



## Related Party Transactions

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As disclosed in our filings with the Securities and Exchange Commission, Pilgrim's Corporation has been and in some cases continues to be a party to certain transactions with our current and former Directors and executive officers. These transactions, along with all other transactions between us and affiliated persons, received the approval of the prior Audit Committee and our current Audit Committee, as applicable. Company management analyzed the terms of all contracts entered into with related parties and believed that they were substantially similar to, and contained terms not less favorable to us than, those obtainable from unaffiliated parties.

On January 19, 2010, we entered into an agreement with JBS USA in order to allocate costs associated with JBS USA's procurement of SAP licenses and maintenance services for its combined companies. Under this agreement, the fees associated with procuring SAP licenses and maintenance services are allocated between the Company and JBS USA in proportion to the percentage of licenses used by each company. The agreement expires on the date of expiration, or earlier termination, of each underlying SAP license agreement. During 2010, we paid JBS USA \$6,588,000 for such services.

On May 5, 2010, we also entered into an agreement with JBS USA in order to allocate the costs of supporting the business operations by one consolidated corporate team, which have historically been supported by their respective corporate teams. Expenditures paid by JBS USA on behalf of the Company will be reimbursed by the Company, and expenditures paid by the Company on behalf of JBS USA will be reimbursed by JBS USA. This agreement expires on May 5, 2015. During 2010, JBS USA incurred approximately \$20,229,680 in expenditures paid on our behalf. During 2010, we incurred approximately \$481,917 in expenditures paid on behalf of JBS USA.

We routinely enter transactions to purchase products from JBS USA and to sell our products to them. During 2010, such purchases from JBS USA totaled \$93,897,817 and sales to them totaled \$5,422,253.

In connection with the bankruptcy court order approving and confirming our joint plan of reorganization, the Company and Lonnie "Bo" Pilgrim entered into the Consulting Agreement, which became effective on December 28, 2009, the effective date of the Plan of Reorganization. The terms of the Consulting Agreement include, among other things, the following:

- Mr. Pilgrim will provide services to the Company that are comparable in the aggregate with the services provided by him to the Company prior to the effective date;
- Mr. Pilgrim will be appointed to the Board of Directors of the Company and during the term of the Consulting Agreement will be nominated for subsequent terms on the Board;
- Mr. Pilgrim will be compensated for services rendered to the Company at a rate of \$1.5 million a year for a term of 5 years;
- Mr. Pilgrim will be subject to customary non-solicitation and non-competition provision; and
- Mr. Pilgrim and his spouse will be provided with medical benefits (or will be compensated for medical coverage) that are comparable in the aggregate to the medical benefits afforded to employees of the Company.

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 we enter into 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 was \$1,249,093 during 2010. Subsequent to 2010 and through February 27, 2011, the amount paid under the grower contracts was \$250,584.

During 2010, we processed the payroll for certain employees of Lonnie "Bo" Pilgrim and Pilgrim Poultry G.P. ("PPGP") as well as performed certain administrative bookkeeping services for Mr. Pilgrim's personal businesses. Lonnie "Bo" Pilgrim is the sole proprietor of PPGP. PPGP paid the Company \$60,057 during 2010 for general supplies and the services described above. Subsequent to 2010 and through February 27, 2011, no payments have been made by PPGP.

PPGP also rented 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. We paid rental on the facilities of \$125,000 during 2010 to PPGP. On February 23, 2010, the Company purchased the commercial egg property from PPGP for \$12,000,000.

During 2010, the Company maintained depository accounts with a financial institution of which Lonnie "Bo" Pilgrim is a major stockholder. Fees paid to this bank in 2010 were insignificant. At December 26, 2010, we had bank balances at this financial institution of approximately \$4.2 million.

On June 9, 2010, the Company sold two airplane hangars and undeveloped land to Lonnie "Bo" Pilgrim for \$1.45 million.

From time to time, the Company has purchased grain from Pat Pilgrim, a son of Lonnie "Bo" Pilgrim, in transactions pre-approved by the Audit Committee. We paid him \$351,998 for such purchases in 2010. Subsequent to 2010 and through February 27, 2011, we have not purchased grain from Pat Pilgrim. Pat Pilgrim also provided hauling services to us in 2010, for which he was paid \$9,600. Subsequent to 2010 and through February 27, 2011, Pat Pilgrim has not provided hauling services to the Company. In March 2011, he paid the Company \$24,521 for land he leased from us. On November 30, 2005, the Audit Committee pre-approved our entering into three contracts with Pat Pilgrim, a general services agreement, a transportation agreement and a lease. On January 28, 2008, the Audit Committee approved a new ground lease agreement with Pat Pilgrim and in February 2008, we entered into the new ground lease agreement pursuant to which Pat Pilgrim rents land from the Company. The lease agreement, which was for a one year initial term, renews for an additional year at the end of each term, but the agreement can be terminated by either party without cause.

In 2009, Mr. Lonnie Ken Pilgrim, our former Senior Vice President, Transportation and a son of Lonnie "Bo" Pilgrim, our Founder Director, received a tax gross up payment of \$758,770. To the extent Mr. Lonnie Ken Pilgrim receives a tax refund from the Internal Revenue Service, he is obligated to repay the amount of the refund to the Company.