PILGRIMS PRIDE CORP
Form DEF 14A
December 29, 2005

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
ý	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

Pilgrim s Pride Corporation
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

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Pilgrim s Pride Corporation

4845 U.S. Highway 271 North
Pittsburg, Texas 75686

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held Wednesday, January 25, 2006

The Annual Meeting of Stockholders of Pilgrim s Pride Corporation (the Company) will be held at the Company s headquarters building, 4845 U.S. Highway 271 N., Pittsburg, Texas, on Wednesday, January 25, 2006, at 11:00 a.m., local time, to consider the following matters:

1. The election of thirteen Directors for the ensuing year;

2. To act upon a shareholder proposal, if properly presented at the meeting;

3. The ratification of the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for the fiscal year ending September 30, 2006; and

4. To transact such other business as may be properly brought before the meeting or any adjournment. No other matters are expected to be voted on at the meeting.

The Board of Directors has fixed the close of business on November 28, 2005, as the record date for determining stockholders of record entitled to notice of, and to vote at, the meeting. If you own stock in the Company at the close of business on that date, you are cordially invited to attend the annual meeting. Seating at the meeting will be limited to the Company s stockholders, proxy holders, and invited guests of the Company. If you are a stockholder of record in your own name, please bring photo identification to the annual meeting. If you hold shares through a bank, broker or other third party, please bring photo identification and a current brokerage statement.

RICHARD A. COGDILL
Chief Financial Officer,
Secretary and Treasurer

Pittsburg, Texas
December 29, 2005

YOUR VOTE IS IMPORTANT!
PLEASE SIGN AND RETURN THE ACCOMPANYING PROXY.

Pilgrim s Pride Corporation

4845 U.S. Highway 271 North
Pittsburg, Texas 75686

PROXY STATEMENT

GENERAL INFORMATION

The Board of Directors of Pilgrim s Pride Corporation (the Company) solicits stockholders proxies in the accompanying form for use at the Annual Meeting of Stockholders to be held on Wednesday, January 25, 2006, at 11:00 a.m., local time, at the Company s headquarters at 4845 U.S. Highway 271 N., Pittsburg, Texas and at any adjournments thereof (the Meeting). This Proxy Statement, the accompanying proxy card and the Company s 2005 Annual Report to Stockholders are being mailed, beginning on or about December 30, 2005, to all stockholders entitled to receive notice of, and to vote at, the Meeting.

The principal executive offices of the Company are located at 4845 U.S. Highway 271 N., Pittsburg, Texas 75686. Any writing required to be sent to the Company should be mailed to this address.

Stockholders Entitled to Vote

As of November 28, 2005, the record date for determining stockholders entitled to notice of and to vote at the Meeting (the Record Date), the Company had outstanding 66,555,773 shares of its common stock, $.01 par value per share. The Company s Certificate of Incorporation generally provides that holders of its common stock are entitled to 20 votes for each share that has been continuously beneficially owned by such holder on and after November 21, 2003, subject to compliance with certain procedures, and one vote for all other shares. Article Fourth of the Company s Certificate of Incorporation and the voting procedures adopted thereunder contain several provisions governing the voting power of the Company s common stock, including a presumption that each share of common stock held in street or nominee name or by a broker, clearing agency, voting trustee, bank, trust company or other nominee shall be presumed to have been acquired after November 21, 2003, and accordingly to be entitled to only one vote per share, unless the holder furnished the Company with proof to the contrary. Applying the presumptions described in Article Fourth of the Company s Certificate of Incorporation, the Company s records indicate that 585,597,872 votes are entitled to be cast at the Meeting. All percentages of voting power set forth in this proxy statement have been calculated based on such number of votes. Attached hereto as Annex A is a summary of these voting provisions.

Voting of Proxies

Because many of the Company s stockholders are unable to attend the Meeting, the Board of Directors solicits proxies by mail to give each stockholder an opportunity to vote on all items of business scheduled to come before the Meeting. Each stockholder is urged to:

(1) read carefully the material in this Proxy Statement;

(2) specify his or her voting instructions on each item by marking the appropriate boxes on the accompanying proxy card; and

(3) sign, date and return the proxy card in the enclosed, postage prepaid envelope.

The accompanying proxy card provides a space, with respect to the election of Directors, for a stockholder to withhold voting for any or all nominees for the Board of Directors, but does not permit a stockholder to vote for any nominee not named on the proxy card. The card also allows a stockholder to abstain from voting on any other item if the stockholder chooses to do so.

When the accompanying proxy card is properly executed and returned with voting instructions with respect to any of the items to be voted upon, the shares represented by the proxy will be voted in accordance with the stockholder s directions by the persons named on the proxy card as proxies of the stockholder. If a proxy card is signed and returned, but no specific voting instructions are given, the shares represented by the proxy card will be voted for the election of the thirteen nominees for Directors named on the accompanying proxy card, against the shareholder proposal and for the ratification of the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm.

Unless otherwise indicated by the stockholder, returned proxy cards also confer upon the persons named on the card, as proxies for the stockholder, discretionary authority to vote all shares of stock represented by the proxy card on any item of business that is properly presented for action at the Meeting, even if not described in this Proxy Statement. If any of the nominees for Director named below should be unable or unwilling to accept nomination, the proxies will be voted for the election of such other person as may be recommended by the Board of Directors. The Board of Directors, however, has no reason to believe that any item of business not set forth in this Proxy Statement will come before the Meeting or that any of the nominees for Director will be unavailable for election.

Revocation of Proxies

The proxy does not affect a stockholder s right to vote in person at the Meeting. If a stockholder executes a proxy, he or she may revoke it at any time before it is voted by submitting a new proxy card, or by communicating his or her revocation in writing to the Secretary of the Company at 4845 U.S. Highway 271 N., Pittsburg, Texas 75686, or by voting by ballot at the Meeting.

Votes Required

The holders of at least a majority of the voting power of the Company s common stock outstanding on the Record Date must be present in person or by proxy at the Meeting for the Meeting to be held. Abstentions and broker non-votes are counted in determining whether at least a majority of the voting power of the Company s common stock outstanding on the Record Date is present at the Meeting.

Directors will be elected by a plurality of the votes cast at the Meeting. The affirmative vote of a majority of the voting power of the Company s common stock represented and entitled to vote at the Meeting is required for the approval of the shareholder proposal, the ratification of the appointment of the Company s independent registered public accounting firm and approval of any other item of business to be voted upon at the Meeting. Abstentions from voting on any matter will be included in the voting tally. Abstentions will have no effect on the election of Directors. An abstention will have the same effect as a vote against the shareholder proposal and the proposal to ratify the appointment of the Company s independent registered public accounting firm. Broker non-votes are shares held by a broker or nominee that are represented at the Meeting, but with respect to which such broker or nominee is not empowered to vote on a particular proposal. A broker non-vote will not be considered entitled to vote on matters as to which the broker withholds authority; therefore, broker non-votes are not included in the tabulation of voting results. Broker non-votes will have no effect on the election of Directors, and broker non-votes will not be included in the tabulation of voting results with respect to the shareholder proposal or the proposal to ratify the appointment of the Company s registered public accounting firm. Lonnie Bo Pilgrim owned or controlled over 50% of the voting power of the outstanding common stock on the Record Date, and thus will be able to elect all of the nominees for Directors and determine the outcome of all other matters presented to a vote of the stockholders.

Stockholder Proposals for 2007 Annual Meeting

The Company currently expects that the 2007 Annual Meeting of Stockholders will be held on Wednesday, January 31, 2007. The Company s Amended and Restated Corporate Bylaws state that a stockholder must give the Secretary of the Company written notice, at the Company s principal executive offices, of its intent to present a proposal at the Company s 2007 Annual Meeting of Stockholders by

October 3, 2006, but not before May 6, 2006. Additionally, in order for stockholder proposals which are submitted pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the Exchange Act), to be considered by the Company for inclusion in the Company s proxy materials for the 2007 Annual Meeting of Stockholders, they must be received by the Secretary of the Company at the Company s executive offices no later than the close of business on August 31, 2006.

Cost of Proxy Solicitation

The Company will bear the cost of the Meeting and the cost of soliciting proxies in the accompanying form, including the cost of mailing the proxy material. In addition to solicitation by mail, Directors, officers and other employees of the Company may solicit proxies by telephone or otherwise. They will not be specifically compensated for such services. The Company will request brokers and other custodians, nominees and fiduciaries to forward proxies and proxy soliciting material to the beneficial owners of the Company s common stock and to secure their voting instructions, if necessary. The Company will reimburse them for the expenses in so doing.

Role of the Board of Directors

The Board of Directors has the responsibility for establishing broad corporate policies and for the overall performance of the Company. However, it is not involved in day-to-day operating details. Members of the Board are kept informed of the Company s business through discussions with the Chairman and other officers and by reviewing analyses and reports sent to them each month, as well as by participating in Board and committee meetings.

Board Independence

The Board of Directors has determined that each of the current directors standing for election, except for Lonnie Bo Pilgrim, Clifford E. Butler, Lonnie Ken Pilgrim, O.B. Goolsby, Jr. and Richard A. Cogdill, has no material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company) and is independent within the meaning of the Company s Corporate Governance Policy s categorical independence standards, which are attached hereto as Annex C, and the New York Stock Exchange s listing standards.

Committees of the Board of Directors

To assist in carrying out its duties, the Board of Directors has delegated certain authority to the Audit and Compensation Committees. The Audit Committee was established in accordance with Section (3)(a)(58)(A) of the Exchange Act. The members of the Audit Committee are Vance C. Miller, Sr., Linda Chavez and Keith Hughes. The members of the Compensation Committee are Lonnie Bo Pilgrim, Vance C. Miller, Sr., Lonnie Ken Pilgrim, James G. Vetter, Jr., and Blake D. Lovette. The Compensation Committee also has a subcommittee consisting of Charles L. Black and Vance C. Miller, Sr. Each committee meets to examine various facets of the Company s operations and take appropriate action or make recommendations to the Board of Directors.

The Board of Directors does not maintain a Nominating Committee. As a controlled company under the New York Stock Exchange s listing standards, the Company chooses to have the entire Board of Directors participate in the consideration of Director nominees. See Controlled Company Exemption below for a discussion of controlled company status. The Board of Directors does not delegate the responsibility of nominating potential new Directors to a separate nominating committee because it believes that all Directors should be involved in this process. The Board of Directors policy is to encourage selection of Directors who will contribute to the Company s overall corporate goals of responsibility to its stockholders, industry leadership and integrity in financial reporting and business conduct. The Board of Directors will review the experience and characteristics appropriate for Board members and Director candidates in light of the Board of Directors composition at the time and skills and expertise needed for effective operation of the Board of Directors and its committees. Final approval of a candidate is determined by the full Board. Because the

Company is a controlled company, the Board of Directors does not have a policy with regard to the consideration of any Director candidates recommended by the Company s stockholders. However, the Board of Directors will consider stockholder recommendations for candidates for the Board which should be sent to Pilgrim s Pride Corporation, Corporate Secretary, 4845 U.S. Highway 271 N., Pittsburg, Texas 75686.

The Audit Committee s responsibilities include the selection of the independent registered public accounting firm, reviewing the plan and results of the audit performed by the Company s independent registered public accounting firm and the adequacy of the Company s systems of internal accounting controls, and monitoring compliance with the Company s conflicts of interest and business ethics policies. The Audit Committee is composed entirely of Directors who the Board of Directors has determined to be independent within the meaning of the New York Stock Exchange s listing standards. The Board of Directors has determined that each of the members of the Audit Committee is financially literate and at least one member has accounting or financial management expertise, in each case as required by the New York Stock Exchange s listing standards. The Board of Directors has determined that Mr. Keith Hughes is an audit committee financial expert within the meaning of the regulations of the Securities and Exchange Commission. The Audit Committee has an Audit Committee Charter that is attached as Annex B to this Proxy Statement. The Audit Committee Charter is also available on the Company s website at www.pilgrimspride.com, under the Investors Corporate Governance caption. The Audit Committee Charter is also available in print to any stockholder who requests it.

The Compensation Committee reviews the Company s remuneration policies and practices and establishes the salaries of the Company s officers. The Compensation Subcommittee is responsible for administering certain aspects of the Pilgrim s Pride Corporation Senior Executive Performance Bonus Plan dealing with compensation for designated Section 162(m) participants, currently Mr. Lonnie Bo Pilgrim, Clifford E. Butler, O.B. Goolsby, Jr., Richard A. Cogdill and J. Clinton Rivers.

Meetings

During the Company s fiscal year ended October 1, 2005, there were six regular and six telephonic meetings of the Board of Directors, five regular and two telephonic meetings of the Audit Committee, one meeting of the Compensation Committee, one meeting of the Compensation Subcommittee and two executive sessions including only non-management directors. During fiscal 2005, each member of the Board of Directors attended at least 75% of the aggregate number of meetings of the Board and Board Committees on which the Director served. All Directors attended the Company s 2005 Annual Meeting. While the Company does not have a formal policy regarding Director attendance at annual meetings of stockholders, the Company encourages each Director to attend each annual meeting of stockholders. In practice, the Company intends to schedule regular Board of Directors meetings on the same day as its annual meeting of stockholders, which the Company believes will facilitate Director attendance at the stockholders meeting.

Communications with the Board of Directors

Stockholders may communicate directly with the Board of Directors, any Board committee, all independent Directors, or any one Director serving on the Board of Directors by sending written correspondence to the desired person or entity attention of the Company s Corporate Counsel at Pilgrim s Pride Corporation, 4845 U.S. Highway 271 N., Pittsburg, Texas 75686 or CorporateCounsel@pilgrimspride.com. Communications are distributed to the Board of Directors, or to any individual Director or Directors as appropriate, depending on the facts and circumstances outlined in the communication.

Corporate Governance

The Board of Directors has adopted a Code of Business Conduct and Ethics and Corporate Governance Policies of the Board of Directors. The full texts of the Code of Business Conduct and Ethics and Corporate Governance Policies are posted on the Company s website at www.pilgrimspride.com, under the Investors Corporate Governance caption and are also available in print to any stockholder who requests them. The Company intends to disclose future amendments to, or waivers from, certain provisions of the Code of Business Conduct and Ethics on the Company s website within four business days following the date of such amendment or waiver.

Controlled Company Exemptions

The Company is a controlled company under the New York Stock Exchange s listing standards since Lonnie Bo Pilgrim owns or controls over 50%of the voting power of the outstanding common stock as of the Record Date. Accordingly, the Company takes advantage of the exemptions in Sections 303A.01, 303A.04 and 303A.05 of the New York Stock Exchange s listing standards.

Executive Sessions

Because Lonnie Bo Pilgrim, the current Chairman of the Board, is not an independent Director, the Board of Directors will either designate an independent Director to preside at the meetings of the non-management and independent Directors or a procedure by which a presiding Director is selected for these meetings. In the absence of another procedure being adopted by the Board, the person appointed will be the independent Director with the longest tenure on the Board in attendance at the meeting.

ELECTION OF DIRECTORS

At the Meeting, thirteen Directors are to be elected, each to hold office for one year or until his successor is duly elected and qualified. Unless otherwise specified on the proxy card, the shares represented by the enclosed proxy will be voted for the election of the thirteen nominees named below. The Board of Directors has no reason to believe that any nominee will be unable to serve if elected. In the event any nominee shall become unavailable for election, it is intended that such shares will be voted for the election of a substitute nominee selected by the Board of Directors. The Board of Directors has recommended each of the nominees for Directors.

NOMINEES FOR DIRECTOR

Lonnie Bo Pilgrim, 77, 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, 63, 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 in January 1997 and served in such capacity through July 1998.

O.B. Goolsby, Jr., 58, serves as President and Chief Executive Officer of the Company. He became a Director in January 2003. Mr. Goolsby has served as President and Chief Executive Officer since September 2004. Mr. Goolsby served as President and Chief Operating Officer from November 2002 to October 2004. Prior to being named as President and Chief Operating Officer in November 2002, Mr. Goolsby served as Executive Vice President, Prepared Foods Complexes from June 1998 to November 2002. He was previously Senior Vice President, Prepared Foods Operations from August 1992 to June 1998 and Vice President, Prepared Foods Operations from September 1987 to August 1992 and was previously employed by the Company from November 1969 to January 1981.

Richard A. Cogdill, 45, has served as Chief Financial Officer, Secretary and Treasurer (the Company s Principal Financial and Accounting Officer) 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.

Lonnie Ken Pilgrim, 47, has been employed by the Company since 1977 and has been Executive Vice President, Assistant to Chairman since November 2004. He served as Senior Vice President, Transportation from August 1997 to November 2004. 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, 76, 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.

Linda Chavez, 58, has been President of the Center for Equal Opportunity, a non-profit public policy research organization in Sterling, Virginia since 1995. Previously, she served as Chairman, National Commission on Migrant Education from 1988 to 1992 and White House Director of Public Liaison in 1985. She was elected a Director in July 2004. She also serves on the board of directors of ABM industries, Inc., a facilities service contractor, as well as on the boards of several non-profit organizations.

S. Key Coker, 48, has served as Executive Vice President of Compass Bank, a $25 billion dollar bank with offices throughout the southern United States, since October 2000. Previously, he served as Senior Vice President of Compass Bank from June 1995 through September 2000 and had been employed by Compass Bank since 1992. He is a career banker with 25 years of experience in banking. He was appointed a Director in September 2000.

Keith W. Hughes, 59, was elected a Director of the Company in September 2004. He was Chairman and CEO of Dallas-based Associates First Capital from 1994 to 2000 when it merged with Citigroup, and served as Associates First Capital s President and Chief Operating Officer from 1991 to 1994. Prior to joining Associates, he held various roles in the financial services industry working for Continental Illinois Bank in Chicago, Northwestern Bank in Minneapolis and Crocker Bank in San Francisco. Mr. Hughes also serves as a director of Carreker Corporation, a financial software and consulting organization; Texas Industries, Inc., a producer of steel, concrete and aggregate construction material; and Certegy Inc., a credit card and check authorization business. He is a former Vice Chairman and member of the Board of Directors of Citigroup.

Blake D. Lovette, 63, was appointed a director of the Company in November 2003. He has served as a consultant to companies serving the food industry and has been a private investor since July 2002. From 1998 to June 2002, he was President of ConAgra Poultry Company, a fully-integrated chicken processing business engaged in the production, processing, marketing and distribution of fresh and frozen chicken products. Mr. Lovette has served as a poultry company executive for many years. He was President and Chief Operating Officer of Valmac Industries from 1979 to 1985. From 1985 to 1988, Mr. Lovette led the Shenandoah Products Corporation operations of Perdue Farms. He was President and Chief Operating Officer of poultry operations of Holly Farms Corporation from 1988 to 1990, and was with the Lovette Company from 1990 to 1998.

Vance C. Miller, Sr., 72, 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 was appointed by the President of the United States to serve as Director of Fannie Mae from 1986 to 1989.

James G. Vetter, Jr., 71, has practiced law in Dallas, Texas, since 1966. He is a shareholder of the Dallas law firm of Godwin Gruber LLP, and has served as general counsel and a Director since 1981. Mr. Vetter is a Board Certified-Tax Law Specialist and served as a lecturer and author in tax matters.

Donald L. Wass, Ph.D., 73, 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.

Report of the Audit Committee

The Audit Committee oversees the Company s accounting and financial reporting processes and the integrity of the Company s financial statements on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the committee reviewed and discussed the audited financial statements in the Annual Report with management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

The committee reviewed with the independent auditors who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of the Company s accounting principles and such other matters as are required to be discussed with the committee under generally accepted auditing standards. In addition, the committee has discussed with the independent auditors the auditor s independence from management and the Company, and has received from the independent auditors the written disclosures and the letter from the independent auditors required by the Independence Standards Board.

The committee discussed with the Company s internal and independent auditors the overall scope and plans for their respective audits. The committee meets with the internal and independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company s internal controls and the overall quality of the Company s financial reporting. In reliance on the reviews and discussions referred to above, the committee recommended to the Board of Directors that the audited financial statements be included in the Company s Annual Report on Form 10-K for the fiscal year ended October 1, 2005 for filing with the Securities and Exchange Commission. The committee has also recommended the selection of the Company s independent registered public accounting firm.

The members of the Audit Committee are independent within the meaning of the New York Stock Exchange s listing standards and the Audit Committee otherwise meets the audit committee composition requirements of the New York Stock Exchange s listing standards.

Audit Committee

Vance C. Miller, Sr.

Linda Chavez

Keith Hughes

Independent Auditor Fee Information

Audit Fees

Fees for audit services totaled approximately $2,118,000 in fiscal 2005 and approximately $1,911,344 in fiscal 2004, including fees associated with the annual audit, the audit of internal controls over financial reporting (i.e., the Sec. 404 Audit), the reviews of the Company s quarterly reports on Form 10-Q, statutory audits required in Mexico and assistance with registration statements and accounting consultations.

Audit-Related Fees

Fees for audit-related services totaled approximately $355,000 in fiscal 2005 and approximately $415,640 in fiscal 2004. Audit-related services principally include transaction assistance, SOX 404 assistance, employee benefit plan audits, and, in fiscal 2004 audit procedures performed to support the closing balance sheet for the Company s acquisition of the chicken division of ConAgra Foods, Inc.

Tax Fees

Fees for tax services, including tax compliance, tax advice and tax planning, totaled approximately $394,000 in fiscal 2005 and approximately $333,900 in fiscal 2004.

All Other Fees

Fees for all other services not included above totaled approximately $6,000 in fiscal 2005 and approximately $19,900 in fiscal 2004. All other fees principally include services related to the Company s 2002 product recall.

The Audit Committee has pre-approved all audit and non-audit fees of the independent auditor during fiscal 2005.

Pre-Approval Policies and Procedures

In accordance with the Audit Committee Charter, the Audit Committee has established policies and procedures by which it approves in advance any audit and permissible non-audit services to be provided by the Company s independent auditors. Under these procedures, prior to the engagement of the independent auditor for pre-approved services, requests or applications for the auditors to provide services must be submitted to the Company s chief financial officer or his designee and the Audit Committee and must include a detailed description of the services to be rendered. The chief financial officer or his designee and the independent auditors must ensure that the independent auditors are not engaged to perform the proposed services unless those services are within the list of services that have received the Audit Committee s pre-approval and must cause the Audit Committee to be informed in a timely manner of all services rendered by the independent auditors and the related fees.

Requests or applications for the independent auditors to provide services that require additions or revisions to the fiscal 2006 pre-approval will be submitted to the Audit Committee (or any Audit Committee members who have been delegated pre-approval authority) by the chief financial officer or his designee. Each request or application must include:

a recommendation by the chief financial officer (or designee) as to whether the Audit Committee should approve the request or application; and

a joint statement of the chief financial officer (or designee) and the auditors as to whether, in their view, the request or application is consistent with the Securities and Exchange Commission s regulations and the requirements for auditor independence of the Public Company Accounting Oversight Board (PCAOB).

The Audit Committee also will not permit the auditors engagement to provide any services to the extent that the Securities and Exchange Commission has prohibited the provision of those services by independent auditors.

The Audit Committee delegated authority to the Chairman of the Audit Committee to:

pre-approve any services proposed to be provided by the independent auditors and not already pre-approved or prohibited by this policy;

increase any authorized fee limit for pre-approved services (but not by more than 30% of the initial amount that was pre-approved) before the Company or its subsidiaries engage the auditors to perform services for any amount in excess of the fee limit; and

investigate further the scope, necessity or advisability of any services as to which pre-approval is sought.

The Chairman is required to report any pre-approval or fee increase decisions to the Audit Committee at the next committee meeting. The Audit Committee did not delegate to management any of the Audit Committee s authority or responsibilities concerning the auditors services.

Compensation Committee Interlocks and Insider Participation

During fiscal 2005, the members of the Company s Compensation Committee were Lonnie Bo Pilgrim, Chairman of the Board of the Company, Vance C. Miller, Sr., Lonnie Ken Pilgrim, Executive Vice President, Assistant to Chairman of the Company, James G. Vetter, Jr., and Blake D. Lovette.

The Company has been and continues to be a party to certain transactions with Lonnie Bo Pilgrim and his children and a law firm affiliated with James G. Vetter, Jr. These transactions, along with all other transactions between the Company and affiliated persons, require the prior approval of the Audit Committee of the Board of Directors. Set forth below is a summary of these transactions:

From time to time Lonnie Bo Pilgrim purchases our live chickens and hens, feed inventory and veterinary and technical services during the grow-out process and then contracts with us to resell the birds at maturity. Chicks, feed and services are purchased from us for their fair market value, and we purchase the mature chickens from Mr. Pilgrim at a market-based formula price subject to a ceiling price calculated at Mr. Pilgrim s cost plus 2 percent. Additionally, we process the payroll for certain employees of Mr. Pilgrim and Pilgrim Poultry G.P. (PPGP) as well as perform certain administrative bookkeeping services for Mr. Pilgrim s personal businesses. During fiscal 2005, we paid Mr. Pilgrim, doing business as PPGP, $54,318,416 for chickens produced in his grow-out operations and refunds of unused prepayments, and PPGP paid us $53,041,755 for chicks, feed, services and prepayments related thereto, including the payroll services described above. Lonnie Bo Pilgrim is the sole proprietor of PPGP. During the year ended October 1, 2005 these transactions resulted in a net operating profit to Mr. Pilgrim of $1,017,000.

PPGP also rents facilities to us for the production of eggs. On December 29, 2000, we entered into an agreement with PPGP to rent its egg production facilities for a monthly amount of $62,500. During fiscal year 2005, we paid rental on the facilities of $750,000 to PPGP. Our management believes that the terms of this agreement with PPGP are substantially similar to, and contain terms not less favorable to us than, agreements obtainable from unaffiliated parties.

We also maintain depository accounts with a financial institution of which Lonnie Bo Pilgrim is a major stockholder. Fees paid to this bank in fiscal 2005 are insignificant, and as of October 1, 2005, we had bank balances at this financial institution of approximately $1.6 million.

Since 1985, we have leased an airplane from Lonnie Bo Pilgrim under a lease agreement which provides for monthly lease payments of $33,000 plus operating expenses, which terms our management believes to be substantially similar to those obtainable from unaffiliated parties. During fiscal 2005 we had lease expenses of $396,000 and operating expenses of $140,090 associated with the use of this airplane.

Historically, much of our debt has been guaranteed by our major stockholders. In consideration of such guarantees, we have paid such stockholders a quarterly fee equal to .25% of the average aggregate outstanding balance of such guaranteed debt. During fiscal 2005, we paid $1,774,753 to Pilgrim Interests, Ltd., an affiliate of Lonnie Bo Pilgrim.

Certain members of the family of Lonnie Bo Pilgrim are employed by us, including his son, Lonnie Ken Pilgrim, a Director and our Executive Vice President, Assistant to Chairman, his son, Pat Pilgrim and his daughter, Greta Pilgrim-Owens, who received total compensation in fiscal 2005 of $459,160, $459,072 and $470,263, respectively.

Pat Pilgrim also provided hauling and pumping services to the Company for which he was paid $250,814. He also paid the Company $12,400 in fiscal 2005 for land he leases from the Company. These transactions have terms substantially the same as contracts entered into by the Company with unaffiliated parties. On November 30, 2005, the Audit Committee pre-approved the Company entering into three contracts with Pat Pilgrim and purchasing a substantially unused aerator from Pat Pilgrim for a purchase price of $8,000. The aerator was purchased by Pat Pilgrim in May 2005 for $9,500. The contracts pre-approved by the Audit Committee include a general services agreement, a transportation agreement and a lease of certain land from the Company providing for lease payments of $23,263.50 per year. The general services agreement and the transportation agreement are intended to document the services provided by Pat Pilgrim, which for fiscal 2005, are described above. Management believes the terms of each of the contracts, the lease and the purchase of the aerator are substantially similar to those obtainable from unaffiliated parties.

Godwin Gruber LLP represents us in connection with a variety of legal matters. James G. Vetter, Jr., is a Director of the Company and is a shareholder of Godwin Gruber LLP.

We have entered into chicken grower contracts involving farms owned by certain of our officers, providing the placement of Pilgrim s Pride-owned flocks on their farms during the grow-out phase of production. These contracts are on terms substantially the same as contracts entered into by the Company with unaffiliated parties and can be terminated by either party upon completion of the grow-out of each flock. The aggregate amount paid by us to Lonnie Bo Pilgrim under these grower contracts during fiscal 2005 was $223,889.

EXECUTIVE COMPENSATION

The following table sets forth a summary of compensation paid to the Company s Chief Executive Officer and the other persons serving as executive officers during fiscal 2005. See Nominees for Director Compensation Committee Interlocks and Insider Participation above and Certain Transactions below for a discussion of transactions between the Company and its Directors and executive officers and the Company s employment of certain of their children.

Summary Compensation Table

		Annual Compensation			
Name and Principal Position	**Fiscal Year**	**Salary**	**Bonus**	**Other Annual Compensation(1)**	**All Other Compensation(2)**