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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION

	§	
	§	
In re	§	**Chapter 11**
	§	
PILGRIM'S PRIDE CORPORATION, *et al.*,	§	**Case No. 08-45664 (DML)**
	§	
	§	
Debtors.	§	
	§	
	§	**JOINT ADMINISTRATION REQUESTED**

DEBTORS' MOTION PURSUANT TO SECTIONS 503(b), 507(a)(2) AND 363(c) OF THE BANKRUPTCY CODE CONFIRMING ADMINISTRATIVE EXPENSE STATUS TO DEBTORS' UNDISPUTED OBLIGATIONS ARISING FROM THE POSTPETITION DELIVERY OF GOODS OR POSTPETITION PERFORMANCE OF SERVICES ORDERED IN THE PREPETITION PERIOD AND AUTHORIZING THE DEBTORS TO PAY SUCH OBLIGATIONS IN THE ORDINARY COURSE

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

Pilgrim's Pride Corporation ("PPC") and its affiliated debtors in the above-referenced chapter 11 cases, as debtors and debtors in possession (collectively, the "Debtors"),[1] respectfully represent:

Background

1. On the date hereof (the "Commencement Date"), the Debtors each commenced with this Court a voluntary case under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The Debtors are authorized to continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

2. Contemporaneously herewith, the Debtors have filed a motion seeking joint administration of their chapter 11 cases pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

Pilgrim's Pride's Businesses

3. PPC, together with its debtor and non-debtor subsidiaries (collectively, "Pilgrim's Pride"), has one of the best brand names in the chicken industry. It is one of the largest producers of chicken in the United States and the second-largest producer in Mexico. Pilgrim's Pride has operations throughout the continental United States, Puerto Rico, and Mexico. Based on the total annual chicken production in 2007 in the United States, the Debtors estimate that Pilgrim's Pride has the highest market share in the United States. Formed in 1946 as a retail feed store

[1] The Debtors in these cases are PPC; PFS Distribution Company; PPC Transportation Company; To-Ricos Ltd.; To-Ricos Distribution, Ltd.; Pilgrim's Pride Corporation of West Virginia, Inc.; and PPC Marketing, Ltd.

partnership between Lonnie A. "Bo" Pilgrim and his brother, Aubrey E. Pilgrim, PPC has been a publicly traded company since 1986.

4. Through vertical integration, Pilgrim's Pride manages the breeding, hatching and growing of chickens. Pilgrim's Pride also manages the processing, preparation, packaging, sale and distribution of its product lines, which Pilgrim's Pride believes has made it one of the highest quality, lowest-cost producers of chicken in North America. In the continental United States, Pilgrim's Pride produces both prepared chicken products and fresh chicken products. In Mexico and Puerto Rico, it produces exclusively fresh chicken products.

5. Although Pilgrim's Pride primarily produces chicken products, its operations also include, inter alia, pork breeder and growout operations and operation of two captive insurance companies, all through non-debtors. Pilgrim's Pride's products are sold to foodservice, retail and frozen entrée customers, distributed primarily through retailers, foodservice distributors and restaurants.

6. As of November 25, 2008, Pilgrim's Pride had approximately 47,900 employees in North America. As of September 27, 2008, its unaudited consolidated financial statements reflected $8.5 billion of revenue for the prior 12-month period, assets of approximately $3.3 billion, and liabilities of approximately $3 billion.

Jurisdiction

7. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

Relief Requested

8. It is the Debtors' business to produce chicken products. The Debtors' operations rely on numerous suppliers including, but not limited to, vendors of corn, soybean meal, and other chicken-feed ingredients, pullet chickens, and equipment, as well as service providers such as packagers, transporters, service technicians, sanitation providers, and inspectors (collectively, the "Vendors") to support their day-to-day operations and to ensure their compliance with governmental regulations such as those enacted by the United States Department of Agriculture (the "U.S.D.A."). Because the goods and services provided by the Vendors are essential to the Debtors' operations, the Debtors request (i) authorization pursuant to sections 503(b) and 507(a)(2) of the Bankruptcy Code to grant the Vendors administrative expense priority status for undisputed obligations arising from Postpetition Deliveries (as hereinafter defined) and (ii) out of an abundance of caution, authorization to satisfy such undisputed obligations of the Vendors in the ordinary course of business under section 363(c) of the Bankruptcy Code.

Postpetition Satisfaction of Outstanding Prepetition Orders as Administrative Expenses in the Ordinary Course of Business Is Warranted

9. As of the Commencement Date, the Debtors had numerous outstanding purchase orders issued prepetition for goods and services yet to be delivered or performed (the "Prepetition Orders"). As a consequence of the commencement of these chapter 11 cases, Vendors may be concerned that postpetition delivery of goods or postpetition performance of services ordered prior to the Commencement Date (collectively, the "Postpetition Deliveries") will give rise to general unsecured claims against the Debtors' estates. Accordingly, Vendors may refuse to deliver or perform the goods or services subject to such Prepetition Orders to the Debtors unless the Debtors either issue substitute purchase orders or obtain an order of the Court (i) affording priority

under section 503(b) of the Bankruptcy Code to all undisputed obligations of the Debtors arising from the Postpetition Deliveries and (ii) authorizing the Debtors to satisfy such obligations in the ordinary course of business.

10. The relief requested herein will ensure a continuous supply of goods and services that are indispensable to the Debtors' operations. The Debtors further submit that, pursuant to section 503(b)(1)(A) of the Bankruptcy Code, the purchase obligations that arise in connection with the postpetition delivery and acceptance of goods and services, including goods and services ordered prepetition, are in fact administrative expense priority claims, provided that such goods and services directly benefit the Debtors' estates. *See* 11 U.S.C. § 503(b)(1)(A) (administrative expenses include "the actual, necessary costs and expenses of preserving the estate"). The Debtors submit that their estates will benefit from the postpetition deliveries under the Prepetition Orders. Accordingly, obligations arising out of such postpetition deliveries constitute administrative expenses, and authorization to satisfy obligations arising from such deliveries will not afford the Vendors any greater priority then they would have enjoyed if the relief herein were not granted. Absent such relief, however, the Debtors may be required to expend substantial time and effort reissuing or reaffirming the Prepetition Orders to provide the Vendors with assurance of administrative priority. If the Debtors fail to assure the Vendors of the priority of their claims, the Vendors may decline to deliver the promised goods and services, which could leave the Debtors with insufficient supplies, materials, and services necessary to the operation of their businesses. The continued flow of necessary goods and services to the Debtors is necessary to facilitate the reorganization of the Debtors for the benefit of their creditors and other parties in interest.

11. Such a request is not unusual in large chapter 11 cases and similar relief has been granted by the courts in this and other districts. *See, e.g., In re Mirant Corp., et al.*, Case No.

03-46590 (DML) (Bankr. N.D. Tex. July 17, 2007) [Docket No. 50]; *In re Sharper Image Corp.*, Case No. 08-10322 (KG) (Bankr. D. Del. Feb. 20, 2008) [Docket No. 49]; *In re Ultimate Electronics Corp. Inc., et al.*, Case No. 05-10104 (PJW) (Bankr. D. Del. Jan. 11, 2005) [Docket No.48]; *In re Aurora Foods, Inc., et al.*, Case No. 03-13744 (MFW) (Bankr. D. Del. Jan. 7, 2004) [Docket No. 113]; *In re GenTek, Inc., et al.*, Case No. 02-12986 (MFW) (Bankr. D. Del. Nov. 7, 2002) [Docket No.126]; *In re Lexington Precision Corp., et al.*, Case No. 08-11153 (MG) (Bankr. S.D.N.Y. April 2, 2008) [Docket No. 23]; *In re Silicon Graphics, Inc.*, Case No. 06-10977 (BRL) (Bankr. S.D.N.Y. May 10, 2006) [Docket No. 46]; *In re Atkins Nutritionals, Inc., et al.*, Case No. 05-15913 (ALG) (Bankr. S.D.N.Y. Aug. 1, 2005) [Docket No. 33]; *In re Footstar, Inc., et al.*, Case No. 04-22350 (ASH) (Bankr. S.D.N.Y. March 3, 2004) [Docket No.257]; *In re Loral Space & Communications Ltd., et al.*, Case No. 03-41710 (RDD) (Bankr. S.D.N.Y. July 15, 2003) [Docket No. 41].[2]

12. Based upon the foregoing, the Debtors submit that the relief requested herein is essential, appropriate and in the best interests of the Debtors' estates and all parties in interest. Accordingly, the Debtors respectfully request that the Court authorize such payment.

Reservation of Rights

13. Nothing contained herein is intended or shall be construed as (i) an admission as to the validity of any claim against the Debtors, (ii) a waiver of the Debtors' or any party in interest's rights to dispute any claim, or (iii) an approval or assumption of any agreement, contract, program, policy or lease under section 365 of the Bankruptcy Code. Likewise, if this Court grants the relief sought herein, any payment made pursuant to the Court's order is not intended and should

[2] Because of the voluminous nature of the unreported orders cited herein, they are not annexed to this Motion. Copies of these orders are available upon request of Debtors' counsel.

not be construed as an admission to the validity of any claim or a waiver of the Debtors' rights to dispute such claim subsequently. Finally, the relief requested herein shall not oblige the Debtors to accept any services, to accept the shipment of goods, or prevent the Debtors from returning or rejecting goods.

Notice

14. No trustee, examiner or statutory creditors' committee has been appointed in these chapter 11 cases. Notice of this Motion has been provided to: (i) the United States Trustee for the Northern District of Texas; (ii) the Debtors' fifty (50) largest unsecured creditors (on a consolidated basis); (iii) the Debtors' prepetition secured lenders; and (iv) counsel to the Agent to the Debtors' proposed postpetition lenders (collectively, the "Notice Parties"). The Debtors submit that no other or further notice need be provided.

No Previous Request

15. No previous request for the relief sought herein has been made to this or any other Court.

16. WHEREFORE, the Debtors respectfully request that the Court grant the relief requested herein and such other and further relief as it deems just and proper.

Dated: December 1, 2008
Fort Worth, Texas

/s/ Stephen A. Youngman

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