SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

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

For the fiscal year ended SEPTEMBER 26, 1998 Commission File number 1-9273

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

DELAWARE	75-1285071
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
110 SOUTH TEXAS, PITTSBURG, TX	75686-0093
(Address of principal executive offices)	(Zip code)

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

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

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

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

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

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

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

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

No Class A Common Stock was outstanding as of December 10, 1998; Registrant issued 13,794,529 shares of the Registrant's Class A Common Stock pursuant to a stock dividend on July 30, 1999, for which this amended 10-K is being filed.

DOCUMENTS INCORPORATED BY REFERENCE

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

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PART I

ITEM 1. BUSINESS

GENERAL

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

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

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

FOCUS U.S. GROWTH ON PREPARED FOODS. In recent years the Company has focused its sales of prepared foods to the foodservice market, particularly to chain restaurants and frozen entre producers. The market for prepared foods has experienced greater growth and higher margins than fresh chicken products, and the Company's sales of prepared foods products to the foodservice market have grown from $206.4 million in fiscal 1994 to $420.4 million in fiscal 1998, a compounded annual growth rate of 19.5%. Additionally, the production and sale of prepared foods reduces the impact of feed ingredient costs on the Company's profitability. As further processing is performed, feed ingredient costs become a decreasing percentage of a product's total production cost. The Company is now the largest supplier of chicken to Wendy's and Jack-in-the-Box chain restaurants and to Stouffer's frozen entre operation. Other major prepared foods customers include KFC and Taco Bell. Prepared foods constituted 51.1% of the Company's U.S. chicken sales in fiscal 1998.

FOCUS ON CUSTOMER DRIVEN RESEARCH AND TECHNOLOGY. Much of the Company's growth in prepared foods has been the result of customer-driven research & development focused on designing new products to meet customers' changing needs. The Company's research & development personnel often work directly with institutional customers in developing proprietary products. Approximately $188.1 million of the Company's sales to foodservice customers in fiscal 1998 consisted of new products, which were not sold by the Company in fiscal 1994. The Company is also a leader in utilizing advanced processing technology, which enables the Company to better meet its customers' needs for product innovation, consistent quality and cost efficiency.

ENHANCE THE U.S. FRESH CHICKEN PRODUCT MIX THROUGH VALUE-ADDED, BRANDED PRODUCTS. The Company's fresh chicken business is an important component of its sales and has grown from sales of $280.9 million in fiscal 1994 to $307.6 million in fiscal 1998. In addition to maintaining its sales of mature, traditional fresh chicken products, the Company's strategy is to shift the mix of its U.S. fresh chicken products by continuing to increase sales of higher margin, faster growing products, such as marinated chicken and chicken parts.

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

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

CAPITALIZE ON INVESTMENTS AND EXPERTISE IN MEXICO. The Company's strategy in Mexico is focused on: (i) being one of the most cost-efficient producers and processors of chicken in Mexico by applying technology and expertise utilized in the U.S. and (ii) increasing distribution of its higher margin, value added products to national retail stores and restaurants. This strategy has resulted in the Company obtaining a market leadership position, with its estimated market share in Mexico increasing from 11.6% in 1994 to 15.8% in 1998.

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

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

	FISCAL YEAR ENDED				
	Sept. 26, 1998	Sept. 27, 1997	Sept. 28, 1996	Sept. 30, 1995	Oct. 1, 1994
	(in thousands)				
U.S. Chicken Sales:					
Prepared Foods:					
FOOD SERVICE	$ 420,396	$ 348,961	$ 305,250	$ 241,594	$ 206,396
Retail	46,400	42,289	43,442	39,071	61,553
Total Prepared Foods	466,796	391,250	348,692	280,665	267,949
Fresh Chicken:					
Food Service	145,297	174,103	145,377	140,433	155,368
Retail	162,283	154,554	141,876	138,950	125,539
Total Fresh Chicken	307,580	327,657	287,253	279,383	280,907
Export and Other	139,976	142,030	140,614	113,414	88,437
Total U.S. Chicken	914,352	860,937	776,559	673,462	637,293
Mexico	278,087	274,997	228,129	159,491	188,744
Total Chicken Sales	1,192,439	1,135,934	1,004,688	832,953	826,037
Sales of Other U.S. Products	139,106	141,715	134,622	98,853	96,572
Total Net Sales	$1,331,545	$1,277,649	$1,139,310	$931,806	$922,609

UNITED STATES

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

	FISCAL YEAR ENDED				
	Sept. 26, 1998	Sept. 27, 1997	Sept. 28, 1996	Sept. 30, 1995	Oct. 1, 1994
U.S. Chicken Sales:					
Prepared Foods:					
Foodservice	46.0 %	40.5 %	39.3 %	35.9 %	32.4 %
Retail	5.1	4.9	5.6	5.8	9.6
Total Prepared Foods	51.1	45.4	44.9	41.7	42.0
Fresh Chicken:					
Foodservice	15.9	20.2	18.7	20.9	24.4
Retail	17.7	17.9	18.3	20.6	19.7
Total Fresh Chicken	33.6	38.1	37.0	41.5	44.1
	15.3	16.5	18.1	16.8	13.9
TOTAL U.S. CHICKEN SALES MIX	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

PRODUCT TYPES

U.S. PREPARED FOODS OVERVIEW. During fiscal 1998, $466.8 million of the Company's net U.S. chicken sales were in prepared foods products to foodservice and retail, as compared to $268.0 million in fiscal 1994, which reflects the strategic focus for growth of the Company. The market for prepared food products has experienced, and management believes that this market will continue to experience, greater growth and higher margins than fresh chicken products. Additionally, the production and sale of prepared foods reduces the impact of feed ingredient costs on the Company's profitability. As further processing is performed, feed ingredient costs becomes a decreasing percentage of a product's total production costs.

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

U.S. Fresh Chicken Overview. The Company's fresh chicken business is an important component of its sales and has grown from sales of $280.9 million in fiscal 1994 to $307.6 million in fiscal 1998. In addition to maintaining its sales of mature, traditional fresh chicken products, the Company's strategy is to shift the mix of its U.S. fresh chicken products by continuing to increase sales of higher margin, faster growing products, such as marinated chicken and chicken parts.

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

EXPORT AND OTHER OVERVIEW. The Company's export and other products consist of whole chickens and chicken parts sold primarily in bulk, non-branded form either refrigerated to distributors in the U.S. or frozen for distribution to export markets. Sales growth in the "Export and Other" category between fiscal 1994 and fiscal 1998 primarily reflects increased exports of chicken products. In fiscal 1998, approximately $55.6 million of the Company's sales were attributable to exports of U.S. chicken. These exports and other products have historically been characterized by lower prices and greater price volatility than the Company's more value-added product lines.

MARKETS

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

As the second largest full-line supplier of chicken to the foodservice market, the Company believes it is well-positioned to be the primary or secondary supplier to many national and international chain restaurants who require multiple suppliers of chicken products. Additionally, the Company is well suited to be the sole supplier for many regional chain restaurants that offer better margin opportunities and a growing base of business. Due to its comparatively large size in this market, management believes the Company has significant competitive advantages in terms of product capability, production capacity, research and development expertise, and distribution and marketing experience relative to smaller and to non-vertically integrated producers. As a result of these competitive advantages, the Company's sales to the foodservice market from fiscal 1994 through fiscal 1998 grew at a compound annual growth rate of approximately 11.8%. Based on industry data, the Company estimates that total industry dollar sales to the foodservice market during this same period grew at a compounded annual growth rate of approximately 6.9%. The Company markets both prepared food and fresh chicken products to the foodservice industry.

FOODSERVICE - PREPARED FOODS: The majority of the Company's sales to the foodservice market consist of prepared food products. Prepared food sales to the foodservice market were $420.4 million in fiscal 1998 compared to $206.4 million in fiscal 1994, a compounded growth rate of approximately 19.5%. The Company's prepared food products include portion-controlled breast fillets, tenderloins and strips, formed nuggets and patties and bone-in chicken parts, which are sold frozen and in various states of preparation, including blanched, battered, breaded and either partially or fully cooked. The Company attributes this growth in sales of prepared foods to the foodservice market to a number of factors:

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

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

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

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

FIFTH, the Company's in-house product development group follows a customer-driven research & development focus designed to develop new products to meet customers' changing needs. The Company's research & development personnel often work directly with institutional customers in developing proprietary products. Approximately $188.1 million of the Company's sales to foodservice customers in fiscal 1998 consisted of new products, which were not sold by the Company in fiscal 1994.

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

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

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

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

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

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

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

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

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

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

MEXICO

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

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

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

COMPETITION

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

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

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

OTHER ACTIVITIES

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

REGULATION

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

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

EMPLOYEES AND LABOR RELATIONS

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

STATEMENTS REGARDING FORWARD LOOKING COMMENTS

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

DIRECTORS AND EXECUTIVE OFFICERS

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

EXECUTIVE OFFICERS OF THE COMPANY	AGE	POSITIONS
Lonnie "Bo" Pilgrim (1)	70	Chairman of the Board
Clifford E. Butler	56	Vice Chairman of the Board
David Van Hoose	56	Chief Executive Officer President Chief Operating Officer Director
Richard A. Cogdill	38	Executive Vice President Chief Financial Officer Secretary and Treasurer Director
O.B. Goolsby, Jr.	51	Executive Vice President Prepared Foods Complexes
Robert L. Hendrix	62	Executive Vice President Growout and Processing
Michael J. Murray	40	Executive Vice President Sales & Marketing and Distribution
Randy P. Stroud		Executive Vice President Mexico Operations
Ray Gameson	49	Senior Vice President Human Resources
David Hand	42	Senior Vice President Sales and Marketing Retail and Fresh Products
Michael D. Martin	44	Senior Vice President Complex Manager DeQueen and Nashville Arkansas Complex
James J. Miner, Ph.D.	70	Senior Vice President Technical Services
Robert N. Palm	55	Senior Vice President Lufkin, Nacogdoches and Center Texas Complex
Lonnie Ken Pilgrim (1)	40	Senior Vice President, Director of Transportation Director
Charles L. Black (1)	68	Director
Robert E. Hilgenfeld (1) (2)	73	Director
Vance C. Miller, Sr. (1) (2)	64	Director
James G. Vetter, Jr. (1) (2)	64	Director
Donald L. Wass, Ph.D. (1) (2)	66	Director

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

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

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

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

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

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

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

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

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

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

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

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

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

He was a Director from the incorporation of the Company in 1968 through September 1998.

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

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

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

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

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

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

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

ITEM 2. PROPERTIES

PRODUCTION AND FACILITIES

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

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

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

FEED MILLS: An important factor in the production of chicken is the rate at which feed is converted into body weight. The Company purchases feed ingredients on the open market. The primary feed ingredients include corn, milo and soybean meal, which historically have been the largest component of the Company's total production cost. The quality and composition of the feed is critical to the conversion rate, and accordingly, the Company formulates and produces its own feed. In the U.S., the Company operates seven feed mills located in Nacogdoches, Mt. Pleasant, Center and Pittsburg, Texas and Nashville and Hope, Arkansas. The Company currently has annual feed requirements of approximately 2.3 million tons and the capacity to produce approximately 2.7 million tons. The Company owns four feed mills in Mexico, which produce all of the requirements of its Mexico operations. Mexico's annual feed requirements are approximately 0.6 million tons with a capacity to produce approximately 0.9 million tons. In fiscal 1998, approximately 26% of Mexico's feed ingredients used were imported from the United States. However, this percentage fluctuates based on the availability and cost of local grain supplies.

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

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

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

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

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

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

ITEM 3. LEGAL PROCEEDINGS

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

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

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

The number of shares represented and able to vote at the meeting was 23,372,667. The amendment was passed with 19,579,108 voting for the amendment, 3,770,104 against and 23,454 votes abstaining. The measure passed and the articles are now amended.

PART II

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

QUARTERLY STOCK PRICES AND DIVIDENDS
High and low sales prices of and dividends on the Company's Class B common stock for the periods indicated (as adjusted for the June 30, 1999 stock dividend referred to in Note F of the Consolidated Financial Statements) were:

	Prices 1998		Prices 1997		DIVIDENDS	
QUARTER	HIGH	LOW	HIGH	LOW	1998	1997
First	$11 1/16	$ 8 1/2	$ 6	$ 5 3/16	$.01	$.01
Second	10 9/16	7 3/16	8 1/16	5 3/4	.01	.01
Third	13 1/8	9 3/16	8 1/2	6 5/16	.01	.01
Fourth	16 1/16	12 3/16	10 1/4	6 7/8	.01	.01

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

ITEM 6. SELECTED FINANCIAL DATA

S E L E C T E D F I N A N C I A L D A T A

Pilgrim's Pride Corporation

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

	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
INCOME STATEMENT DATA:										
Net sales	$1,331,545	$1,277,649	$1,139,310	$931,806	$922,609	$887,843	$817,361	$786,651	$720,555	$661,077
Gross margin	136,103	114,467	70,640	74,144	110,827	106,036	32,802	75,567	74,190	83,356
Operating income	77,256	63,894	21,504{(b)}	24,930{(b)}	59,698	56,345	(12,475)	31,039	33,379	47,014
(loss)										
Income (loss) before										
income taxes and	56,522	43,824	47	2,091	42,448	32,838	(33,712)	12,235	20,463	31,027
extraordinary										
charge	6,512	2,788	4,551	10,058	11,390	10,543	(4,048)	(59)	4,826	10,745
Income tax expense										
(benefit){ (c)	50,010	41,036	(4,504)	(7,967)	31,058	22,295	(29,664)	12,294	15,637	20,282
} Income (loss) before										
extraordinary										
charge	--	--	(2,780)	--	--	(1,286)	--	--	--	--
Extraordinary charge	50,010	41,036	(7,284)	(7,967)	31,058	21,009	(29,664)	12,294	15,637	20,282
- -										
early repayment of										
debt, net of tax										
Net income (loss)										
PER COMMON SHARE DATA{(D)}:										
Income (loss) before	$1.21	$0.99	$(0.11)	$(0.19)	$0.75	$0.54	$(0.83)	$0.36	$0.46	$0.60
extraordinary										
charge										
Extraordinary charge	--	--	(0.07)	--	--	(0.03)	--	--	--	--
- -	1.21	0.99	(0.18)	(0.19)	0.75	0.51	(0.83)	0.36	0.46	0.60
early repayment of	0.04	0.04	0.04	0.04	0.04	0.02	0.04	0.04	0.04	0.04
debt	5.58	4.41	3.46	3.67	3.91	3.20	2.71	3.31	2.99	2.57
Net income (loss)										
Cash dividends										
Book value{										
BALANCE SHEET SUMMARY:										
Working capital	$147,040	$133,542	$88,455	$88,395	$99,724	$72,688	$11,227	$44,882	$54,161	$60,313
Total assets	601,439	579,124	536,722	497,604	438,683	422,846	434,566	428,090	379,694	291,102
Notes payable and										
current maturities										
of	5,889	11,596	35,850	18,187	4,493	25,643	86,424	44,756	30,351	9,528
long-term debt										
Long-term debt, less	199,784	224,743	198,334	182,988	152,631	159,554	131,534	175,776	154,227	109,412
current maturities										
Total stockholders'	230,871	182,516	143,135	152,074	161,696	132,293	112,112	112,353	101,414	87,132
equity										
KEY INDICATORS (AS A PERCENTAGE OF NET SALES):										
Gross margin	10.2%	9.0%	6.2%	8.0%	12.0%	11.9%	4.0%	9.6%	10.3%	12.6%
Selling, general and										
administrative										
expenses	4.4%	4.0%	4.3%	5.3%	5.5%					

5.6% 5.7% 5.7% 5.7% 5.5%
Operating income 5.8% 5.0% 1.9% 2.7% 6.5%
6.3% (1.6)% 3.9% 4.6% 7.1%
(loss) 1.5% 1.7% 1.9% 1.9% 2.1%
2.9% 2.8% 2.5% 2.3% 2.7%
Interest expense, net 3.8% 3.2% (0.6)% (0.9)% 3.4%
2.4% (3.6)% 1.6% 2.2% 3.1%

Net income (loss)

(a) Fiscal 1993 had 53 weeks
(b) The peso decline and the related economic recession in Mexico contributed significantly to the operating losses experienced by the Company's Mexico operations of $8.2 million and $17.0 million for fiscal years 1996 and 1995, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".
(c) The Company does not include income or losses from its Mexico operations in its determination of taxable income for U.S. income tax purposes based upon its determination that such earnings will be indefinitely reinvested in Mexico. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note D of the Consolidated Financial Statements of the Company.
(d) Amounts are based on end-of-period shares of common stock adjusted for the Class A common stock dividend issued on July 30, 1999.

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

GENERAL

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

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

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

RESULTS OF OPERATIONS

FISCAL 1998 COMPARED TO FISCAL 1997:

NET SALES. Consolidated net sales were $1.3 billion for fiscal 1998, an increase of $53.9 million, or 4.2% over fiscal 1997. The increase in consolidated net sales resulted from a $53.4 million increase in U.S. chicken sales to $914.4 million and a $3.1 million increase in Mexican chicken sales to $278.1 million offset partially by a $2.6 million decrease of sales of other

U.S. products to $139.1 million. The increase in U.S. chicken sales was due primarily to a 3.9% increase in dressed pounds produced resulting primarily from the Company's expansion of existing facilities and the purchase of poultry assets capable of producing 650,000 chickens per week from Green Acre Foods, Inc., on April 15, 1997, and by a 2.2% increase in total revenue per dressed pound produced. The increase in Mexico chicken sales was due primarily to a 6.5% increase in total revenue per dressed pound offset partially by a 5.0% decrease in dressed pounds produced. Increased revenues per dressed pound produced in Mexico were primarily the result of higher sales prices as well as generally improved economic conditions in Mexico compared to the prior year.

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

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

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

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

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

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

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

FISCAL 1997 COMPARED TO FISCAL 1996:

NET SALES. Consolidated net sales were $1.3 billion for fiscal 1997, an increase of $138.3 million, or 12.1% over fiscal 1996. The increase in consolidated net sales resulted from an $84.3 million increase in U.S. chicken sales to $860.9 million, a $46.9 million increase in Mexico chicken sales to $275.0 million and by a $7.1 million increase of sales of other U.S. products to $141.7 million. The increase in U.S. chicken sales was due primarily to a 14.0% increase in dressed pounds produced resulting primarily from the Company's expansion of existing facilities and the purchase of poultry producing assets capable of producing 650,000 chickens per week from Green Acre Foods, Inc. on April 15, 1997, offset partially by a 2.7% decrease in total revenue per dressed pound produced. The increase in Mexico chicken sales was due primarily to a 25.5% increase in total revenue per dressed pound partially offset by a 3.9% decrease in dressed pounds produced resulting from management's decision in fiscal 1996 to reduce production due to the recession in Mexico. Increased revenue per dressed pound produced in Mexico was primarily the result of higher sales prices as well as generally improved economic conditions in Mexico compared to the prior year. The increase in sales of other domestic products was primarily the result of increased sales of the company's chicken by-products group.

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

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

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

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

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

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

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

The Company maintains $70 million in revolving credit facilities and $45 million in secured term borrowing facilities. The credit facilities provide for interest at rates ranging from LIBOR plus one and three-eighths percent to LIBOR plus two percent and are secured by inventory and fixed assets or are unsecured. As of October 30, 1998, $63.3 million was available under the revolving credit facilities and $30.8 million was available under the term borrowing facilities. The Company is required by certain provisions of its debt agreements to restrict dividends to a maximum of $3.4 million per year.

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

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

MARKET RISK SENSITIVE INSTRUMENTS AND POSITIONS

The risk inherent in the Company's market risk sensitive instruments and positions is the potential loss arising from adverse changes in the price of feed ingredients, foreign currency exchange rates and interest rates as discussed below. The sensitivity analyses presented do not consider the effects that such adverse changes may have on overall economic activity nor do they consider additional actions management may take to mitigate its exposure to such changes. Actual results may differ.

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

FOREIGN CURRENCY. The Company's earnings are affected by foreign exchange rate fluctuations related to the Mexican peso net monetary position of its Mexico subsidiaries. The company primarily manages this exposure by attempting to minimize its Mexican peso net monetary position, but has also from time to time considered executing hedges to help minimize this exposure. However, such instruments have historically not been economically feasible. The Company is also exposed to the effect of potential exchange rate fluctuations to the extent that amounts are repatriated from Mexico to the United States. However, the company currently anticipates that the cash flows of its Mexico subsidiaries will continue to be reinvested in its Mexico operations. In addition, the Mexican peso exchange rate can directly and indirectly impact the

Company's results of operations and financial position in several manners, including potential economic recession in Mexico resulting from a devalued peso. The impact on the Company's financial position and results of operations of a hypothetical change in the exchange rate between the U.S. dollar and the Mexican peso cannot be reasonably estimated. Foreign currency exchange losses, representing the decline in the U.S. dollar value of the net monetary assets of the Company's Mexico subsidiaries, were $2.3 million, $0.4 million and $1.3 million for 1998, 1997 and 1996, respectively. The operating loss of the company's Mexico subsidiaries of $8.2 million in 1996 was primarily the result of the peso devaluation and other economic factors at least partially attributable to the peso devaluation. On December 3, 1998, the Mexican peso closed at 10.0 to 1 U.S. dollar, a decrease from 10.24 at September 26, 1998. No assurance can be given as to the future valuation of the Mexican peso and how further movements in the peso could affect future earnings of the Company.

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

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

NEW ACCOUNTING PRONOUNCEMENTS

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

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

IMPACT OF YEAR 2000

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

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

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

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

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

IMPACT OF INFLATION

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

NOT APPLICABLE

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT

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

Reference is made to "Compliance with Section 16(a) of the Exchange Act" on page 9 of Registrant's Proxy Statement for its 1999 Annual Meeting of Stockholders, which section is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

PART IV

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

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

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

(3) The financial statements schedule entitled Valuation and Qualifying Accounts and Reserves is filed as part of this report on page 52.

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

(5) Exhibits

Exhibit
NUMBER

2.1 Agreement and Plan of Reorganization dated September 15, 1986, by and among Pilgrim's Pride Corporation, a Texas corporation; Pilgrim's Pride Corporation, a Delaware corporation; and Doris Pilgrim Julian, Aubrey Hal Pilgrim, Paulette Pilgrim Rolston, Evanne Pilgrim, Lonnie "Bo" Pilgrim, Lonnie Ken Pilgrim, Greta Pilgrim Owens and Patrick Wayne Pilgrim (incorporated by reference from Exhibit 2.1 to the Company's Registration Statement on Form S-1 (No. 33-8805) effective November 14, 1986).

3.1 Certificate of Incorporation of the Company (incorporated by reference from Exhibit 3.1 of the Company's Registration Statement on Form S-1 (No. 33-8805) effective November 14, 1986).

3.2 Amended and Restated Corporate Bylaws of Pilgrim's Pride Corporation, a Delaware Corporation, effective September 30, 1998.

4.1 Certificate of Incorporation of the Company (incorporated by reference from Exhibit 3.1 of the Company's Registration Statement on Form S-1 (No. 33-8805) effective November 14, 1986).

4.2 Amended and Restated Corporate Bylaws of Pilgrim's Pride Corporation, a Delaware Corporation, effective December 4, 1996 (incorporated by reference from Exhibit 3.3 of the Company's Quarterly Report on Form 10-Q for the three months ended March 29, 1997).

4.3 Specimen Certificate for shares of Common Stock, par value $.01 per share, of the Company (incorporated by reference from Exhibit 4.6 of the Company's Form 8 filed on July 1, 1992).

4.4 Form of Indenture between the Company and Ameritrust Texas National Association relating to the Company's 10 7/8% Senior Subordinated Notes Due 2003 (incorporated by reference from Exhibit 4.6 of the Company's Registration Statement on Form S-1 (No. 33-59626) filed on March 16, 1993).

4.5 Form of 10 7/8% Senior Subordinated Note Due 2003 (incorporated by reference from Exhibit 4.8 of the Company's Registration Statement on Form S-1 (No. 33-61160) filed on June 16, 1993).

10.1 Pilgrim's Industries, Inc. Profit Sharing Retirement Plan, restated as of July 1, 1987 (incorporated by reference from Exhibit 10.1 of the Company's Form 8 filed on July 1, 1992).

10.2 Bonus Plan of the Company (incorporated by reference from Exhibit 10.2 to the Company's Registration Statement on Form S-1 (No. 33-8805) effective November 14, 1986).

10.3 Stock Purchase Agreement dated May 12, 1992, between the Company and Archer Daniels Midland Company (incorporated by reference from Exhibit 10.45 of the Company's Form 10-K for the year ended September 26, 1992).

10.4 Employee Stock Investment Plan of the Company (incorporated by reference from Exhibit 10.28 of the Company's Registration Statement on Form S-1 (No. 33-21057) effective May 2, 1988).

10.5 Promissory Note dated September 20, 1990, by and between the Company and Hibernia National Bank of Texas (incorporated by reference from Exhibit 10.42 of the Company's Form 8 filed on July 1, 1992).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21.1 Subsidiaries of Registrant.*

23.1 Consent of Ernst & Young LLP.*

* Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the issuer has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 9th day of August 1999.

PILGRIM'S PRIDE CORPORATION
/s/ Richard A. Cogdill

By:
Richard A. Cogdill
Chief Financial Officer
Secretary and Treasurer

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

Stockholders and Board of Directors
Pilgrim's Pride Corporation

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

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

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

ERNST & YOUNG LLP

Dallas, Texas
November 4, 1998, except for the
last paragraph of Note F as to
which the date is July 30, 1999.

CONSOLIDATED BALANCE SHEETS
Pilgrim's Pride Corporation

(IN THOUSANDS)	TWO YEARS ENDED SEPTEMBER 26, 1998 1998	1997
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 25,125	$ 20,338
Trade accounts and other receivables, less allowance for doubtful accounts	81,813	77,967
Inventories	141,684	146,180
Deferred income taxes	7,010	3,998
Prepaid expenses and other current assets	2,902	2,664
Total Current Assets	258,534	251,147
OTHER ASSETS	11,757	18,094
PROPERTY, PLANT AND EQUIPMENT:		
Land	26,404	25,737
Buildings, machinery and		

equipment	470,763	436,783
Autos and trucks	35,547	33,278
Construction-in-progress	29,385	14,863
	562,099	510,661
Less accumulated depreciation	230,951	200,778
	331,148	309,883
	$601,439	$579,124
Liabilities and Stockholders' Equity		
CURRENT LIABILITIES:		
Accounts payable	$ 70,069	$ 71,225
Accrued expenses	35,536	34,784
Current maturities of long-term debt	5,889	11,596
Total Current Liabilities	111,494	117,605
Long-Term Debt, less current maturities	199,784	224,743
Deferred Income Taxes	58,401	53,418
Minority Interest in Subsidiary	889	842
Commitments and Contingencies	--	--
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value, authorized 5,000,000 shares; none issued	--	--
Common stock - Class A, $.01 par value, authorized 100,000,000 shares; none issued as of September 26, 1998	--	--
Common stock - Class B, $.01 par value, authorized 60,000,000 shares; 27,589,250 issued and outstanding in 1998 and 1997	276	276
Additional paid-in capital	79,763	79,763
Retained earnings	150,832	102,477
Total Stockholders' Equity	230,871	182,516
	$601,439	$579,124

See Notes to Consolidated Financial Statements.

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

(IN THOUSANDS, EXCEPT PER SHARE DATA)	THREE YEARS ENDED SEPTEMBER 26, 1998		
	1998	1997	1996
NET SALES	$1,331,545	$1,277,649	$1,139,310
COST AND EXPENSES:			
Cost of sales	1,195,442	1,163,152	1,068,670
Selling, general and administrative	58,847	50,603	49,136
	1,254,289	1,213,755	1,117,806
Operating Income	77,256	63,894	21,504
OTHER EXPENSES (INCOME):			
Interest expense, net	20,148	22,075	21,539
Foreign exchange loss	2,284	434	1,275
Miscellaneous, net	(1,698)	(2,439)	(1,357)
	20,734	20,070	21,457
Income Before Income Taxes and Extraordinary Charge	56,522	43,824	47
Income tax expense	6,512	2,788	4,551
NET INCOME (LOSS) BEFORE EXTRAORDINARY CHARGE	50,010	41,036	(4,504)
Extraordinary charge-early repayment of debt, net of tax	--	--	(2,780)
Net Income (Loss)	$ 50,010	$ 41,036	$ (7,284)
Net income (loss) per common share before extraordinary charge - basic and diluted	$ 1.21	$ 0.99	$ (0.11)
Extraordinary charge per common share - basic and diluted	--	--	(0.07)
NET INCOME (LOSS) PER COMMON SHARE - BASIC AND DILUTED	$ 1.21	$ 0.99	$ (0.18)

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Pilgrim's Pride Corporation
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Number of Shares	Class B Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance at September 30, 1995	27,589,250	$276	$79,763	$72,035	$152,074
Net loss for year				(7,284)	(7,284)
Cash dividends declared ($.04 per share)				(1,655)	(1,655)
Balance at September 28, 1996	27,589,250	276	79,763	63,096	143,135
Net income for year				41,036	41,036
Cash dividends declared ($.04 per share)				(1,655)	(1,655)
Balance at September 27, 1997	27,589,250	276	79,763	102,477	182,516
Net income for year				50,010	50,010
Cash dividends declared ($.04 per share)				(1,655)	(1,655)
Balance at September 26, 1998	27,589,250	$ 276	$ 79,763	$150,832	$230,871

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Pilgrim's Pride Corporation

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

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Pilgrim's Pride Corporation
NOTE A - BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

Net Income (Loss) Per Common Share: Net income (loss) per share is based on the weighted average number of shares of common stock outstanding during the year. The weighted average number of shares outstanding (basic and diluted) was 41,383,779 in all periods, as adjusted for the stock dividend referred to in Note F.

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

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

NOTE--B INVENTORIES:

Inventories consist of the following:

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

NOTE C - NOTES PAYABLE AND LONG-TERM DEBT

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

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

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

The fair value of long-term debt, at September 26, 1998 and September 27, 1997, based upon quoted market prices for the same or similar issues where available or by using discounted cash flow analysis, was approximately $206.7 million and $241.4 million, respectively.

Long-term debt consist of the following:

(IN THOUSANDS)

NOTE D - INCOME TAXES

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

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

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

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

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

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

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

	(IN THOUSANDS)	
	1998	1997
Deferred tax liabilities:		
Tax over book depreciation	$25,304	$24,584
Prior use of cash accounting	32,905	34,223
Other	1,059	823
Total deferred tax liabilities	59,268	59,630
Deferred tax assets:		
AMT credit carryforward	234	3,518
Expense deductible in		

different years	7,643	6,692
Total deferred tax asset	7,877	10,210
Net deferred tax liabilities	$51,391	$49,420

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

NOTE E - ACCOUNTS RECEIVABLE

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

NOTE F - COMMON STOCK

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

On July 2, 1999, the Company's board of directors declared a stock dividend of the Company's Class A common stock. Stockholders of record on July 20, 1999 received one share of the Company's Class A common stock for every two shares of the Company's Class B common stock held as of that date. The additional shares were issued on July 30, 1999. Historical per share and weighted average shares outstanding amounts have been restated to give effect to the stock dividend.

NOTE G - SAVINGS PLAN

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

NOTE H-RELATED PARTY TRANSACTIONS

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

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

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

NOTE I - COMMITMENTS AND CONTINGENCIES

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

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

NOTE J - BUSINESS SEGMENTS

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

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

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

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

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

NOTE K - QUARTERLY RESULTS (UNAUDITED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)	YEAR ENDED SEPTEMBER 26, 1998				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
Net Sales	$337,887	$324,446	$328,500	$340,712	$1,331,545
Gross Profit	29,380	26,861	32,736	47,126	136,103
Operating income	15,371	11,398	19,043	31,444	77,256
Net income	11,117	6,768	11,835	20,290	50,010
Per Share(b):					
Net income	0.27	0.16	0.29	0.49	1.21
Cash dividends	0.01	0.01	0.01	0.01	0.04

Market price:					
High	11 1/16	10 9/16	13 1/8	16 1/16	16 1/16
Low	8 1/2	7 3/16	9 3/16	12 3/16	7 3/16

(IN THOUSANDS, EXCEPT PER SHARE DATA)	YEAR ENDED SEPTEMBER 27, 1997				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
Net sales	$297,806	$303,401	$335,168	$341,274	$1,277,649
Gross profit	30,267	23,085	27,285	33,860	114,497
Operating income	16,314	9,660	12,627	25,293	63,894
Net income	10,105 (a)	4,954	7,286	18,691	41,036(a)
Per Share(b):					
Net income	0.24 (a)	0.12	0.18	0.45	0.99(a)
Cash dividends	0.01	0.01	0.01	0.01	0.04
Market price:					
High	6	8 1/16	8 1/2	10 1/4	10 1/4
Low	5 3/16	5 3/4	6 5/16	6 7/8	5 3/16

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

(b) The per share data has been adjusted to reflect the July 30, 1999 stock dividend referred to in Note F.

PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES

SCHEUDLE II-VALUATION AND QUALIFYING ACCOUNTS

COL. A	COL. B	COL. C		COL. D	COL. E
		ADDITIONS			
DESCRIPTION	BALANCE AT BEGINNING	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS -DESCRIBE	DEDUCTINS DESCRIBE	BALANCE AT END OF PERIOD

EXHIBIT 22- SUBSIDIARIES OF REGISTRANT

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

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 3-12043) of Pilgrim's Pride Corporation of our report dated November 4, 1998, except for the last paragraph of Note F, as to which the date is July 30, 1999, with respect to the consolidated financial statements of Pilgrim's Pride Corporation included in this Annual Report (Form 10-K/A) for the year ended September 26, 1998.

Ernst & Young LLP

Dallas, Texas
August 9, 1999