(a) Includes amortization of capitalized financing costs of $1.8 million, $1.1 million, $3.3 million and $2.1 million recognized in the second quarter of 2009, the second quarter of 2008, the first six months of 2009 and the first six months of 2008, respectively.

(b) Includes amortization of intangible assets of $2.5 million, $2.5 million, $5.1 million and $5.1 million recognized in the second quarter of 2009, the second quarter of 2008, the first six months of 2009 and the first six months of 2008, respectively.

(c) Excludes depreciation costs incurred by our discontinued turkey business of $0.3 million and $0.7 million during the three and six months ended March 29, 2008, respectively.

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

Description of the Company

Pilgrim's Pride Corporation (referred to herein as "Pilgrim's Pride," "the Company," "we," "us," "our," or similar terms) is one the largest chicken companies in the United States ("US"), Mexico and Puerto Rico. Our fresh chicken retail line is sold in the southeastern, central, southwestern and western regions of the US, throughout Puerto Rico, and in the northern and central regions of Mexico. Our prepared chicken products meet the needs of some of the largest customers in the food service industry across the US. Additionally, the Company exports commodity chicken products to 80 countries. As a vertically integrated company, we control every phase of the production of our products. We operate feed mills, hatcheries, processing plants and distribution centers in 14 US states, Puerto Rico and Mexico. Pilgrim's Pride operates in two business segments—Chicken and Other Products.

Our fresh chicken products consist of refrigerated (non–frozen) whole or cut–up chicken, either pre–marinated or non–marinated, and pre–packaged chicken in various combinations of freshly refrigerated, whole chickens and chicken parts. Our prepared chicken products include portion–controlled breast fillets, tenderloins and strips, delicatessen products, salads, formed nuggets and patties and bone–in chicken parts. These products are sold either refrigerated or frozen and may be fully cooked, partially cooked or raw. In addition, these products are breaded or non–breaded and either pre–marinated or non–marinated.

We operate on the basis of a 52/53–week fiscal year that ends on the Saturday closest to September 30. The reader should assume any reference we make to a particular year (for example, 2009) in this report applies to our fiscal year and not the calendar year.

Executive Summary

The Company continued to face an extremely challenging business environment in the second quarter of 2009. We reported a net loss of $58.8 million, or $0.79 per common share, for the quarter, which included a positive gross margin of $97.7 million, and a net loss of $287.5 million, or $3.88 per common share, for the first six months of 2009, which included a positive gross margin of $14.8 million. As of March 28, 2009, the Company's accumulated deficit aggregated $604.1 million. During the first six months of 2009, the Company used $93.8 million of cash in operations. At March 28, 2009, we had cash and cash equivalents totaling $45.0 million. In addition, the Company incurred reorganization costs of $35.4 million in the second quarter of 2009 and $48.6 million in the first six months of 2009. These costs included (i) financing fees associated with the Amended and Restated Post–Petition Credit Agreement (the "DIP Credit Agreement") among the Company, as borrower, the Subsidiaries, as guarantors, the DIP Agent, and the lenders party thereto, (ii) professional fees charged for post–petition reorganization services and (iii) fees related to the termination of the Company's Amended and Restated Receivables Purchase Agreement dated September 26, 2008, as amended (the "RPA").

Market prices for feed ingredients decreased in the first six months of 2009 after reaching unprecedented levels in the last half of 2008. Market prices for feed ingredients remain volatile, however, and there can be no assurance that they will not increase materially. Pursuant to a covenant in the DIP Credit Agreement, we agreed that we would not enter into any hedging arrangements or other derivative financial instruments without the prior written approval of lenders holding more than 50% of the commitments under the DIP Credit Agreement, except for commodity derivative instruments entered into at the request or direction of a customer, and in any case, only with financial institutions in connection with bona fide activities in the ordinary course of business and not for speculative purposes.

The following table compares the highest and lowest prices reached on nearby futures for one bushel of corn and one ton of soybean meal during the past four years, for each quarter in 2008 and for the second and first quarters of 2009:

	Corn		Soybean Meal	
	Highest Price	Lowest Price	Highest Price	Lowest Price
2009:				
Second Quarter	$ 4.28	$ 3.38	$ 326.00	$ 264.80
First Quarter	5.24	2.90	302.00	237.00
2008:				
Fourth Quarter	7.50	4.86	455.50	312.00
Third Quarter	7.63	5.58	427.90	302.50
Second Quarter	5.70	4.49	384.50	302.00
First Quarter	4.57	3.35	341.50	254.10
2007	4.37	2.62	286.50	160.20
2006	2.68	1.86	204.50	155.80
2005	2.63	1.91	238.00	146.60

Market prices for chicken products have stabilized since the end of 2008 but remain below historic levels and have not yet improved sufficiently to offset the costs of feed ingredients. Many producers within the industry, including Pilgrim's Pride, cut production in 2008 in an effort to correct the general oversupply of chicken in the US, and this has had and continues to have a positive effect on prices for chicken products. Despite these production cuts, there can be no assurance that chicken prices will not decrease due to such factors as weakening demand for breast meat from food service providers and lower prices for chicken leg quarters for the export market as a result of weakness in world economies and restrictive credit markets.

We continue to review and evaluate various restructuring and other alternatives to streamline our operations, improve efficiencies and reduce costs. Such initiatives may include selling assets, idling facilities, consolidating operations and functions, relocating or reducing production and voluntary and involuntary employee separation programs. Any such actions may require us to obtain the pre–approval of our lenders under our DIP Credit Agreement and the Bankruptcy Court. In addition, such actions will subject the Company to additional short–term costs, which may include facility shutdown costs, asset impairment charges, lease commitment costs, employee retention and severance costs and other closing costs. Certain of these restructuring activities will result in reduced capacities and sales volumes and may have a disproportionate impact on our income relative to the cost savings.

On January 27, 2009, the Bankruptcy Court approved the employment agreement between the Company and Don Jackson. Dr. Jackson now serves as the Company's President and Chief Executive Officer and as a member of the Company's Board of Directors. In connection with his appointment, on January 27, 2009, Dr. Jackson was granted an equity award of 3,085,656 shares of the Company's common stock, which are subject to vesting requirements, and a sign–on bonus of $3,000,000, which may be subject to repayment, each as provided in his employment agreement.

Chapter 11 Bankruptcy Filings

On December 1, 2008 (the "Petition Date"), Pilgrim's Pride Corporation and certain of its subsidiaries (collectively, the "Debtors") filed voluntary petitions for reorganization under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division (the "Bankruptcy Court"). The cases are being jointly administered under Case No. 08–45664. The Company's operations in Mexico and certain operations in the US were not included in the filing (the "Non–filing Subsidiaries") and will continue to operate outside of the Chapter 11 process.

Effective December 1, 2008, the New York Stock Exchange delisted our common stock as a result of the Company's filing of its Chapter 11 petitions. Our common stock is now quoted on the Pink Sheets Electronic Quotation Service under the ticker symbol "PGPDQ.PK."

The filing of the Chapter 11 petitions constituted an event of default under certain of our debt obligations, and those debt obligations became automatically and immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law. As a result, the accompanying Consolidated Balance Sheet as of September 27, 2008 includes reclassifications of $1,872.1 million to reflect as current certain long–term debt under the Company's credit facilities that, absent the stay, would have become automatically and immediately due and payable. Because of the bankruptcy petition, most of the Company's pre–petition long–term debt is included in liabilities subject to compromise at March 28, 2009. The Company classifies pre–petition liabilities subject to compromise as a long–term liability because management does not believe the Company will use existing current assets or create additional current liabilities to fund these obligations.

Chapter 11 Process

The Debtors are currently operating as "debtors–in–possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. In general, as debtors–in–possession, we are authorized under Chapter 11 to continue to operate as an ongoing business, but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court.

On December 2, 2008, the Bankruptcy Court granted interim approval authorizing the Company and certain of its subsidiaries consisting of PPC Transportation Company, PFS Distribution Company, PPC Marketing, Ltd., and Pilgrim's Pride Corporation of West Virginia, Inc. (collectively, the "US Subsidiaries"), and To–Ricos, Ltd. and To–Ricos Distribution, Ltd. (collectively with the US Subsidiaries, the "Subsidiaries") to enter into a Post–Petition Credit Agreement (the "Initial DIP Credit Agreement") among the Company, as borrower, the US Subsidiaries, as guarantors, Bank of Montreal, as agent, and the lenders party thereto. On December 2, 2008, the Company, the US Subsidiaries and the other parties entered into the Initial DIP Credit Agreement, subject to final approval of the Bankruptcy Court. On December 30, 2008, the Bankruptcy Court granted final approval authorizing the Company and the Subsidiaries to enter into the DIP Credit Agreement dated December 31, 2008.

The DIP Credit Agreement provides for an aggregate commitment of up to $450 million, which permits borrowings on a revolving basis. The commitment includes a $25 million sub–limit for swingline loans and a $20 million sub–limit for standby letters of credit. Outstanding borrowings under the DIP Credit Agreement will bear interest at a per annum rate equal to 8.0% plus the greatest of (i) the prime rate as established by the DIP Agent from time to time, (ii) the average federal funds rate plus 0.5%, or (iii) the LIBOR rate plus 1.0%, payable monthly. The weighted average interest rate for the three and six months ended March 28, 2009 was 11.25% and 11.47%, respectively. The loans under the Initial DIP Credit Agreement were used to repurchase all receivables sold under the Company's RPA. Loans under the DIP Credit Agreement may be used to fund the working capital requirements of the Company and its subsidiaries according to a budget as approved by the required lenders under the DIP Credit Agreement. For additional information on the RPA, see "Liquidity and Capital Resources."

Actual borrowings by the Company under the DIP Credit Agreement are subject to a borrowing base, which is a formula based on certain eligible inventory and eligible receivables. The borrowing base formula is reduced by (i) pre–petition obligations under the Fourth Amended and Restated Secured Credit Agreement dated as of February 8, 2007, among the Company and certain of its subsidiaries, Bank of Montreal, as administrative agent, and the lenders parties thereto, as amended, (ii) administrative and professional expenses incurred in connection with the bankruptcy proceedings, and (iii) the amount owed by the Company and the Subsidiaries to any person on account of the purchase price of agricultural products or services (including poultry and livestock) if that person is entitled to any grower's or producer's lien or other security arrangement. The borrowing base is also limited to 2.22 times the formula amount of total eligible receivables. The DIP Credit Agreement provides that the Company may not incur capital expenditures in excess of $150 million. The Company must also meet minimum monthly levels of EBITDAR. Under the DIP Credit Agreement, "EBITDAR" means, generally, net income before interest, taxes, depreciation, amortization, writedowns of goodwill and other intangibles, asset impairment charges and other specified costs, charges, losses and gains. The DIP Credit Agreement also provides for certain other covenants, various representations and warranties, and events of default that are customary for transactions of this nature. As of March 28, 2009, the applicable borrowing base was $335.8 million and the amount available for borrowings under the DIP Credit Agreement was $246.0 million. As of May 6, 2009, the applicable borrowing base was $365.7 million, the amount available for borrowings under the DIP Credit Agreement was $322.7 million and outstanding borrowings under the DIP Credit Agreement totaled $43.0 million.

The principal amount of outstanding loans under the DIP Credit Agreement, together with accrued and unpaid interest thereon, are payable in full at maturity on December 1, 2009, subject to extension for an additional six months with the approval of all lenders thereunder. All obligations under the DIP Credit Agreement are unconditionally guaranteed by the Subsidiaries and are secured by a first priority priming lien on substantially all of the assets of the Company and the Subsidiaries, subject to specified permitted liens in the DIP Credit Agreement.

The DIP Credit Agreement allows the Company to provide advances to the Non–filing Subsidiaries of up to approximately $25 million at any time outstanding. Management believes that all of the Non–filing Subsidiaries, including the Company's Mexican subsidiaries, will be able to operate within this limitation.

For additional information on the DIP Credit Agreement, see "Liquidity and Capital Resources."

The Bankruptcy Court has approved payment of certain of the Debtors' pre–petition obligations, including, among other things, employee wages, salaries and benefits, and the Bankruptcy Court has approved the Company's payment of vendors and other providers in the ordinary course for goods and services ordered pre–petition but received from and after the Petition Date and other business–related payments necessary to maintain the operation of our businesses. The Debtors have retained, subject to Bankruptcy Court approval, legal and financial professionals to advise the Debtors on the bankruptcy proceedings and certain other "ordinary course" professionals. From time to time, the Debtors may seek Bankruptcy Court approval for the retention of additional professionals.

Shortly after the Petition Date, the Debtors began notifying all known current or potential creditors of the Chapter 11 filing. Subject to certain exceptions under the Bankruptcy Code, the Debtors' Chapter 11 filing automatically enjoined, or stayed, the continuation of any judicial or administrative proceedings or other actions against the Debtors or their property to recover on, collect or secure a claim arising prior to the Petition Date. Thus, for example, most creditor actions to obtain possession of property from the Debtors, or to create, perfect or enforce any lien against the property of the Debtors, or to collect on monies owed or otherwise exercise rights or remedies with respect to a pre-petition claim are enjoined unless and until the Bankruptcy Court lifts the automatic stay. Vendors are being paid for goods furnished and services provided after the Petition Date in the ordinary course of business.

As required by the Bankruptcy Code, the United States Trustee for the Northern District of Texas (the "US Trustee") appointed an official committee of unsecured creditors (the "Creditors' Committee"). The Creditors' Committee and its legal representatives have a right to be heard on all matters that come before the Bankruptcy Court with respect to the Debtors. In addition, on April 30, 2009, the Bankruptcy Court ordered the US Trustee to appoint an official committee of equity holders (the "Equity Committee") to represent the interests of Pilgrim's Pride's equity holders in the Debtors' bankruptcy cases. There can be no assurance that the Creditors' Committee or the Equity Committee will support the Debtors' positions on matters to be presented to the Bankruptcy Court in the future or on any plan of reorganization, once proposed. Disagreements between the Debtors and the Creditors' Committee or the Equity Committee could protract the Chapter 11 proceedings, negatively impact the Debtors' ability to operate and delay the Debtors' emergence from the Chapter 11 proceedings.

Under Section 365 and other relevant sections of the Bankruptcy Code, we may assume, assume and assign, or reject certain executory contracts and unexpired leases, including, without limitation, leases of real property and equipment, subject to the approval of the Bankruptcy Court and certain other conditions. Any description of an executory contract or unexpired lease in this report, including where applicable our express termination rights or a quantification of our obligations, must be read in conjunction with, and is qualified by, any overriding rejection rights we have under Section 365 of the Bankruptcy Code.

In order to successfully exit Chapter 11, the Debtors will need to propose and obtain confirmation by the Bankruptcy Court of a plan of reorganization that satisfies the requirements of the Bankruptcy Code. A plan of reorganization would, among other things, resolve the Debtors' pre-petition obligations, set forth the revised capital structure of the newly reorganized entity and provide for corporate governance subsequent to exit from bankruptcy.

On March 26, 2009, the Bankruptcy Court issued an order extending the period during which the Debtors have the exclusive right to file a plan of reorganization. Pursuant to this order, the Debtors have the exclusive right, through September 30, 2009, to file a plan for reorganization, and if we file a plan by that date, we will have until November 30, 2009 to obtain the necessary acceptances of our plan. We may file one or more motions to request further extensions of these time periods. If the Debtors' exclusivity period lapses, any party in interest would be able to file a plan of reorganization for any of the Debtors. In addition to being voted on by holders of impaired claims and equity interests, a plan of reorganization must satisfy certain requirements of the Bankruptcy Code and must be approved, or confirmed, by the Bankruptcy Court in order to become effective.

The timing of filing a plan of reorganization by us will depend on the timing and outcome of numerous other ongoing matters in the Chapter 11 proceedings. There can be no assurance at this time that a plan of reorganization will be confirmed by the Bankruptcy Court or that any such plan will be implemented successfully.

We have incurred and will continue to incur significant costs associated with our reorganization. The amount of these costs, which are being expensed as incurred commencing in November 2008, are expected to significantly affect our results of operations.

Under the priority scheme established by the Bankruptcy Code, unless creditors agree otherwise, pre–petition liabilities and post–petition liabilities must generally be satisfied in full before stockholders are entitled to receive any distribution or retain any property under a plan of reorganization. The ultimate recovery to creditors and/or stockholders, if any, will not be determined until confirmation of a plan or plans of reorganization. No assurance can be given as to what values, if any, will be ascribed in the Chapter 11 cases to each of these constituencies or what types or amounts of distributions, if any, they would receive. A plan of reorganization could result in holders of our liabilities and/or securities, including our common stock, receiving no distribution on account of their interests and cancellation of their holdings. Because of such possibilities, the value of our liabilities and securities, including our common stock, is highly speculative. Appropriate caution should be exercised with respect to existing and future investments in any of the liabilities and/or securities of the Debtors. At this time there is no assurance we will be able to restructure as a going concern or successfully propose or implement a plan of reorganization.

On February 11, 2009, the Bankruptcy Court issued an order granting the Company's motion to impose certain restrictions on trading in shares of the Company's common stock in order to preserve valuable tax attributes. This order established notification procedures and certain restrictions on transfers of common stock or options to purchase the common stock of the Company. The trading restrictions apply retroactively to January 17, 2009, the date the motion was filed, to investors beneficially owning at least 4.75% of the outstanding shares of common stock of Pilgrim's Pride Corporation. For these purposes, beneficial ownership of stock is determined in accordance with special US tax rules that, among other things, apply constructive ownership concepts and treat holders acting together as a single holder. In addition, in the future, the Company may request that the Bankruptcy Court impose certain trading restrictions on certain debt of, and claims against, the Company.

Going Concern Matters

The accompanying Consolidated Financial Statements have been prepared assuming that the Company will continue as a going concern. However, there is substantial doubt about the Company's ability to continue as a going concern based on the factors previously discussed. The Consolidated Financial Statements do not include any adjustments related to the recoverability and classification of recorded assets or the amounts and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern. The Company's ability to continue as a going concern is dependent upon, among other things, the ability of the Company to return to historic levels of profitability and, in the near term, restructure its obligations in a manner that allows it to obtain confirmation of a plan of reorganization by the Bankruptcy Court.

Management is addressing the Company's ability to return to profitability by conducting profitability reviews at certain facilities in an effort to reduce inefficiencies and manufacturing costs. In April 2009, the Company reduced headcount by approximately 115 non–production employees and announced the upcoming closure of a processing complex in Dalton, Georgia that will reduce headcount by approximately 280 production employees. During the second quarter of 2009, the Company (1) announced the upcoming closures of processing complexes in Douglas, Georgia; El Dorado, Arkansas; Farmerville, Louisiana and Franconia, Pennsylvania, (2) closed a distribution center in Houston, Texas and (3) reduced or consolidated production at various facilities throughout the US. These actions will ultimately result in a headcount reduction of approximately 4,450 production employees. During the first quarter of 2009, the Company reduced headcount by approximately 265 non–production employees and announced an upcoming reduction in production at its processing complex in Live Oak, Florida that will result in a headcount reduction of approximately 220 production employees. During 2008, the Company closed processing complexes in Bossier City, Louisiana and Clinton, Arkansas and reduced production at its operating complex in El Dorado, Arkansas. These actions resulted in a headcount reduction of approximately 2,300 production employees.

On November 7, 2008, the Board of Directors appointed a Chief Restructuring Officer ("CRO") for the Company. The appointment of a CRO was a requirement included in the waivers received from the Company's lenders on October 27, 2008. The CRO assists the Company with cost reduction initiatives, restructuring plans development and long–term liquidity improvement. The CRO reports to the Board of Directors of the Company.

In order to emerge from bankruptcy, the Company will need to obtain alternative financing to replace the DIP Credit Agreement and to satisfy the secured claims of its pre–bankruptcy creditors.

Business Segments

Subsequent to the sale of our turkey operations, we operate in two reportable business segments as (1) a producer and seller of chicken products and (2) a seller of other products. The following table presents certain information regarding our segments:

	Three Months Ended		Six Months Ended	
	March 28, 2009	March 29, 2008	March 28, 2009	March 29, 2008
	(In thousands)			
Net sales to customers:				
Chicken:				
United States	$ 1,476,292	$ 1,722,967	$ 3,063,257	$ 3,451,109
Mexico	109,066	127,312	245,117	248,310
Total chicken	1,585,358	1,850,279	3,308,374	3,699,419
Other Products:				
United States	105,583	243,907	250,367	434,296
Mexico	7,161	6,608	16,352	14,432
Total other products	112,744	250,515	266,719	448,728
	$ 1,698,102	$ 2,100,794	$ 3,575,093	$ 4,148,147
Operating income (loss):				
Chicken:				
United States	$ 10,929	$ (156,562)	$ (167,707)	$ (175,656)
Mexico	11,804	(3,720)	3,854	(7,812)
Total chicken	22,733	(160,282)	(163,853)	(183,468)
Other products:				
United States	(4,739)	33,464	4,174	56,235
Mexico	1,851	880	3,732	1,965
Total other products	(2,888)	34,344	7,906	58,200
Asset impairment	—	(12,022)	—	(12,022)
Restructuring items, net	435	(5,669)	(1,987)	(5,669)
	$ 20,280	$ (143,629)	$ (157,934)	$ (142,959)
Depreciation and amortization(a)(b)(c)				
Chicken:				
United States	$ 54,349	$ 53,875	$ 107,958	$ 104,332
Mexico	2,387	2,618	4,824	5,244
Total chicken	56,736	56,493	112,782	109,576
Other products:				
United States	3,722	3,501	7,776	5,900
Mexico	55	63	113	125
Total other products	3,777	3,564	7,889	6,025
	$ 60,513	$ 60,057	$ 120,671	$ 115,601

(a) Includes amortization of capitalized financing costs of $1.8 million, $1.1 million, $3.3 million and $2.1 million recognized in the second quarter of 2009, the second quarter of 2008, the first six months of 2009 and the first six months of 2008, respectively.

(b) Includes amortization of intangible assets of $2.5 million, $2.5 million, $5.1 million and $5.1 million recognized in the second quarter of 2009, the second quarter of 2008, the first six months of 2009 and the first six months of 2008, respectively.

(c) Excludes depreciation costs incurred by our discontinued turkey business of $0.3 million and $0.7 million during the three and six months ended March 29, 2008, respectively.

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

	Percentage of Net Sales			
	Three Months Ended		Six Months Ended	
	March 28, 2009	March 29, 2008	March 28, 2009	March 29, 2008
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	94.2%	101.1%	99.6%	98.0%
Asset impairment	—%	0.6%	—%	0.3%
Gross profit (loss)	5.8%	(1.7) %	0.4%	1.7%
Selling, general and administrative ("SG&A") expenses	4.6%	4.9%	4.8%	5.0%
Restructuring charges, net	—%	0.2%	—%	0.1%
Operating income (loss)	1.2%	(6.8) %	(4.4) %	(3.4) %
Interest expense	2.7%	1.6%	2.4%	1.5%
Reorganization items	2.1%	—%	1.4%	—%
Loss from continuing operations before income taxes	(3.3) %	(8.4) %	(8.0) %	(4.9) %
Loss from continuing operations	(3.5) %	(5.3) %	(8.1) %	(3.5) %
Net loss	(3.5) %	(5.3) %	(8.0) %	(3.5) %

Results of Operations

Second Quarter 2009 Compared to Second Quarter 2008

Net sales. Net sales for the second quarter of 2009 decreased $402.7 million, or 19.2%, from the second quarter of 2008. The following table provides net sales information:

Source	Second Quarter 2009	Change from Second Quarter 2008 Amount	Change from Second Quarter 2008 Percent	
	(In thousands, except percent data)			
Chicken:				
United States	$ 1,476,292	$ (246,675)	(14.3) %	(a)
Mexico	109,066	(18,246)	(14.3) %	(b)
Total chicken	1,585,358	(264,921)	(14.3) %	
Other products:				
United States	105,583	(138,324)	(56.7) %	(c)
Mexico	7,161	553	8.4%	
Total other products	112,744	(137,771)	(55.0) %	
Total net sales	$ 1,698,102	$ (402,692)	(19.2) %	

(a) US chicken sales generated in the second quarter of 2009 decreased 14.3% from US chicken sales generated in the second quarter of 2008. Sales volume decreased 14.6% primarily because of previously announced production cutbacks. Net revenue per pound sold increased 0.3% from the prior year primarily because of increased sales prices on a majority of product lines.

(b) Mexico chicken sales generated in the second quarter of 2009 decreased 14.3% from Mexico chicken sales generated in the second quarter of 2008. Sales volume decreased 12.5% from the prior year and net revenue per pound sold decreased 2.1% from the prior year primarily because of decreased sales of live chicken.

(c) US sales of other products generated in the second quarter of 2009 decreased 56.7% from US sales of other products generated in the second quarter of 2008 mainly as the result of reduced sales volumes on commercial eggs and protein conversion products partially offset by increased sales prices on protein conversion products. The decrease in protein conversion products sales volumes resulted primarily from the ongoing impact of a fire suffered by one of Company's protein conversion facilities in late 2008. Protein conversion is the process of converting poultry byproducts into raw materials for grease, animal feed, biodiesel and feed-stock for the chemical industry.

Gross profit (loss). Gross profit (loss) results increased by $133.1 million, or 376.0%, from gross loss of $35.4 million incurred in the second quarter of 2008 to gross profit of $97.7 million incurred in the second quarter of 2009. The following table provides gross profit (loss) information.

Components	Second Quarter 2009	Change from Second Quarter 2008 Amount	Change from Second Quarter 2008 Percent	Percent of Net Sales Second Quarter 2009	Percent of Net Sales Second Quarter 2008	
	(In thousands, except percent data)					
Net sales	$ 1,698,102	$ (402,692)	(19.2) %	100.0%	100.0%	
Cost of sales	1,600,378	(523,795)	(24.7) %	94.2%	101.1%	(a)
Asset impairment	—	(12,022)	(100.0) %	—%	0.6%	(b)
Gross profit	$ 97,724	$ 133,125	376.0%	5.8%	(1.7) %	(c)

(a) Cost of sales incurred by the US operations during the second quarter of 2009 decreased $492.2 million from cost of sales incurred by the US operations during the second quarter of 2008. This decrease occurred because of production cutbacks, decreased feed ingredient purchases and decreased feed ingredient prices during the quarter. Cost of sales incurred by the Mexico operations during the second quarter of 2009 decreased $31.6 million from cost of sales incurred by the Mexico operations during the second quarter of 2008 primarily because of decreased net sales and decreased feed ingredient costs.

(b) The Company incurred charges totaling $12.0 million, composed of inventory and property, plant and equipment impairment costs, related to restructuring actions taken in the second quarter of 2008.

(c) Gross profit as a percent of net sales generated in the second quarter of 2009 increased 7.5 percentage points from gross profit as a percent of sales generated in the second quarter of 2008 primarily because of production cutbacks and decreased feed ingredient costs during the quarter.

Operating income (loss). Operating income (loss) results increased by $163.9 million, or 114.1%, from an operating loss of $143.6 million generated for the second quarter of 2008 to operating income of $20.3 million incurred in the second quarter of 2009. The following tables provide operating income (loss) information.

Source	Second Quarter 2009	Change from Second Quarter 2008 Amount	Change from Second Quarter 2008 Percent
	(In thousands, except percent data)		
Chicken:			
United States	$ 10,929	$ 167,491	107.0%
Mexico	11,804	15,524	417.3%
Total chicken	22,733	183,015	114.2%
Other products:			
United States	(4,739)	(38,203)	(114.2) %
Mexico	1,851	971	110.3%
Total other products	(2,888)	(37,232)	(108.4) %
Asset impairment	—	12,022	100.0%
Restructuring items, net	435	6,104	107.7%
Total operating loss	$ 20,280	$ 163,909	114.1%

Income taxes. The Company recorded income tax expense of $2.3 million for the three months ended March 28, 2009, compared to an income tax benefit of $64.3 million for the three months ended March 29, 2008. The income tax benefit decreased over prior year as a result of the Company's decision to record a valuation allowance against net deferred tax assets, including net operating losses and credit carryforwards, in the US and Mexico.

Loss from operation of discontinued business. The Company generated income from the operation of its discontinued turkey business of $40,000 ($25,000, net of tax) in the second quarter of 2009 compared to a loss of $1.4 million ($0.8 million, net of tax) in the second quarter of 2008. Net sales generated by the discontinued turkey business in the second quarter of 2008 were $10.2 million. There were no net sales generated by the discontinued turkey business in the second quarter of 2009.

Gain on disposal of discontinued business. In March 2008, the Company sold certain assets of its discontinued turkey business and recognized a gain of $1.5 million ($0.9 million, net of tax).

First Six Months of 2009 Compared to First Six Months of 2008

Net sales. Net sales for the first six months of 2009 decreased $573.1 million, or 13.8%, from the first six months of 2008. The following table provides net sales information:

Source	First Six Months 2009	Change from First Six Months 2008 Amount	Percent	
	(In thousands, except percent data)			
Chicken:				
United States	$ 3,063,257	$ (387,852)	(11.2) %	(a)
Mexico	245,117	(3,193)	(1.3) %	(b)
Total chicken	3,308,374	(391,045)	(10.6) %	
Other products:				
United States	250,367	(183,929)	(42.4) %	(c)
Mexico	16,352	1,920	13.3%	
Total other products	266,719	(182,009)	(40.6) %	
Total net sales	$ 3,575,093	$ (573,054)	(13.8) %	

(a) US chicken sales generated in the first six months of 2009 decreased 11.2% from US chicken sales generated in the first six months of 2008. Sales volume decreased 12.6% primarily because of previously announced production cutbacks. Net revenue per pound sold increased 1.5% from the prior year primarily because of increased sales prices on a majority of product lines.

(b) Mexico chicken sales generated in the first six months of 2009 decreased 1.3% from Mexico chicken sales generated in the first six months of 2008. Sales volume increased 3.0% from the prior year and net revenue per pound sold decreased 4.1% from the prior year primarily because of increased sales of live chicken.

(c) US sales of other products generated in the first six months of 2009 decreased 42.4% from US sales of other products generated in the first six months of 2008 mainly as the result of reduced sales volumes on commercial eggs and protein conversion products partially offset by increased sales prices on protein conversion products. The decrease in protein conversion products sales volumes resulted primarily from the ongoing impact of a fire suffered by one of Company's protein conversion facilities in late 2008. Protein conversion is the process of converting poultry byproducts into raw materials for grease, animal feed, biodiesel and feed–stock for the chemical industry.

Gross profit (loss). Gross profit decreased by $54.9 million, or 78.7%, from $69.7 million in the first six months of 2008 to $14.8 million in the first six months of 2009. The following table provides gross profit (loss) information.

Components	First Six Months 2009	Change from First Six Months 2008 Amount	Change from First Six Months 2008 Percent	Percent of Net Sales First Six Months 2009	Percent of Net Sales First Six Months 2008
	(In thousands, except percent data)				
Net sales	$ 3,575,093	$ (573,054)	(13.8) %	100.0%	100.0%
Cost of sales	3,560,247	(506,176)	(12.4) %	99.6%	98.0% (a)
Asset impairment	—	(12,022)	(100.0) %	—%	0.3% (b)
Gross profit (loss)	$ 14,846	$ (54,856)	(78.7) %	0.4%	1.7% (c)

(a) Cost of sales incurred by the US operations during the first six months of 2009 decreased $493.6 million from cost of sales incurred by the US operations during the first six months of 2008. This decrease occurred because of production cutbacks, decreased feed ingredient purchases and decreased feed ingredient prices during the first six months of 2009 offset by an aggregate net loss of $21.4 million which the Company recognized during the first quarter of 2009 on derivative financial instruments executed in previous quarters to manage its exposure to changes in corn and soybean meal prices. The Company recognized an aggregate net gain of $13.2 million during the first six months of 2008 on derivative financial instruments. Cost of sales incurred by the Mexico operations during the first six months of 2009 increased $12.6 million from cost of sales incurred by the Mexico operations during the first six months of 2008 primarily because increased feed ingredient costs.

(b) The Company incurred charges totaling $12.0 million, composed of inventory and property, plant and equipment impairment costs, related to restructuring actions taken in the first six months of 2008.

(c) Gross profit as a percent of net sales generated in the first six months of 2009 decreased 1.3 percentage points from gross profit as a percent of sales generated in the first six months of 2008 primarily because of the net loss recognized on derivative financial instruments during the first quarter of 2009.

Operating income (loss). Operating loss incurred increased $15.0 million, or 10.5%, from $142.9 million for the first six months of 2008 to $157.9 million for the first six months of 2009. The following tables provide operating income (loss) information:

Source	First Six Months 2009	Change from First Six Months 2008 Amount	Percent
	(In thousands, except percent data)		
Chicken:			
United States	$ (167,707)	$ 7,949	4.5%
Mexico	3,854	11,666	149.3%
Total chicken	(163,853)	19,615	10.7%
Other products:			
United States	4,174	(52,061)	(92.6) %
Mexico	3,732	1,767	89.9%
Total other products	7,906	(50,294)	(86.4) %
Asset impairment	—	12,022	100.0%
Restructuring items, net	(1,987)	3,682	64.9%
Total operating loss	$ (157,934)	$ (14,975)	(10.5) %

Components	First Six Months 2009	Change from First Six Months 2008 Amount	Percent	Percent of Net Sales First Six Months 2009	First Six Months 2008	
	(In thousands, except percent data)					
Gross profit	$ 14,846	$ (54,856)	(78.7) %	0.4%	1.7%	
SG&A expenses	170,793	(36,199)	(17.5) %	4.8%	5.0%	(a)
Restructuring items, net	1,987	(3,682)	(64.9) %	—%	0.1%	(b)
Operating loss	$ (157,934)	$ (14,975)	(10.5) %	(4.4) %	(3.4) %	(c)

(a) SG&A expenses incurred by the US operations during the first six months of 2009 decreased 17.6% from SG&A expenses incurred by the US operations during the first six months of 2008 primarily because of reductions in employee compensation and related benefit costs resulting from restructuring actions taken in 2008 and 2009.

(b) The Company incurred charges totaling $2.0 million, composed primarily of severance costs, related to restructuring actions taken in the first six months of 2009 partially offset by the elimination of accrued severance costs in excess of actual severance costs incurred for several of the 2008 restructuring actions during the second quarter of 2009, the assumption of the Duluth, Georgia lease obligation by an outside party during the second quarter of 2009 and the elimination of accrued other restructuring costs in excess of actual other restructuring costs incurred for several of the 2008 restructuring actions during the second quarter of 2009. The Company incurred charges totaling $5.7 million, composed of severance and facility shutdown costs, related to restructuring actions taken in the first six months of 2008.

(c) Operating loss as a percent of net sales generated in the first six months of 2009 increased 1.0 percentage point from operating loss as a percent of sales generated in the first six months of 2008 primarily because of deterioration in gross profit performance and charges related to 2008 restructuring actions.

Interest expense. Interest expense increased 34.8% to $86.0 million in the first six months of 2009 from $63.8 million in the first six months of 2008 primarily because of increased borrowings. As a percentage of sales, interest expense in the first six months of 2009 increased to 2.4% from 1.5% in the first six months of 2008.

Miscellaneous, net. Consolidated miscellaneous income decreased from $4.0 million in the first six months of 2008 to $3.2 million in the first six months of 2009 primarily because of unfavorable currency exchange results due to a decrease in the average exchange rate between the Mexican peso and the US dollar during those two periods.

Reorganization items. The Company incurred reorganization costs of $48.6 million in the first six months of 2009. These costs included (1) financing fees associated with the DIP Credit Agreement; (2) professional fees charged for reorganization services; (3) severance, live flock impairment and inventory disposal costs related to the upcoming closures of facilities in Douglas, Georgia; El Dorado, Arkansas; Farmerville, Louisiana and Franconia, Pennsylvania, (4) severance costs related to both the closed distribution center in Houston, Texas, the Operations management reduction–in–force action in February 2009 and reduced or consolidated production at various facilities throughout the US and (5) fees related to the termination of the RPA.

Income taxes. The Company recorded income tax expense of $2.6 million for the six months ended March 28, 2009, compared to an income tax benefit of $57.0 million for the six months ended March 29, 2008. The income tax benefit decreased over prior year as a result of the Company's decision to record a valuation allowance against net deferred tax assets, including net operating losses and credit carryforwards, in the US and Mexico.

Loss from operation of discontinued business. The Company generated income from the operation of its discontinued turkey business of $1.0 million ($0.6 million, net of tax) in the first six months of 2009 compared to a loss of $22,000 ($13,000, net of tax) in the first six months of 2008. Net sales generated by the discontinued turkey business in the first six months of 2009 and the first six months of 2008 were $25.8 million and $56.0 million, respectively.

Gain on disposal of discontinued business. In March 2008, the Company sold certain assets of its discontinued turkey business and recognized a gain of $1.5 million ($0.9 million, net of tax).

Liquidity and Capital Resources

The following table presents our available sources of liquidity as of March 28, 2009:

Source of Liquidity	Facility Amount	Amount Outstanding	Available	
		(In millions)		
Cash and cash equivalents	$ —	$ —	$ 45.0	
Investments in available–for–sale securities	—	—	8.1	
Debt facilities:				
DIP Credit Agreement expiring 2009	450.0	89.8	246.0	(a)(b)
Revolving credit facility expiring 2011	39.0	39.0	—	

(a) Actual borrowings by the Company under the DIP Credit Agreement are subject to a borrowing base, which is a formula based on certain eligible inventory and eligible receivables. The borrowing base at March 28, 2009 was $335.8 million.

(b) At May 6, 2009, total funds available for borrowing under the DIP Credit Agreement were $322.7 million and outstanding borrowings under the DIP Credit Agreement totaled $43.0 million.

At March 28, 2009, the Company had $216.2 million outstanding under its revolving credit facility expiring in 2013 and $1,126.4 million outstanding under its revolver/term credit agreement expiring in 2016. At that time, the Company was party to outstanding standby letters of credit totaling $68.8 million. The filing of the Chapter 11 petitions constituted an event of default under, among other of our debt obligations, the revolving credit facility expiring in 2013 and the revolver/term credit agreement expiring in 2016. Outstanding obligations under these facilities became automatically and immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law. Funds are no longer available for borrowing under these two facilities.

Debt Obligations

As previously discussed, on December 1, 2008, the Debtors filed voluntary petitions in the Bankruptcy Court seeking reorganization relief under the Bankruptcy Code. The filing of the Chapter 11 petitions constituted an event of default under certain of our debt obligations, and those debt obligations became automatically and immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law. As a result, the accompanying Consolidated Balance Sheet as of September 27, 2008 includes reclassifications of $1,872.1 million to reflect as current certain long–term debt under the Company's credit facilities that, absent the stay, would have become automatically and immediately due and payable. Because of the bankruptcy petition, most of the Company's pre–petition long–term debt is included in Liabilities subject to compromise at March 28, 2009. The Company classifies pre–petition liabilities subject to compromise as a long–term liability because management does not believe the Company will use existing current assets or create additional current liabilities to fund these obligations.

On December 2, 2008, the Bankruptcy Court granted interim approval authorizing the Company and the Subsidiaries to enter into the Initial DIP Credit Agreement with the DIP Agent and the lenders party thereto. On December 2, 2008, the Company, the US Subsidiaries and the other parties entered into the Initial DIP Credit Agreement, subject to final approval of the Bankruptcy Court. On December 30, 2008, the Bankruptcy Court granted final approval authorizing the Company and the Subsidiaries to enter into the DIP Credit Agreement dated December 31, 2008 among the Company, as borrower, the Subsidiaries, as guarantors, the DIP Agent, and the lenders party thereto.

The DIP Credit Agreement provides for an aggregate commitment of up to $450 million, which permits borrowings on a revolving basis. The commitment includes a $25 million sub–limit for swingline loans and a $20 million sub–limit for standby letters of credit. Outstanding borrowings under the DIP Credit Agreement will bear interest at a per annum rate equal to 8.0% plus the greatest of (i) the prime rate as established by the DIP Agent from time to time, (ii) the average federal funds rate plus 0.5%, or (iii) the LIBOR rate plus 1.0%, payable monthly. The weighted average interest rate for the three and six months ended March 28, 2009 was 11.25% and 11.47%, respectively. The loans under the Initial DIP Credit Agreement were used to repurchase all receivables sold under the Company's RPA. Loan under the DIP Credit Agreement may be used to fund the working capital requirements of the Company and its subsidiaries according to a budget as approved by the required lenders under the DIP Credit Agreement. For additional information on the RPA, see "Off–Balance Sheet Arrangements."

Actual borrowings by the Company under the DIP Credit Agreement are subject to a borrowing base, which is a formula based on certain eligible inventory and eligible receivables. The borrowing base formula is reduced by (i) pre–petition obligations under the Fourth Amended and Restated Secured Credit Agreement dated as of February 8, 2007, among the Company and certain of its subsidiaries, Bank of Montreal, as administrative agent, and the lenders parties thereto, as amended, (ii) administrative and professional expenses incurred in connection with the bankruptcy proceedings, and (iii) the amount owed by the Company and the Subsidiaries to any person on account of the purchase price of agricultural products or services (including poultry and livestock) if that person is entitled to any grower's or producer's lien or other security arrangement. The borrowing base is also limited to 2.22 times the formula amount of total eligible receivables. The DIP Credit Agreement provides that the Company may not incur capital expenditures in excess of $150 million. The Company must also meet minimum monthly levels of EBITDAR. Under the DIP Credit Agreement, "EBITDAR" means, generally, net income before interest, taxes, depreciation, amortization, writedowns of goodwill and other intangibles, asset impairment charges and other specified costs, charges, losses and gains. The DIP Credit Agreement also provides for certain other covenants, various representations and warranties, and events of default that are customary for transactions of this nature. As of March 28, 2009, the applicable borrowing base was $335.8 million and the amount available for borrowings under the DIP Credit Agreement was $246.0 million. As of May 6, 2009, the applicable borrowing base was $365.7 million, the amount available for borrowings under the DIP Credit Agreement was $322.7 million and outstanding borrowings under the DIP Credit Agreement totaled $43.0 million.