

PILGRIMS PRIDE CORP
Form 10-Q
April 29, 2011
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 27, 2011

OR

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

For the transition period from _____ to _____

Commission File number 1-9273

PILGRIM S PRIDE CORPORATION

(Exact name of registrant as specified in its charter)

Edgar Filing: PILGRIMS PRIDE CORP - Form 10-Q

Delaware (State or other jurisdiction of incorporation or organization)	75-1285071 (I.R.S. Employer Identification No.)
1770 Promontory Circle, Greeley, CO (Address of principal executive offices)	80634-9038 (Zip code)
Registrant's telephone number, including area code: (970) 506-8000	

(Former name, former address and former fiscal year, if changed since last report.)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer <input type="checkbox"/>	Accelerated Filer <input checked="" type="checkbox"/>
Non-accelerated Filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

Number of shares outstanding of the issuer's common stock, as of April 29, 2011, was 214,481,914, including 200,000 shares of restricted stock.

Table of Contents

INDEX

PILGRIM S PRIDE CORPORATION AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

Item 1.	<u>Financial Statements (Unaudited)</u>	3
	<u>Consolidated Balance Sheets March 27, 2011 and December 26, 2010</u>	3
	<u>Consolidated Statements of Operations Thirteen weeks ended March 27, 2011 and March 28, 2010</u>	4
	<u>Consolidated Statements of Comprehensive Income (Loss) Thirteen weeks ended March 27, 2011 and March 28, 2010</u>	5
	<u>Consolidated Statements of Stockholders' Equity Thirteen weeks ended March 27, 2011 and March 28, 2010</u>	6
	<u>Consolidated Statements of Cash Flows Thirteen weeks ended March 27, 2011 and March 28, 2010</u>	7
	<u>Notes to Consolidated Financial Statements as of March 27, 2011</u>	8
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	35
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	49
Item 4.	<u>Controls and Procedures</u>	53

PART II. OTHER INFORMATION

Item 1.	<u>Legal Proceedings</u>	54
Item 1A.	<u>Risk Factors</u>	61
Item 5.	<u>Other Information</u>	61
Item 6.	<u>Exhibits</u>	62

<u>SIGNATURES</u>	64
-------------------	----

<u>EXHIBIT INDEX</u>	65
----------------------	----

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****PILGRIM S PRIDE CORPORATION****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

	March 27, 2011	December 26, 2010
	(In thousands)	
Cash and cash equivalents	\$ 63,013	\$ 106,077
Restricted cash and cash equivalents	61,117	60,953
Investment in available-for-sale securities	1,391	1,554
Trade accounts and other receivables, less allowance for doubtful accounts	376,370	321,300
Account receivable from JBS USA, LLC	13,670	465
Inventories	967,066	1,029,254
Income taxes receivable	56,834	58,465
Current deferred tax assets	3,583	3,476
Prepaid expenses and other current assets	70,331	81,250
Assets held for sale	50,840	47,671
Total current assets	1,664,215	1,710,465
Investment in available-for-sale securities	12,026	11,595
Deferred tax assets	33,794	22,609
Other long-lived assets	65,560	67,143
Identified intangible assets, net	47,529	48,950
Property, plant and equipment, net	1,368,791	1,358,136
Total assets	\$ 3,191,915	\$ 3,218,898
Accounts payable	\$ 309,242	\$ 329,780
Account payable to JBS USA, LLC	9,955	7,212
Accrued expenses	290,515	297,594
Pre-petition obligations	350	346
Income taxes payable	7,690	6,814
Current deferred tax liabilities	38,744	38,745
Current maturities of long-term debt	62,021	58,144
Total current liabilities	718,517	738,635
Long-term debt, less current maturities	1,397,068	1,281,160
Deferred tax liabilities	3,583	3,476
Other long-term liabilities	114,441	117,031
Total liabilities	2,233,609	2,140,302
Common stock	2,143	2,143
Additional paid-in capital	1,442,930	1,442,810
Accumulated deficit	(469,413)	(348,653)
Accumulated other comprehensive loss	(24,152)	(23,637)

Edgar Filing: PILGRIMS PRIDE CORP - Form 10-Q

Total Pilgrim s Pride Corporation stockholders equity	951,508	1,072,663
Noncontrolling interest	6,798	5,933
Total stockholders equity	958,306	1,078,596
Total liabilities and stockholders equity	\$ 3,191,915	\$ 3,218,898

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

Table of Contents

PILGRIM S PRIDE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Thirteen Weeks Ended	
	March 27, 2011	March 28, 2010
	(In thousands, except per share data)	
Net sales	\$ 1,892,476	\$ 1,642,918
Cost of sales	1,945,586	1,590,899
Gross profit (loss)	(53,110)	52,019
Selling, general and administrative expense	53,666	48,601
Administrative restructuring charges, net		35,819
Operating loss	(106,776)	(32,401)
Interest expense	27,507	28,420
Interest income	(710)	(547)
Miscellaneous, net	(3,806)	(2,325)
Loss before reorganization items and income taxes	(129,767)	(57,949)
Reorganization items, net		20,719
Loss before income taxes	(129,767)	(78,668)
Income tax benefit	(9,872)	(33,304)
Net loss	(119,895)	(45,364)
Less: Net income attributable to noncontrolling interests	865	183
Net loss attributable to Pilgrim s Pride Corporation	\$ (120,760)	\$ (45,547)
Weighted average shares of common stock outstanding:		
Basic	214,282	214,282
Diluted	214,282	214,282
Net loss per share of common stock outstanding:		
Basic	\$ (0.56)	\$ (0.21)
Diluted	\$ (0.56)	\$ (0.21)

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

Table of Contents**PILGRIM S PRIDE CORPORATION****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(Unaudited)**

	Thirteen Weeks Ended	
	March 27,	March 28,
	2011	2010
	(In thousands)	
Net loss	\$ (119,895)	\$ (45,364)
Other comprehensive income:		
Unrealized holding gains (losses) on available-for-sale securities	\$ (477)	\$ 221
Tax effect ^(a)		(157)
Unrealized holding gains (losses) on available-for-sale securities, net of tax	(477)	64
Recognition in earnings of a previously unrecognized gain on a derivative instrument designated as a cash flow hedge		(4,085)
Tax effect ^(a)		1,521
Recognition in earnings of a previously unrecognized gain on a derivative instrument designated as a cash flow hedge, net of tax		(2,564)
Gains (losses) associated with pension and other postretirement benefits	(38)	9,358
Tax effect ^(a)		(3,558)
Gains (losses) associated with pension and other postretirement, net of tax benefits, net of tax	(38)	5,800
Total other comprehensive income (loss), net of tax	(515)	3,300
Comprehensive loss	(120,410)	(42,064)
Less: Comprehensive income attributable to noncontrolling interests	865	183
Comprehensive loss attributable to Pilgrim s Pride Corporation	\$ (121,275)	\$ (42,247)

(a) For the thirteen weeks ended March 27, 2011, no tax effect is reflected because the Company has recorded a valuation allowance against the deferred tax benefit.

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

Table of Contents

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

	Pilgrim s Pride Corporation Stockholders						
	Common Stock		Additional Paid-in Capital	Accumulated Deficit (In thousands)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
	Shares	Amount					
Balance at December 26, 2010	214,282	\$ 2,143	\$ 1,442,810	\$ (348,653)	\$ (23,637)	\$ 5,933	\$ 1,078,596
Comprehensive loss:							
Net loss				(120,760)		865	(119,895)
Other comprehensive income (loss), net of tax:							
Net unrealized holding losses on available-for-sale securities, net of tax					(477)		(477)
Losses associated with pension and other postretirement benefits, net of tax							