitivity analysis, market risk is estimated as a hypothetical 10.0% change in the weighted-average cost of our primary feed ingredients as of March 31, 2019. However, fluctuations greater than 10.0% could occur. Based on our feed consumption during the thirteen weeks ended March 31, 2019, such a change would have resulted in a change to cost of sales of approximately \$73.1 million, excluding the impact of any feed ingredients derivative financial instruments in that period. A 10.0% change in ending feed ingredient inventories at March 31, 2019 would be \$13.6 million, excluding any potential impact on the production costs of our chicken inventories.

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 10.0% increase in corn, soybean meal, soybean oil prices and wheat on March 31, 2019 would have resulted in an increase of approximately \$1.3 million in the fair value of our net commodity derivative asset position, including margin cash, as of that date.

Interest Rates

Our variable-rate debt instruments represent approximately 21.6% of our total debt at March 31, 2019. Holding other variables constant, including levels of indebtedness, an increase in interest rates of 25 basis points would have increased our interest expense by less than \$0.1 million for the thirteen weeks ended March 31, 2019.

Market risk for fixed-rate debt is estimated as the potential increase in fair value resulting from a hypothetical decrease in interest rates of 10.0%. Using a discounted cash flow analysis, a hypothetical 10.0% decrease in interest rates would have decreased the fair value of our fixed-rate debt by approximately \$2.8 million as of March 31, 2019.

Foreign Currency

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

The Mexican peso exchange rate can directly and indirectly impact our financial condition and results of operations in several ways, including potential economic recession in Mexico because of devaluation of their currency. Foreign currency remeasurement losses, representing the change in the U.S. dollar value of the net monetary assets of our Mexican subsidiaries denominated in Mexican pesos, were losses of \$8.0 million and \$0.3 million in the thirteen weeks ended March 31, 2019 and April 1, 2018, respectively. The average exchange rates for the thirteen weeks ended March 31, 2019 and April 1, 2018 were 19.21 Mexican pesos to 1 U.S. dollar and 18.74 Mexican pesos to 1 U.S. dollar, respectively. For this sensitivity analysis, market risk is estimated as a hypothetical 10.0% deterioration in the current exchange rate used to convert Mexican pesos to U.S. dollars as of March 31, 2019 and April 1, 2018. However, fluctuations greater than 10.0% could occur. Based on the net monetary asset position of our Mexico segment at March 31, 2019 and at April 1, 2018, such a change would have resulted in an increase in foreign currency transaction losses recognized in the thirteen weeks ended March 31, 2019 and April 1, 2018 of approximately \$1.4 million and \$2.5 million, respectively. No assurance can be given as to how future movements in the Mexican peso could affect our future financial condition or results of operations.

Additionally, we are exposed to foreign exchange-related variability of investments and earnings from our foreign investments in the U.K. and Europe. Foreign currency market risk is the possibility that our financial results or financial position could be better or worse than planned because of changes in foreign currency exchange rates. At March 31, 2019, our U.K. and Europe segment had net assets of approximately \$2.1 billion, denominated in British pounds, after consideration of our derivative and nonderivative financial instruments. Based on our sensitivity analysis, a 10% adverse change in exchange rates would cause a reduction of \$212.4 million to our net assets.

At March 31, 2019, we had foreign currency forward contracts, which were designated and qualify as cash flow hedges, with an aggregate notional amount of \$4.5 million to hedge a portion of our investments in Europe (including the U.K.). On the basis of our sensitivity analysis, a weakening of the U.S. dollar against the British pound by 10% would result in a \$2.3 million negative change in our cash flows on settlement while a weakening of the U.S. dollar against the euro by 10% would result in a \$1.8 million positive change in our cash flows on settlement. No assurance can be given as to how future movements in currency rates could affect our future financial condition or results of operations.

Quality of Investments

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

Impact of Inflation

Due to low to moderate inflation in the U.S., U.K. and Europe and Mexico and our rapid inventory turnover rate, the results of operations have not been significantly affected by inflation during the past three-year period.

Forward Looking Statements

Certain written and oral statements made by our Company and subsidiaries of our Company may constitute “forward-looking statements” as defined under the Private Securities Litigation Reform Act of 1995. This includes statements made herein, in our other filings with the SEC, in press releases, and in certain other oral and written presentations. Statements of our intentions, beliefs, expectations or predictions for the future, denoted by the words “anticipate,” “believe,” “estimate,” “expect,” “project,” “plan,” “imply,” “intend,” “should,” “foresee” and similar expressions, are forward-looking statements that reflect our current views about future events and are subject to risks, uncertainties and assumptions. Such risks, uncertainties and assumptions include the following:

- Matters affecting the chicken industry generally, including fluctuations in the commodity prices of feed ingredients and chicken;
- Our ability to obtain and maintain commercially reasonable terms with vendors and service providers;
- Our ability to maintain contracts that are critical to our operations;
- Our ability to retain management and other key individuals;
- Outbreaks of avian influenza or other diseases, either in our own flock or elsewhere, affecting our ability to conduct our operations and/or demand for our poultry products;
- Contamination of our products, which has previously and can in the future lead to product liability claims and product recalls;
- Exposure to risks related to product liability, product recalls, property damage and injuries to persons, for which insurance coverage is expensive, limited and potentially inadequate;
- Changes in laws or regulations affecting our operations or the application thereof;
- Our ability to ensure that our directors, officers, employees, agents, third-party intermediaries and the companies to which we outsource certain of our business operations will comply with anti-corruption laws or other laws governing the conduct of business with government entities;

- New immigration legislation or increased enforcement efforts in connection with existing immigration legislation that cause our costs of business to increase, cause us to change the way in which we do business or otherwise disrupt our operations;
- Competitive factors and pricing pressures or the loss of one or more of our largest customers;
- Inability to consummate, or effectively integrate, any acquisition, including the acquisition of Moy Park, or to realize the associated anticipated cost savings and operating synergies;
- Currency exchange rate fluctuations, trade barriers, exchange controls, expropriation and other risks associated with foreign segments;
- Restrictions imposed by, and as a result of, Pilgrim's Pride's leverage;
- Disruptions in international markets and distribution channels;
- Our ability to maintain favorable labor relations with our employees and our compliance with labor laws;
- Extreme weather or natural disasters;
- The impact of uncertainties in litigation; and
- Other risks described herein and under "Risk Factors" in our annual report on Form 10-K for the year ended December 30, 2018 as filed with the SEC.

Actual results could differ materially from those projected in these forward-looking statements as a result of these factors, among others, many of which are beyond our control.

In making these statements, we are not undertaking, and specifically decline to undertake, any obligation to address or update each or any factor in future filings or communications regarding our business or results, and we are not undertaking to address how any of these factors may have caused changes to information contained in previous filings or communications. Although we have attempted to list comprehensively these important cautionary risk factors, we must caution investors and others that other factors may in the future prove to be important and affect our business or results of operations.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

As of March 31, 2019, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that information we are required to disclose in our reports filed with the SEC is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

In connection with the evaluation described above, the Company's management, including the Chief Executive Officer and Chief Financial Officer, made changes during the thirteen weeks ended March 31, 2019 to the Company's internal controls over financial reporting for the implementation of a new information technology system relating to the adoption of Accounting Standards Update 2016-02, *Leases (Topic 842)*. No other changes to the Company's internal control over financial reporting occurred during the thirteen weeks ended March 31, 2019 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Tax Claims and Proceedings

A Mexico subsidiary of the Company is currently appealing an unfavorable tax adjustment proposed by Mexican Tax Authorities due to an examination of a specific transaction undertaken by the Mexico subsidiary during tax years 2009 and 2010. Amounts under appeal are \$24.3 million and \$16.1 million for tax years 2009 and 2010, respectively. No loss has been recorded for these amounts at this time.

Other Claims and Proceedings

Between September 2, 2016 and October 13, 2016, a series of purported federal class action lawsuits styled as *In re Broiler Chicken Antitrust Litigation*, Case No. 1:16-cv-08637 were filed with the U.S. District Court for the Northern District of Illinois against PPC and 13 other producers by and on behalf of direct and indirect purchasers of broiler chickens alleging violations of federal and state antitrust and unfair competition laws. The complaints 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: one on behalf of direct purchasers and two on behalf of distinct groups of indirect purchasers. Between December 8, 2017 and April 24, 2019, 23 individual direct action complaints (*Affiliated Foods, Inc., et al., v. Claxton Poultry Farms, Inc., et al.*, Case No. 1:17-cv-08850; *Sysco Corp. v. Tyson Foods Inc., et al.*, Case No. 1:18-cv-00700; *US Foods Inc. v. Tyson Foods Inc., et al.*, Case No. 1:18-cv-00702; *Action Meat Distributors, Inc. et al., v. Claxton Poultry Farms, Inc., et al.*, Case No. 1:18-cv-03471; *Jetro Holdings, LLC, v. Tyson Foods, Inc. et al.*, Case No. 1:18-cv-04000; *Associated Grocers of the South, Inc. et al., v. Tyson Foods, Inc., et al.*, Case No. 1:18-cv-4616; *The Kroger Co., et al. v. Tyson Foods, Inc., et al.*, Case No. 1:18-cv-04534; *Ahold Delhaize USA, Inc. v. Koch Foods, Inc., et al.*, Case No. 1:18-cv-05351; *Samuels as Trustee In Bankruptcy for Central Grocers, Inc. et al v. Norman W. Fries, Inc., d/b/a Claxton Poultry Farms, Inc. et al.*, Case No. 1:18-cv-05341; *W. Lee Flowers & Company, Inc. v. Norman W. Fries, Inc., d/b/a Claxton Poultry Farms, Inc. et al.*, Case No. 1:18-cv-05345; *BJ's Wholesale Club, Inc. v. Tyson Foods, Inc., et al.*, Case No. 1:18-cv-05877; *United Supermarkets LLC, et al. v. Tyson Foods Inc., et al.*, Case No. 1:18-cv-06693; *Associated Wholesale Grocers, Inc. v. Koch Foods, Inc., et al.*, Case No. 1:18-cv-06316 (transferred from the U.S. District Court for the District of Kansas on September 17, 2018, following Defendants' successful motion to transfer); *Shamrock Foods Company and United Food Service, Inc. v. Tyson Foods, Inc., et al.*, Case No. 18-cv-7284; *Winn-Dixie Stores, Inc., et al. v. Koch Foods, Inc., et al.*, Case No. 1:18-cv-00245; *Quirch Foods, LLC, f/k/a Quirch Foods Co. v. Koch Foods, Inc., et al.*, Case No. 18-cv-08511; *Sherwood Food Distributors, L.L.C., et al. v. Tyson Foods, Inc., et al.*, Case No. 19-cv-00354); *Hooters of America, LLC v. Tyson Foods, Inc., et al.*, Case No. 1:19-cv-00390 (N.D. Ill.), *Darden Restaurants, Inc. v. Tyson Foods, Inc. et al.*, Case No. 1:19-cv-00530; *Associated Grocers, Inc., et al. v. Norman W. Fries, Inc., d/b/a Claxton Poultry Farms et al.*, Case No. 1:19-cv-00638; *Checkers Drive-In Restaurants, Inc. v. Tyson Foods, Inc. et al.*, Case No. 1:19-cv-01283; *Conagra Brands, Inc. et al. v. Tyson Foods, Inc. et al.*, Case No. 1:19-cv-02190, and *Giant Eagle, Inc. v. Norman W. Fries, Inc., d/b/a Claxton Poultry Farms et al.*, Case No. 19-cv-02758) were filed with the U.S. District Court for the Northern District of Illinois by individual direct purchaser entities, the allegations of which largely mirror those in the class action complaints. Substantial completion of document discovery for most defendants, including PPC, occurred on July 18, 2018. The Court's scheduling order currently requires completion of fact discovery on October 14, 2019; class certification briefing and expert reports proceeding from November 12, 2019 to July 14, 2020; and summary judgment to proceed 60 days after the Court rules on motions for class certification. The Court has ordered the parties to coordinate scheduling of the direct action complaints with the class complaints with any necessary modifications to reflect time of filing. Discovery will be consolidated.

On October 10, 2016, Patrick Hogan, acting on behalf of himself and a putative class of persons who purchased shares of PPC's stock between February 21, 2014 and October 6, 2016, filed a class action complaint in the U.S. District Court for the District of Colorado against PPC and its named executive officers. The complaint alleges, among other things, that PPC's SEC filings contained statements that were rendered materially false and misleading by PPC's failure to disclose that (i) the Company colluded with several of its industry peers to fix prices in the broiler-chicken market as alleged in the *In re Broiler Chicken Antitrust Litigation*, (ii) its conduct constituted a violation of federal antitrust laws, (iii) PPC's revenues during the class period were the result of illegal conduct and (iv) that PPC lacked effective internal control over financial reporting. The complaint also states that PPC's industry was anticompetitive. On April 4, 2017, the Court appointed another stockholder, George James Fuller, as lead plaintiff. On May 11, 2017, the plaintiff filed an amended complaint, which extended the end date of the putative class period to November 17, 2017. PPC and the other defendants moved to dismiss on June 12, 2017, and the plaintiff filed its opposition on July 12, 2017. PPC and the other defendants filed their reply on August 1, 2017. On March 14, 2018, the Court dismissed the plaintiff's complaint without prejudice and issued final judgment in favor of PPC and the other defendants. On April 11, 2018, the plaintiff moved for reconsideration of the Court's decision and for permission to file a Second Amended Complaint. PPC and the other defendants filed a response to the plaintiff's motion on April 25, 2018. On November 19, 2018, the Court denied the plaintiff's

motion for reconsideration and granted plaintiff leave to file a Second Amended Complaint. As of April 24, 2019, plaintiff has not yet filed a Second Amended Complaint.

On January 27, 2017, a purported class action on behalf of broiler chicken farmers was brought against PPC and four other producers in the Eastern District of Oklahoma, alleging, among other things, a conspiracy to reduce competition for grower services and depress the price paid to growers. Plaintiffs allege violations of the Sherman Act and the Packers and Stockyards Act and seek, among other relief, treble damages. The complaint was consolidated with a subsequently filed consolidated amended class action complaint styled as *In re Broiler Chicken Grower Litigation*, Case No. CIV-17-033-RJS (the “Grower Litigation”). The defendants (including PPC) jointly moved to dismiss the consolidated amended complaint on September 9, 2017. The Court initially held oral argument on January 19, 2018, during which it considered and granted only motions from certain other defendants who were challenging jurisdiction. Oral argument on the remaining pending motions in the Oklahoma court occurred on April 20, 2018. Rulings on the motion are pending. In addition, on March 12, 2018, the Northern District of Texas, Fort Worth Division (“Bankruptcy Court”) enjoined plaintiffs from litigating the Grower Litigation complaint as pled against the Company because allegations in the consolidated complaint violate the confirmation order relating to the Company’s 2008-2009 bankruptcy proceedings. Specifically, the 2009 bankruptcy confirmation order bars any claims against the Company based on conduct occurring before December 28, 2009. On March 13, 2018, Pilgrim’s notified the trial court of the Bankruptcy Court’s injunction. To date, plaintiffs have not amended the consolidated complaint to comply with the Bankruptcy Court’s injunction order or the confirmation order.

On March 9, 2017, a stockholder derivative action styled as *DiSalvio v. Lovette, et al.*, No. 2017 cv. 30207, was brought against all of PPC’s directors and its Chief Financial Officer, Fabio Sandri, in the District Court for the County of Weld in Colorado. The complaint alleges, among other things, that the named defendants breached their fiduciary duties by failing to prevent PPC and its officers from engaging in an antitrust conspiracy as alleged in the *In re Broiler Chicken Antitrust Litigation*, and issuing false and misleading statements as alleged in the Hogan class action litigation. On April 17, 2017, a related stockholder derivative action styled *Brima v. Lovette, et al.*, No. 2017 cv. 30308, was brought against all of PPC’s directors and its Chief Financial Officer in the District Court for the County of Weld in Colorado. The Brima complaint contains largely the same allegations as the DiSalvio complaint. On May 4, 2017, the plaintiffs in both the DiSalvio and Brima actions moved to (i) consolidate the two stockholder derivative cases, (ii) stay the consolidated action until the resolution of the motion to dismiss in the Hogan putative securities class action, and (iii) appoint co-lead counsel. The Court granted the motion on May 8, 2017, staying the proceedings pending resolution of the motion to dismiss in the Hogan action.

In January 2018, a stockholder derivative action entitled *Raul v. Nogueira de Souza, et al.*, was filed in the U.S. District Court for the District of Colorado against the Company, as nominal defendant, as well as the Company’s directors, its Chief Financial Officer, and majority stockholder, JBS S.A. The complaint alleges, among other things, that (i) defendants permitted the Company to omit material information from its proxy statements filed in 2014 through 2017 related to the conduct of Wesley Mendonça Batista and Joesley Mendonça Batista, (ii) the individual defendants and JBS S.A. breached their fiduciary duties by failing to prevent the Company and its officers from engaging in an antitrust conspiracy as alleged in the Broiler Litigation and (iii) issuing false and misleading statements as alleged in the Hogan class action litigation. On May 17, 2018, the plaintiffs filed an unopposed motion to stay proceedings pending a final resolution of the Hogan class action litigation. The court-ordered deadline for the defendants to file an answer or otherwise respond to the complaint was originally set for July 30, 2018. This deadline was extended to August 31, 2018, at which time the plaintiffs filed an unopposed motion to voluntarily dismiss the complaint without prejudice. The Court granted the plaintiffs’ motion on September 4, 2018.

On January 25, 2018, a stockholder derivative action styled as *Sciabacucchi v. JBS S.A., et al.*, was brought against all of PPC’s directors, JBS S.A., JBS USA Holding Lux S.à r.l. (“JBS Holding Lux”) and several members of the Batista family, in the Court of Chancery of the State of Delaware (the “Chancery Court”). The complaint alleges, among other things, that the named defendants breached their fiduciary duties arising out of the Company’s acquisition of Moy Park. On March 15, 2018, the members of the Batista family were dismissed from the action without prejudice by stipulation. On March 20, 2018, nominal defendant PPC filed its answer. On March 20, 2018, the remaining defendants, including PPC’s directors, JBS S.A., and JBS Holding Lux moved to dismiss the complaint. On April 19, 2018, director defendants Bell, Macaluso, and Cooper filed their opening brief in support of their motion to dismiss. On April 19, 2018, defendants JBS S.A., JBS Holding Lux, and director defendants Lovette, Nogueira de Souza, Tomazoni, Farahat, Molina, and de Vasconcellos, Jr. filed their opening brief in support of their motion to dismiss. On May 24, 2018, Employees Retirement System of the City of St. Louis filed a derivative complaint, which was virtually identical to the Sciabacucchi complaint. On July 2, 2018, the Chancery Court granted a stipulation consolidating the cases and making the first complaint (Sciabacucchi) the operative complaint. On July 3, 2018, the plaintiffs dismissed the Special Committee defendants—Bell, Macaluso and Cooper. On July 9, 2018, the plaintiffs dismissed de Vasconcellos, Jr. and filed their opposition to the motion to dismiss by the entity and non-Special Committee defendants, who filed their reply on August 9, 2018. On November 15, 2018, the parties argued the dismissal of the remaining defendants (JBS S.A., JBS Holding Lux, and director defendants Lovette, Nogueira de Souza, Tomazoni, Farahat, and Molina) before the Chancery Court. After arguments concluded, the Chancery Court asked the

parties to submit supplemental briefing on the viability of an additional ground for dismissal. The parties filed their respective supplemental briefs on December 21, 2018. The Chancery Court has yet to issue its decision.

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

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this quarterly report, you should carefully consider the risks discussed in our annual report on Form 10-K for the year ended December 30, 2018, including under the heading “Item 1A. Risk Factors”, which, along with risks disclosed in this report, are risks we believe could materially affect the Company’s business, financial condition or future results. These risks are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that it currently deems to be immaterial also may materially adversely affect the Company’s business, financial condition or future results.

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

On October 31, 2018, the Company’s Board of Directors approved a \$200.0 million share repurchase authorization. The Company plans to repurchase shares through various means, which may include but are not limited to open market purchases, privately negotiated transactions, the use of derivative instruments and/or accelerated share repurchase programs. The extent to which the Company repurchases its shares and the timing of such repurchases will vary and depend upon market conditions and other corporate considerations, as determined by the Company’s management team. The Company reserves the right to limit or terminate the repurchase program at any time without notice. The Company accounted for the shares repurchased using the cost method. The Company currently plans to maintain these shares as treasury stock.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of the Shares That May Yet Be Purchased Under the Plans or Programs ^(a)
December 31, 2018 through January 27, 2019	—	\$ —	—	\$ 199,763,489
January 28, 2019 through March 3, 2019	—	—	—	199,763,489
March 4, 2019 through March 31, 2019	—	—	—	199,763,489
Total	—	\$ —	—	\$ 199,763,489

(a) Reflects the remaining dollar value of shares that may yet be repurchased under our share repurchase authorization.

ITEM 6. EXHIBITS

- 2.1 [Agreement and Plan of Merger dated September 27, 2000 \(incorporated by reference from Exhibit 2 of WLR Foods, Inc.'s current report on Form 8-K \(No. 000-17060\) dated September 28, 2000\).](#)
- 2.2 [Agreement and Plan of Merger dated as of December 3, 2006, by and among the Company, Protein Acquisition Corporation, a wholly owned subsidiary of the Company, and Gold Kist Inc. \(incorporated by reference from Exhibit 99.\(D\)\(1\) to Amendment No. 11 to the Company's Tender Offer Statement on Schedule TO \(No. 005-81998\) filed on December 5, 2006\).](#)
- 2.3 [Stock Purchase Agreement by and between the Company and JBS USA Holding Lux, S.à.r.l., formerly known as JBS USA Holdings, LLC, dated September 16, 2009 \(incorporated by reference from Exhibit 2.1 of the Company's current report on Form 8-K \(No. 001-09273\) filed September 18, 2009\).](#)
- 2.4 [Amendment No.1 to the Stock Purchase Agreement by and between the Company and JBS USA Holding Lux, S.à.r.l., formerly known as JBS USA Holdings, LLC, dated December 28, 2009 \(incorporated by reference from Exhibit 2.5 of the Company's annual report on Form 10-K/A \(No. 001-09273\) filed January 22, 2010\).](#)
- 2.5 [Share Purchase Agreement, dated as of September 8, 2017, among JBS S.A., Granite Holdings S.à.r.l., Onix Investments UK Limited and Pilgrim's Pride Corporation \(incorporated by reference from Exhibit 2.1 to the Company's current report on Form 8-K \(No. 001-09273\) filed on September 11, 2017\).](#)
- 3.1 [Amended and Restated Certificate of Incorporation of the Company \(incorporated by reference from Exhibit 3.1 of the Company's Form 8-A \(No. 001-09273\) filed on December 27, 2012\).](#)
- 3.2 [Amended and Restated Corporate Bylaws of Pilgrim's Pride Corporation, as amended \(incorporated by reference from Exhibit 3.2 of the Company's Quarterly Report on Form 10-Q \(No. 001-09273\) filed on November 8, 2017\).](#)
- 4.1 [Amended and Restated Certificate of Incorporation of the Company \(included as Exhibit 3.1\).](#)
- 4.2 [Amended and Restated Corporate Bylaws of the Company, as amended \(included as Exhibit 3.2\).](#)
- 4.3 [Stockholders Agreement dated December 28, 2009 between the Company and JBS USA Holding Lux, S.à.r.l., formerly known as JBS USA Holdings, LLC, as amended \(incorporated by reference from Exhibit 3.3 to the Company's Form 8-A \(No. 001-09273\) filed on December 27, 2012\).](#)
- 4.4 [Form of Common Stock Certificate \(incorporated by reference from Exhibit 4.1 to the Company's current report on Form 8-K \(No. 001-09273\) filed on December 29, 2009\).](#)
- 4.5 [Indenture dated as of March 11, 2015 among the Company, Pilgrim's Pride Corporation of West Virginia, Inc. and Wells Fargo Bank, National Association, as Trustee, Form of Senior 5.750% Note due 2025, and Form of Guarantee attached \(incorporated by reference from Exhibit 4.1 of the Company's current report on Form 8-K \(No. 001-09273\) filed on March 11, 2015\).](#)
- 4.6 [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\).](#)
- 4.7 [Form of Senior 5.750% Note due 2025 \(included in Exhibit 4.5\).](#)
- 4.8 [Form of Senior 5.875% Note due 2027 \(included in Exhibit 4.6\).](#)
- 10.1 [Transition Agreement, dated as of March 22, 2019, between William W. Lovette and the Company. *†](#)
- 31.1 [Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*](#)
- 31.2 [Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*](#)
- 32.1 [Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**](#)
- 32.2 [Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**](#)
- 101.INS XBRL Instance Document***
- 101.SCH XBRL Taxonomy Extension Schema
- 101.CAL XBRL Taxonomy Extension Calculation
- 101.DEF XBRL Taxonomy Extension Definition
- 101.LAB XBRL Taxonomy Extension Label
- 101.PRE XBRL Taxonomy Extension Presentation

* Filed herewith.

** Furnished herewith.

*** The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.

† Represents a management contract on compensation plan arrangement.

SIGNATURES

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

PILGRIM'S PRIDE CORPORATION

Date: May 1, 2019

/s/ Fabio Sandri

Fabio Sandri

Chief Financial Officer

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

TRANSITION EMPLOYMENT AND SEPARATION AGREEMENT

This **Transition Employment and Separation Agreement** (this "Agreement"), effective as of March 22, 2019 (the "Transition Date") is made and entered into by and between Pilgrim's Pride Corporation, a Delaware corporation ("Company"), and William W. Lovette ("Executive"), with reference to the following circumstances, namely:

RECITALS

WHEREAS, Executive and Company have mutually expressed their desire for Executive to transition from his role as President and Chief Executive Officer of Company as of the Transition Date;

WHEREAS, Executive has expressed his desire to continue providing services to Company as an employee;

WHEREAS, Company desires to express its appreciation to Executive for his long and dedicated service to Company and also desires to benefit from Executive's services to Company in different capacities; and

WHEREAS, Executive and Company desire to enter into this Agreement in order to memorialize the terms and conditions of Executive's changing role with Company and anticipated separation from employment with Company.

NOW, THEREFORE, in consideration of the promises and mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Title, Status and Duties.

(a) Effective as of the Transition Date, Executive shall resign from Executive's role as President and Chief Executive Officer of Company and as a Director of the Board of Directors of Company (the "Board") and shall relinquish all authority to act on behalf of Company or any of its subsidiaries or affiliates (together, the "Company Group"). From the Transition Date through Executive's termination of employment with the Company Group (the "Advisory Term"), Executive shall remain an employee of Company and have the title of Senior Advisor. During the Advisory Term, Executive shall report to the Chairman of the Board (the "Company Chairman").

(b) Executive's duties during the Advisory Term shall include an employee advisory role to participate in ongoing litigation and to provide other general support as is reasonably requested of Executive by the Company Chairman. As Senior Advisor, Executive shall have no ability or authority to bind the Company Group in any capacity. While serving as Senior Advisor, Executive shall (i) devote Executive's attention to the business of the Company Group as needed to fulfill his duties; (ii) perform Executive's duties faithfully and diligently in accordance with the bylaws of Company and the terms of this Agreement; (iii) operate within the established guidelines, plans or policies approved by the Board; and (iv) comply with and be

bound by the policies and procedures of the Company Group applicable to Executive, including Company's codes of ethics and business conduct.

(c) During the Advisory Term, Executive will refrain from performing services for remuneration for any entity other than a member of the Company Group, except that this limitation will not prohibit Executive from (i) devoting reasonable time to serve as a director or a member of a committee of any organization involving no conflict of interest with the interest of the Company Group, or (ii) managing Executive's private equity enterprise; provided, however, that neither service shall interfere with the performance of Executive's duties under this Agreement or violate the restrictive covenants herein. Upon request of the Board, Executive will provide the Board with a list of all outside directorships, and Executive agrees to resign any such directorship should the Board reasonably determine such directorship interferes with Executive's duties or this Agreement. During the Advisory Term, Executive may also spend time on charitable and civic activities and in the management of Executive's personal and financial matters, as long as such activities do not involve a conflict of interest with the Company Group or interfere with the performance of Executive's duties under this Agreement.

(d) During the Advisory Term, Executive is an "employee-at-will" of Company. Company may terminate Executive's employment, and Executive may resign such employment, at any time during the Advisory Term for any reason or for no stated reason.

2. Termination of Employment.

(a) Executive's employment with the Company Group shall terminate immediately upon the earliest to occur of: (i) July 31, 2020, (ii) the date of Executive's death, (iii) the date Executive is determined by the Board to have a Disability, (iv) the date Executive sets forth as Executive's resignation date in a notice of termination delivered to Company in accordance with this Agreement or (v) the date Company sets forth as Executive's termination date with or without Cause in a notice of termination delivered to Executive in accordance with this Agreement (the earliest of such dates, the "Separation Date").

(b) Effective as of the Separation Date, Executive shall resign from any and all positions with the Company Group that Executive holds as of the Separation Date, including, but not limited to, his role as Senior Advisor.

(c) "Disability" means Executive's inability, as determined by the Board, to perform the responsibilities and functions of Executive's position, with or without reasonable accommodation, by reason of any medically determined physical or mental impairment which has lasted (or can reasonably be expected to last) for a period of not less than one hundred eighty (180) consecutive days.

(d) "Cause" means, as determined by the Board: (i) Executive's conviction in a court of law of, or entry of a guilty plea or plea of no contest to, a felony charge (regardless of whether subject to appeal); (ii) Executive's willful and continued failure to perform substantially Executive's duties to the Company Group (other than any such failure resulting from Executive's incapacity due to physical or mental illness); (iii) any willful act that constitutes on Executive's part fraud, dishonesty in any material respect, breach of fiduciary duty, misappropriation,

embezzlement or gross misfeasance of duty; (iv) Executive's willful disregard or continued breach in any material respect of published Company Group policies and procedures or codes of ethics or business conduct, including, without limitation, Executive's engagement in sexual harassment, unlawful discrimination or any other material violation of the Company Group's employment practices related to workplace conduct; or (v) any other material breach by Executive of any provision of this Agreement.

3. Compensation and Benefits.

(a) As consideration for the services performed hereunder and Executive's execution within 21 days following the Transition Date and non-revocation of the Release Agreement set forth on Exhibit A hereto (the "Release"), which is incorporated herein in its entirety as if it were set forth in this Agreement:

(i) Executive shall be entitled to cash compensation in an amount equal to \$15,000,000 (the "Cash Compensation"), payable as follows: (i) \$25,000 monthly in regular payroll installments from the Transition Date through and including July 31, 2020 and (ii) two equal installments of \$7,300,000 on each of July 31, 2019 and July 31, 2020, subject to Executive's continued employment with the Company Group through the applicable payment date and compliance with the restrictive covenants set forth herein and the terms of the Release; and

(ii) During the Advisory Term, Executive shall be eligible to participate in the tax qualified retirement, group medical, dental, life insurance and disability insurance plans, or similar benefit plans of Company that are available generally to employees of Company, subject to the terms of each such plan and the making by Executive of any applicable contributions and the payment by Executive of any applicable premiums.

(b) Company will reimburse Executive for all reasonable pre-approved expenses actually incurred or paid by Executive in the performance of Executive's services on behalf of the Company Group in accordance with Company's applicable travel and expense reimbursement policies and any limitations that the Board establishes from time to time for employee expenses and expense reimbursements, subject to the timely submission by Executive of acceptable written documentation of such expenses.

(c) If the Separation Date is due to Executive's death or Disability, and, in the case of Disability, subject to Executive's execution within 21 days following the Separation Date and non-revocation of the Release, Company will provide to Executive (or, in the event of Executive's death, to Executive's estate) any remaining unpaid Cash Compensation on the applicable dates set forth in Section 3(a).

(d) If the Separation Date is July 31, 2020 or is due to Company's earlier termination of Executive's employment without Cause, and subject to Executive's execution within 21 days following the Separation Date and non-revocation of the Release, Company will provide the following severance to Executive (the "Severance"): (i) any remaining unpaid Cash Compensation on the applicable dates set forth in Section 3(a), (ii) \$1,000,000 annually in

regular payroll installments for the 24-month period immediately following the Separation Date with payment commencing 60 days following the date of Executive's termination of employment and (iii) if Executive elects COBRA continuation coverage under the applicable group health plan of Company, reimbursement of the premium cost of such coverage in excess of the required employee contribution level in effect from time to time during the applicable period for an executive of Company electing similar coverage, until the earliest of the expiration of 18 months following the date of Executive's termination of employment or such date as Executive becomes eligible to participate in another employer's group health plan. Company's obligation to provide Severance will terminate immediately upon the breach by Executive of any of the restrictive covenants set forth herein or the terms of the Release.

(e) Prior to the Transition Date, Executive has been granted cash and equity awards ("Incentive Awards"). By executing this Agreement, Executive agrees that any and all Incentive Awards (whether vested or unvested) shall forfeit in full upon the Transition Date for no consideration, and that Executive shall have no opportunity to vest into or earn any Incentive Awards following the Transition Date (including, for the avoidance of doubt, if Executive remains employed by the Company Group on a date that would have been a vesting date under the terms of any Incentive Award), and Executive shall have no further rights to any shares, compensation or payment of any kind pursuant to any and all Incentive Awards. Further, except as otherwise expressly provided herein, on and after the Transition Date, Executive shall not be entitled to any other compensation or participate in any past, present or future employee compensation programs or arrangements of the Company Group, including, without limitation, any compensation under any bonus, (including any annual bonus with respect to calendar year 2019), long-term incentive or severance plan, program or arrangement. For the avoidance of doubt, if Executive resigns for any or no reason or if Company terminates Executive's employment with Cause, Executive shall not be entitled to any payments following the Separation Date, including but not limited to any unpaid Cash Compensation or any Severance.

4. Return of Property. Upon the Transition Date, Executive shall return the property of the Company Group in his possession, custody or control, including, but not limited to, all Confidential Information (as defined below) and every other matter, thing or material of any kind that relates in any way to the business of the Company Group, and Executive shall return electronic hardware issued to him by the Company Group (including laptop) and copies of his outlook contacts; provided that Company will give Executive an electronic copy of his outlook contacts following the Transition Date. Subsequently, Company will deliver to Executive electronic hardware necessary for the performance of Executive's duties during the Advisory Term. Upon the Separation Date, Executive shall return the property of the Company Group in his possession, custody or control, including, but not limited to, all Confidential Information and every other matter, thing or material of any kind that relates in any way to the business of the Company Group, and Executive shall return electronic hardware issued to him by the Company Group (including laptop and cell phone) and copies of his outlook contacts; provided that Company will give Executive an electronic copy of his outlook contacts following the Separation Date.

5. Cooperation in Litigation. From and after the Transition Date, Executive shall cooperate with, and assist, Company in defense of any claim, litigation or administrative proceeding brought against any member of the Company Group, as reasonably requested by

Company. Such cooperation and assistance shall include, but is not limited to: (i) interviews of Executive by legal counsel for the Company Group, (ii) Executive providing documents (or copies thereof) and executing affidavits, (iii) Executive appearing for depositions, trials, and other proceedings, and (iv) Executive communicating with any party adverse to Company, or with a representative, agent or legal counsel for any such party, concerning any pending or future claims or litigation or administrative proceeding solely through legal counsel for Company. Nothing in this Agreement, including this Section 5, is intended to cause Executive to testify other than truthfully in any proceeding or affidavit.

6. Non-Disparagement. From and after the Transition Date, Executive shall not make any negative, disparaging, detrimental or derogatory remarks or statements (written, oral, telephonic, electronic, or by any other method) about the Company Group or any of its past, present or future respective owners, partners, managers, directors, officers, employees or agents, including, without limitation, any remarks or statements that could be reasonably expected, or which have the purpose and effect, to adversely affect in any manner (i) the conduct of any member of the Company Group's business or (ii) the business reputation, good will or relationships of the aforementioned persons. Company shall instruct its directors and executive officers not to, from and after the Transition Date, make any negative, disparaging, detrimental or derogatory remarks or statements (written, oral, telephonic, electronic, or by any other method) about Executive, including, without limitation, any remarks or statements that could be reasonably expected, or which have the purpose and effect, to adversely affect in any manner (i) the conduct of Executive's private equity enterprise and (ii) the business reputation, good will or relationships of Executive.

7. Confidential Information.

(a) Executive acknowledges that (i) Company has Confidential Information and Trade Secrets, (ii) the Confidential Information and Trade Secrets have been developed or acquired by Company through the expenditure of substantial time, effort and money and provides Company with an advantage over competitors who do not know or use such Confidential Information and Trade Secrets, and (iii) during Executive's employment with the Company Group, Executive has had access to and has become acquainted with Confidential Information and Trade Secrets.

(b) Confidential Information and Trade Secrets constitute valuable assets of the Company Group and may not be converted to Executive's own use. Executive agrees that Executive shall not, directly or indirectly, at any time: (i) reveal, divulge, or disclose any Confidential Information or Trade Secrets to any person not expressly authorized by Company; (ii) use or make use of any Confidential Information or Trade Secrets in connection with any business activity other than that of the Company Group; or (iii) transmit or disclose any Trade Secret of the Company Group to any person and shall not make use of any such Trade Secret, directly or indirectly, for Executive or for others. This Agreement does not alter either Company's rights or Executive's obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices. Notwithstanding the above, Executive will not be restricted from disclosing Confidential Information or any Trade Secrets that are required to be disclosed by law, court order or other legal process; provided, however, that in the event disclosure is required by law, Executive shall provide Company with prompt notice of such

requirement (to the extent legally permissible) so that Company may seek an appropriate protective order prior to any such required disclosure by Executive and so as to provide Company's General Counsel with prompt written notice after Executive is informed that such disclosure will be compelled. Such written notice shall include a description of the information to be disclosed, the court, government agency, or other forum through which the disclosure is sought, and the date by which the information is to be disclosed, and shall contain a copy of the subpoena, order or other process used to compel disclosure. No provisions in this Agreement, including Section 6 and this Section 7, are intended to prohibit Executive from disclosing this Agreement to, or from cooperating with or reporting violations to, any such governmental entity, and Executive may do so without disclosure to Company. Company may not retaliate against Executive for any of these activities, and nothing in this Agreement would require Executive to waive any monetary award or other payment that Executive might become entitled to from any such governmental entity.

(c) "Confidential Information" means all information without regard to form regarding the members of the Company Group, their activities, business or clients that is the subject of reasonable efforts by the Company Group to maintain its confidentiality and that is not generally disclosed by practice or authority to persons not employed by the Company Group, but that does not rise to the level of a Trade Secret. Confidential Information includes financial plans and data concerning the Company Group, management planning information, business plans, operational methods, market studies, marketing plans or strategies, product development techniques or plans, customer lists, customer files, data and financial information, details of customer contracts, current and anticipated customer requirements, identifying and other information pertaining to business referral sources, commodity marketing position, grain trades and strategy, budgets, long-range plans, sales data, technical information, processes and compilations of information, records, specifications and information concerning customers or vendors, manuals relating to suppliers' products, information regarding methods of doing business, the identity of suppliers, and personnel information, past, current and planned research and development, business acquisition plans, and new personnel acquisition plans and does not limit any definition of "confidential information" or any equivalent term under state or federal law. Confidential Information does not include information that has become generally available to the public by the act of one who has the right to disclose such information without violating any right or privilege of Company.

(d) "Trade Secret" means all information, without regard to form, including technical or nontechnical data, a formula, a pattern, a compilation, a program, a device, a method, a technique, a drawing, a process, financial data, financial plans, product plans, distribution lists or a list of actual or potential customers, advertisers or suppliers which is not commonly known by or available to the public and which information: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

(e) Executive is hereby notified in accordance with the Defend Trade Secrets Act of 2016 that Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state,

or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Executive files a lawsuit for retaliation against Company for reporting a suspected violation of law, Executive may disclose Company's trade secrets to the Executive's attorney and use the trade secret information in the court proceeding if the Executive files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

8. Non-Competition. During the Advisory Term and for the 24-month period immediately following the Separation Date (the "Restricted Period"), Executive shall not, directly or indirectly, anywhere in the United States or any country outside of the United States where the Company Group engages or has engaged in its business, seek or obtain any employment or a consulting arrangement with a Competitor in which Executive will use or is likely to use any Confidential Information or Trade Secrets, or in which Executive has duties for such Competitor that are the same or similar to those services actually performed by Executive for Company. For purposes of this Section 8, "Competing Business" means poultry production (including, without limitation, broiler production, processing, sales and marketing) or other protein production, and "Competitor" means any company or entity engaged in a Competing Business. During the Advisory Term and the Restricted Period, Executive shall not perform any act that may confer any competitive benefit or advantage upon any Competitor or, directly or indirectly, engage on Executive's own behalf or as a principal, owner, partner, stockholder, joint venturer, investor, member, trustee, director, officer, manager, employee, agent, representative, or consultant of any firm, corporation, partnership or other organization in a Competing Business; provided, however, that this Section 8 shall not preclude Executive from owning less than 1% of the common stock of a public company. Executive acknowledges and agrees that if Executive were to engage in competitive activities with Company, Executive would inevitably disclose and use Company's Confidential Information.

9. Non-Solicitation. During the Advisory Term and the Restricted Period, Executive shall not, directly or indirectly, on Executive's own behalf or as a principal, owner, partner, stockholder, joint venturer, investor, member, trustee, director, officer, manager, employee, agent, representative, or consultant of any person or otherwise:

(a) recruit, solicit or induce, or attempt to recruit, solicit or induce, any individual who is or was within the then most recently completed six-month period an employee or other service provider to any member of the Company Group to terminate his employment or service relationship with any member of the Company Group or to be hired by or to enter into employment or a service relationship with any other person, or hire or assist in the hiring of any such employee by a person, association, or entity not affiliated with Company; or

(b) solicit, contact, or canvass or attempt to solicit, contact, or canvass any of the customers or potential customers of the Company Group with whom Executive had direct or indirect contact while Executive was performing services for the Company Group, or induce or attempt to induce any such customer or potential customer to terminate or otherwise modify its relationship with the Company Group, or otherwise interfere with the relationship or potential relationship between the Company Group and any such customer or potential customer.

10. Enforcement; Injunctive Relief.

(a) Executive acknowledges and agrees that the covenants contained in Sections 6 through 9 are reasonable and necessary to protect Company's Confidential Information, Trade Secrets and the business and goodwill of Company and is not intended to impair or infringe upon Executive's right to work, earn a living, or acquire and possess property from the fruits of Executive's labor, and that their enforcement would not cause Executive any undue hardship or unreasonably interfere with Executive's ability to earn a livelihood. Executive acknowledges that Executive has received good and valuable consideration for the restrictions set forth in Sections 6 through 9 in the form of the compensation and benefits provided for herein and in the form of Company allowing Executive access to Confidential Information and Trade Secrets that Executive would not otherwise receive had Executive not entered into the restrictions set forth in Sections 6 through 9.

(b) Executive acknowledges that violation of the covenants in Sections 6 through 9 will cause irreparable damage to Company and that money damages would not provide an adequate remedy to Company, entitling Company to an injunction in a court of competent jurisdiction, in addition to whatever remedies Company may have at law or in equity, including recovery of reasonable attorneys' fees and costs incurred by Company in enforcing the terms of Sections 6 through 9. Such right and remedy shall be independent of any others and severally enforceable, and shall be in addition to, and not in lieu of, any other rights and remedies available to Company at law or in equity, including the right of Company to terminate Severance. Executive agrees that in the event Company seeks and obtains injunctive relief, no bond shall be required. Nothing herein is intended to limit the relief available to Company for Executive's violation of the covenants contained in Sections 6 through 9.

(c) Executive further acknowledges and agrees that if Executive violates the covenants contained in Sections 8 and 9 and Company brings legal action for and is granted injunctive or other equitable relief, Executive agrees that Company shall not be deprived of the benefit of the full period of such covenants, as a result of the time involved in obtaining such relief. Accordingly, Executive agrees that the provisions in Sections 8 and 9 shall have a duration determined pursuant to that paragraph, computed by taking into account the time, if any, during which Executive was in compliance with Sections 8 and 9.

(d) The covenants set forth in this Agreement shall be considered and construed as separate and independent covenants. Should any part or provision of any covenant be held invalid or unenforceable, such invalidity or unenforceability shall not render invalid or unenforceable any other part or provision of this Agreement. If any portion of the foregoing provisions is found to be invalid or unenforceable because its duration, the territory, the definition of activities or the definition of information covered is considered to be invalid or unreasonable in scope, the invalid or unreasonable term shall be redefined, or a new enforceable term provided, such that the intent of Company and Executive in agreeing to the provisions of this Agreement will not be impaired and the provision in question shall be enforceable to the fullest extent of the applicable laws.

11. Executive Representations. Executive represents and warrants that Executive's employment with Company, the execution by Executive of this Agreement and the performance

by Executive of Executive's obligations hereunder will not conflict with, or result in a violation or breach of, any employment, consulting, non-competition or other agreement to which Executive is a party or to which Executive is otherwise subject. The obligations of Company under this Agreement are expressly conditioned upon these representations by Executive being true in all respects. In Executive's work for Company, Executive further represents and warrants that Executive will not use or disclose any Confidential Information, including Trade Secrets, of any former employer or other person to whom Executive has an obligation of confidentiality.

12. Tax Withholding. All payments made by Company to Executive pursuant to this Agreement will be reduced by applicable tax withholdings and any other deductions as required by law.

13. Code Section 409A.

(a) Executive and Company agree that it is the intent of the parties that payments and benefits under this Agreement shall comply with or be exempt from Section 409A of the U.S. Internal Revenue Code of 1986, as amended ("Code Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted in accordance therewith. To the extent any provisions of this Agreement do not comply with Code Section 409A, the parties will make such changes as are mutually agreed upon in order to comply with Code Section 409A. Notwithstanding any other provision with respect to the timing of payments under this Agreement, to the extent necessary to comply with the requirements of Code Section 409A, any payments to which Executive may become entitled under this Agreement which are subject to Code Section 409A (and not otherwise exempt from its application) that are payable (i) in a lump sum within six months following the date of termination will be withheld until the first business day after the six-month anniversary of the date of termination, at which time Executive shall be paid the amount of such lump sum payments in a lump sum and (ii) in installments within six months following the date of termination will be withheld until the first business day after the six-month anniversary of the date of termination, at which time Executive shall be paid the aggregate amount of such installment payments in a lump sum, and after the first business day of the seventh month following the date of termination and continuing each month thereafter, Executive shall be paid the regular payments otherwise due to Executive in accordance with the payment terms and schedule set forth herein. In no event whatsoever shall Company be liable for any tax, interest or penalties that may be imposed on Executive by Code Section 409A or any damages for failing to comply with Code Section 409A.

(b) In the case of any reimbursement to Executive pursuant to this Agreement, such reimbursement will be made reasonably promptly following Executive's submission of a request for reimbursement. Any reimbursement by Company during any taxable year of Executive will not affect any reimbursement by Company in another taxable year of Executive. Any right to reimbursement is not subject to liquidation or exchange for another benefit.

(c) For purposes of the limitations on nonqualified deferred compensation under Section 409A of the Code, each payment of deferred compensation under this Agreement shall be treated as a separate payment of deferred compensation. In addition, to the extent that the right to any payment (including the provision of benefits) hereunder provides for the deferral of compensation within the meaning of Section 409A of the Code, references to Executive's

“termination” or “resignation” of employment will be construed to mean Executive’s “separation from service” within the meaning of Section 409A(a)(2)(A)(i) of the Code.

14. Waiver. The failure of Company to enforce or to require timely compliance with any term or provision of this Agreement shall not be deemed to be a waiver or relinquishment of rights or obligations arising hereunder, nor shall this failure preclude the enforcement of any term or provision or avoid the liability for any breach of this Agreement.

15. Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

16. Severability. Each part, term or provision of this Agreement is severable from the others. Notwithstanding any possible future finding by a duly constituted authority that a particular part, term or provision is invalid, void or unenforceable, this Agreement has been made with the clear intention that the validity and enforceability of the remaining parts, terms and provisions shall not be affected thereby, except that if the Release is invalidated, Executive shall execute a valid release or this entire Agreement shall be voidable, at the sole option of Company, thereby requiring Executive to return the Cash Compensation and Severance.

17. Construction. This Agreement shall be deemed drafted equally by all the parties. Its language shall be construed as a whole and according to its fair meaning. Any presumption or principle that the language is to be construed against any party shall not apply. The headings in this Agreement are only for convenience and are not intended to affect construction or interpretation. This Agreement is not to be construed as an admission, direct or indirect, against any interest of the parties. Any references to paragraphs, subparagraphs, or sections are to those parts of this Agreement, unless the context clearly indicates to the contrary. Unless the context clearly indicates to the contrary, (a) the plural includes the singular and the singular includes the plural; (b) “and” and “or” are each used both conjunctively and disjunctively; (c) “any,” “all,” “each,” or “every” means “any and all, and each and every;” (d) “includes” and “including” are each “without limitation;” and (e) “herein,” “hereof,” “hereunder” and other similar compounds of the word “here” refer to the entire Agreement and not to any particular paragraph, subparagraph, section or subsection.

18. Amendment. This Agreement may not be amended or modified in any manner, except by an instrument in writing authorized by Executive and a duly authorized officer on behalf of Company.

19. Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive, Company and their respective heirs, successors and assigns, except that Executive may not assign his rights or delegate his obligations hereunder without the prior consent of Company. Any attempted assignment in contravention of this Section 19 shall be void *ab initio*. Without the prior written consent of Company, Executive's rights and entitlements under this Agreement may not be assigned by Executive other than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be binding upon Company and its successors and assigns.

20. Notices. All notices and other communications hereunder must be in writing and will be deemed duly given (x) on the date of transmission, if delivered by confirmed facsimile or electronic mail, or (y) if delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid or by overnight courier, and addressed to the intended recipient at the addresses below.

Notices sent to Company should be directed to:

Chris Gaddis
1770 Promontory Circle
Greeley, CO 80634
Email: Christopher.Gaddis@jbssa.com

with a copy to:

Gillian Emmett Moldowan
Shearman & Sterling LLP
599 Lexington Avenue
New York, NY 10022
Email: Gillian.Moldowan@shearman.com

Notices sent to Executive should be directed to:

William W. Lovette
At the address on the records of Company

with a copy to:

Thomas A. Cooper
Moore & Van Allen PLLC
100 North Tryon Street
Suite 4700
Charlotte, NC 28202
Email: thomascooper@mvalaw.com

21. Entire Agreement. This Agreement, together with the Release, constitutes the entire agreement of the parties relating to the subject matter hereof. Any previous agreements with respect to Executive's employment are superseded by this Agreement and hereby terminated, including, for the avoidance of doubt Executive's employment agreements dated

January 14, 2011 and April 3, 2018. This Agreement has not been executed in reliance upon any representation or promise except those contained herein.

22. Choice of Law; Arbitration. This Agreement shall be interpreted and construed in accordance with and shall be governed by the laws of the State of Colorado, without reference to principles of conflict of law of Colorado or any other jurisdiction, and, when applicable, the laws of the United States. Any claim or dispute arising under or relating to this Agreement or the breach, termination, or validity of any term of this Agreement shall be subject to arbitration, and the parties agree that they shall arbitrate all controversies; provided, however, that nothing in this Agreement shall prohibit Company from exercising its right to pursue injunctive or other equitable remedies with respect to a breach or threatened breach of covenants. The arbitration shall be conducted in Denver, Colorado, in accordance with the Employment Dispute Rules of the American Arbitration Association and the Federal Arbitration Act, 9 U.S.C. §1, *et. seq.* Any award shall be binding and conclusive upon the parties hereto, subject to 9 U.S.C. §10. Each party shall have the right to have the award made the judgment of a court of competent jurisdiction. Each party to the arbitration shall bear the cost of their respective attorneys, experts and advisers. The cost of the arbitrator shall be borne by Company.

23. Acknowledgment of Terms. Executive acknowledges that Executive has carefully read this Agreement; that Executive has had the opportunity for review of it by Executive's attorney; that Executive fully understands its final and binding effect; that Company admits to no wrongdoing in connection with Executive's employment, the transition of Executive's employment responsibilities, or any other matter covered by the Release; that this Agreement is intended as a compromise of all Claims that Executive has alleged or may allege against any of the Released Parties (as such terms are defined in the Release); that the only promises or representations made to Executive to sign this Agreement are those stated herein; and that Executive is signing this Agreement voluntarily.

[Remainder of page intentionally left blank.
Signature page follows.]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the date and year first above written.

PILGRIM'S PRIDE CORPORATION

_____/s/ Fabio Sandri_____

By: Fabio Sandri
Title: Chief Financial Officer

WILLIAM W. LOVETTE

_____/s/ William W. Lovette_____

[Signature Page to the Transition Employment and Separation Agreement]

GENERAL RELEASE OF CLAIMS AGREEMENT

All capitalized terms used in this **General Release of Claims Agreement** (this “Release”) and not defined herein have the meaning given to them in the Transition Employment and Separation Agreement (the “Transition Agreement”), effective as of March 22, 2019, made by and between Pilgrim’s Pride Corporation, a Delaware corporation (“Company”), and William W. Lovette (“Executive”).

1. Definitions.

(a) “Claims” means all theories of recovery of whatever nature, whether known or unknown, and now recognized by the law or equity of any jurisdiction. This term includes causes of action of every kind and nature, charges, indebtedness, losses, claims, promises, obligations, liabilities, and demands, whether arising in equity or under the common law or under any contract or statute. This term includes any claims of discrimination, harassment, retaliation, retaliatory discharge, or wrongful discharge, and any other claim which is alleged or which could be alleged by Executive, or on Executive’s behalf, or by any Releasor in any lawsuit or other proceeding. This term includes any claims and rights arising under the Age Discrimination in Employment Act of 1967, 29 U.S.C. §621, *et seq.*, including the **Older Workers Benefit Protection Act of 1990**; Title VII of the Civil Rights Act of 1964, 42 U.S.C. §2000e, *et seq.*; the Civil Rights Act of 1991; Sections 1981-1988 of Title 42 of the United States Code; the Equal Pay Act; the Employee Retirement Income Security Act of 1974, 29 U.S.C. §1001, *et seq.*; and the Americans with Disabilities Act, 42 U.S.C. §12101, *et seq.*; the Worker Adjustment and Retraining Notification Act, 29 U.S.C. §2101, *et seq.*; the Family and Medical Leave Act, 29 U.S.C. §2601, *et seq.*; the National Labor Relations Act; the Immigration Reform and Control Act; the Americans with Disabilities Act of 1990; the Fair Labor Standards Act; the Occupational Safety and Health Act; the Sarbanes-Oxley Act of 2002; and any other federal, state or local law or regulation regarding employment or the termination of employment. This term includes any and all rights, benefits or claims Executive or any Releasor may have under any employment contract or under any severance, bonus, incentive compensation or stock option plan, program or agreement.

(b) “Damages” means all elements of relief or recovery of whatever nature, whether known or unknown, which are recognized by the law or equity of any jurisdiction which is sought or which could be sought by Executive, or on Executive’s behalf, or by any Releasor, in any lawsuit or other proceeding. This term includes actual, incidental, indirect, consequential, compensatory, exemplary, liquidated and punitive damages; rescission; attorneys’ fees; interest; costs; equitable relief; and expenses. This term also includes wages, benefits or other compensation owed, or allegedly owed to Executive or any Releasor, by virtue of Executive’s employment or termination of employment with the Company Group, including severance, bonuses, incentive compensation or stock options, payable pursuant to any plan, program, or agreement.

(c) “Releasors” means and includes Executive individually and in any corporate or other representative capacity, and all of Executive’s past or present heirs, executors,

administrators, agents, legal representatives, trustees, estates, spouse, successors, beneficiaries, and assigns.

(d) “Released Parties” means and includes all members of the Company Group (including, for the avoidance of doubt, Company), and each of their past, present and future owners, trustees, parents, subsidiaries, affiliates, family members and related entities, and all of the foregoing entities’ and persons’ past, present and future directors, officers, employees, associates, agents, benefit plans (and each such plan’s fiduciaries, administrators, trustees, sponsors and representatives), insurance carriers, predecessors, successors, assigns, executors, administrators, and representatives, in both their representative and individual capacities. Each of the Released Parties is an intended beneficiary of this Release.

2. General Release.

(a) In exchange for and in consideration of compensation and benefits provided for in the Transition Agreement, and as a condition of its receipt, Executive, on behalf of himself, and all Releasors, hereby irrevocably and unconditionally releases, discharges and acquits all of the Released Parties from any and all Claims and Damages, which Executive or any Releasor has against them at any time up to the date Executive signs this Release, including but not limited to Claims and Damages arising out of, or which might be considered to arise out of or to be connected in any way with: (i) Executive’s employment with the Company Group or the termination thereof; (ii) any treatment of Executive by any of the Released Parties, which includes, without limitation, any treatment or decisions with respect to hiring, placement, promotion, work hours, discipline, transfer, termination, compensation, performance review or training; (iii) any Damages or injury that Executive or any Releasor may have suffered, including without limitation, emotional or physical injury, or compensatory Damages (but excluding any claims for workers’ compensation benefits); (iv) employment discrimination, which shall include, without limitation, any individual or class claims of discrimination on the basis of age, disability, sex, race, religion, national origin, citizenship status, marital status, sexual orientation or any other basis whatsoever; (v) the Incentive Awards; and (vi) all such other Claims or Damages that Executive or any Releasor could assert against any, some or all of the Released Parties; provided that nothing in this Release shall be construed to release any rights Executive may have to (x) enforce the terms of the Transition Agreement or (y) indemnification by Company.

(b) This Release shall be construed as broadly as possible and shall also extend to release each and all of the Released Parties, without limitation, from any and all Claims and Damages that Executive or any Releasor have alleged or could have alleged, whether known or unknown, based on acts, omissions, transactions or occurrences which occurred up to the date Executive signs this Release.

3. Rights Reserved. Nothing in this Release shall prohibit or restrict Executive from responding to any inquiry, or otherwise communicating with, any federal, state or local administrative or regulatory agency or authority, including, but not limited to, the Securities and Exchange Commission (SEC), the Equal Employment Opportunity Commission (EEOC) or the National Labor Relations Board (NLRB), if applicable to Executive’s employment, about the Transition Agreement or its underlying facts and circumstances or filing a charge with or

participating in an investigation conducted by any governmental agency or authority; however, this Release does prevent Executive, to the maximum extent permitted by law, from obtaining any monetary or other personal relief from Released Parties for any of the Claims and Damages Executive has released in this Release. This Release shall not affect Executive's rights under the Older Workers Benefit Protection Act of 1990 ("OWBPA") (if applicable to Executive) to have a judicial determination of the validity of this Release and does not purport to limit any right Executive may have to file a charge under the Age Discrimination in Employment Act ("ADEA") or other civil rights statute or to participate in an investigation or proceeding conducted by the EEOC or other investigative agency. This Release does, however, waive and release any right to recover Damages under the ADEA or other civil rights statute.

4. Whistleblower Rights. Executive has the right under U.S. federal law to certain protections for cooperating with or reporting legal violations to various governmental entities. No provisions in this Release are intended to prohibit Executive from disclosing the Transition Agreement to, or from cooperating with or reporting violations to, any such governmental entity, and Executive may do so without disclosure to Company. Company may not retaliate against Executive for any of these activities, and nothing in this Release would require Executive to waive any monetary award or other payment that Executive might become entitled to from any such governmental entity.

5. DTSA. Executive acknowledges that, pursuant to the Defend Trade Secrets Act of 2016, an individual may not be held liable under any criminal or civil federal or state trade secret law for disclosure of a trade secret (i) made in confidence to a government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law, (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal or (iii) made to his or her attorney or used in a court proceeding in an anti-retaliation lawsuit based on the reporting of a suspected violation of law, so long as any document containing the trade secret is filed under seal and the individual does not disclose the trade secret except pursuant to court order.

6. OWBPA and ADEA Release. Pursuant to the OWBPA, Executive understands and acknowledges that by executing this Release and releasing all Claims and Damages against each and all of the Released Parties, Executive has waived any and all rights or Claims and Damages that Executive has against any Released Party under the ADEA, which includes, but is not limited to, any Claim that any Released Party discriminated against Executive on account of Executive's age.

7. Warranties. Executive represents and warrants that:

(a) no Claim, charge or complaint against any of the Released Parties has been brought by Executive or any Releasor before any federal, state, or local court or administrative agency;

(b) the compensation and benefits provided for in the Transition Agreement constitute new and valuable consideration that is not something to which Executive is otherwise indisputably entitled pursuant to Executive's employment with the Company Group or existing agreements with any member of the Company Group, is good and sufficient consideration for

Executive's execution and non-revocation of this Release, and is paid by or on behalf of the Released Parties in full satisfaction and settlement of any Claims and Damages;

(c) Executive is legally and mentally competent to sign this Release;

(d) Executive is the sole owner of any Claims that have been or could have been asserted, Executive has the requisite capacity and authority to make this Release, and no portion of any existing or potential Claims has been sold, assigned, pledged or hypothecated by Executive to any third party;

(e) Executive is subject to the restrictive covenants in the Transition Agreement, and those covenants are reasonable and a material inducement for Company to provide the compensation and benefits in the Transition Agreement; and

(f) this Release provides for the full and final settlement of all the Company Group's obligations with respect to Executive or any Releasor as of the date hereof.

8. Timing. By signing this Release in the space below, Executive is confirming Executive's acceptance of the terms and conditions set forth herein and is acknowledging the following:

(a) Executive understands that Executive can take up to 21 days from Executive's receipt of this Release (the "Consideration Period") to consider its meaning and effect and to determine whether or not Executive wishes to enter into it. Before signing this Release, Executive is advised to consult with an attorney and, by signing this Release, Executive acknowledges that Executive has had an opportunity to ask questions and consult with an attorney of Executive's choice. If Executive chooses to sign this Release before the end of the Consideration Period, Executive is doing so voluntarily. Executive agrees that any changes, whether material or immaterial, do not restart the running of the Consideration Period.

(b) Executive understands that if Executive fails to sign this Release as required, or Executive signs but exercises Executive's right to revoke his signature, Executive's right to receive the certain compensation and benefits provided for in the Transition Agreement will not vest and the amounts will not become due and owing to Executive.

(c) In addition, Executive may revoke Executive's signature within 7 days after signing this Release. Any revocation of this Release is requested to be in writing. This Release will be effective on the eighth day after signature by Executive provided that Executive has not revoked it as set forth herein.

(d) Executive's acceptance of any compensation or benefits provided for in the Transition Agreement after expiration of the 7-day revocation period constitutes Executive's acknowledgement that Executive did not revoke this Release during the 7-day period.

9. Miscellaneous. Sections 14 through 23 of the Transition Agreement apply to this Release mutatis mutandis.

Acknowledgment of the Release

I acknowledge that I have read and understand the Release and voluntarily agree to its terms.

Signed on this 22 day of March, 2019.

Signature: /s/ William W. Lovette

Printed Name: William W. Lovette

[Signature Page to the Release]

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, Jayson Penn, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2019, of Pilgrim's Pride Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2019

/s/ Jayson Penn

Jayson Penn
Principal Executive Officer

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

I, Fabio Sandri, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2019, of Pilgrim's Pride Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2019

/s/ Fabio Sandri

Fabio Sandri
Chief Financial Officer

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

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

The quarterly report on Form 10-Q for the quarter ended March 31, 2019 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 1, 2019

/s/ Jayson Penn

Jayson Penn

Principal Executive Officer

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

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

The quarterly report on Form 10-Q for the quarter ended March 31, 2019 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 1, 2019

/s/ Fabio Sandri

Fabio Sandri

Chief Financial Officer