PILGRIMS PRIDE CORP

FORM 10-Q
(Quarterly Report)

Filed 08/03/17 for the Period Ending 06/25/17

Address	1770 PROMONTORY CIRCLE
	GREELEY, CO 80634
Telephone	9705068000
CIK	0000802481
Symbol	PPC
SIC Code	2015 - Poultry Slaughtering and Processing
Industry	Food Processing
Sector	Consumer Non-Cyclicals
Fiscal Year	12/26

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 June 25, 2017
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)

Delaware	**75-1285071**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1770 Promontory Circle, Greeley, CO	**80634-9038**
(Address of principal executive offices)	**(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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-accelerated Filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Number of shares outstanding of the issuer's common stock, $0.01 par value per share, as of August 2, 2017 , was 248,752,508.

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PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PILGRIM'S PRIDE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 25, 2017	December 25, 2016
	(Unaudited)	
	(In thousands)	
Cash and cash equivalents	$ 303,937	$ 120,328
Restricted cash	20,348	4,979
Trade accounts and other receivables, less allowance for doubtful accounts	406,586	317,170
Accounts receivable from related parties	4,050	3,913
Inventories	967,577	813,262
Income taxes receivable	13,659	—
Prepaid expenses and other current assets	66,572	57,457
Assets held for sale	5,542	5,259
Total current assets	1,788,271	1,322,368
Other long-lived assets	17,484	15,710
Identified intangible assets, net	153,855	38,593
Goodwill	175,444	125,607
Property, plant and equipment, net	1,721,948	1,505,940
Total assets	$ 3,857,002	$ 3,008,218
Accounts payable	$ 519,820	$ 555,097
Accounts payable to related parties	3,622	1,421
Accrued expenses and other current liabilities	324,727	290,699
Income taxes payable	93,910	20,990
Current maturities of long-term debt	40,098	94
Total current liabilities	982,177	868,301
Long-term debt, less current maturities	1,404,264	1,011,858
Deferred tax liabilities	171,042	142,651
Other long-term liabilities	89,422	88,661
Total liabilities	2,646,905	2,111,471
Common stock	2,602	2,597
Treasury stock	(231,758)	(217,117)
Additional paid-in capital	1,688,684	1,686,742
Accumulated deficit	(193,073)	(520,635)
Accumulated other comprehensive loss	(66,735)	(64,243)
Total Pilgrim's Pride Corporation stockholders' equity	1,199,720	887,344
Noncontrolling interest	10,377	9,403
Total stockholders' equity	1,210,097	896,747
Total liabilities and stockholders' equity	$ 3,857,002	$ 3,008,218

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

PILGRIM'S PRIDE CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 25, 2017	June 26, 2016	June 25, 2017	June 26, 2016
	(In thousands, except per share data)			
Net sales	$ 2,251,604	$ 2,028,315	$ 4,272,096	$ 3,991,252
Cost of sales	1,826,217	1,742,184	3,631,504	3,467,559
Gross profit	425,387	286,131	640,592	523,693
Selling, general and administrative expense	61,636	49,520	124,489	98,308
Administrative restructuring charges	4,349	—	4,349	—
Operating income	359,402	236,611	511,754	425,385
Interest expense, net of capitalized interest	15,935	11,548	28,321	23,581
Interest income	(1,044)	(683)	(1,346)	(1,376)
Foreign currency transaction gain	(1,810)	(4,744)	(1,191)	(4,979)
Miscellaneous, net	(970)	(950)	(3,685)	(3,896)
Income before income taxes	347,291	231,440	489,655	412,055
Income tax expense	113,218	78,398	161,119	141,002
Net income	234,073	153,042	328,536	271,053
Less: Net income (loss) attributable to noncontrolling interests	432	156	974	(204)
Net income attributable to Pilgrim's Pride Corporation	$ 233,641	$ 152,886	$ 327,562	$ 271,257
Weighted average shares of common stock outstanding:				
Basic	248,753	254,554	248,722	254,681
Effect of dilutive common stock equivalents	220	390	228	364
Diluted	248,973	254,944	248,950	255,045
Net income attributable to Pilgrim's Pride Corporation per share of common stock outstanding:				
Basic	$ 0.94	$ 0.60	$ 1.32	$ 1.07
Diluted	$ 0.94	$ 0.60	$ 1.32	$ 1.06

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

PILGRIM'S PRIDE CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 25, 2017	June 26, 2016	June 25, 2017	June 26, 2016
	(In thousands)			
Net income	$ 234,073	$ 153,042	$ 328,536	$ 271,053
Other comprehensive loss:				
Loss associated with available-for-sale securities, net of tax benefit of $59 and $41, respectively	—	(97)	—	(67)
Loss associated with pension and other postretirement benefits, net of tax benefit of $2,314, $1,118, $1,512 and $5,294, respectively	(3,814)	(1,844)	(2,492)	(8,729)
Total other comprehensive loss, net of tax	(3,814)	(1,941)	(2,492)	(8,796)
Comprehensive income	230,259	151,101	326,044	262,257
Less: Comprehensive income (loss) attributable to noncontrolling interests	432	156	974	(204)
Comprehensive income attributable to Pilgrim's Pride Corporation	$ 229,827	$ 150,945	$ 325,070	$ 262,461

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

PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

	Pilgrim's Pride Corporation Stockholders								
	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
	Shares	Amount	Shares	Amount					
	(In thousands)								
Balance at December 25, 2016	259,682	$ 2,597	(10,636)	$(217,117)	$1,686,742	$ (520,635)	$ (64,243)	$ 9,403	$ 896,747
Net income	—	—	—	—	—	327,562	—	974	328,536
Other comprehensive loss, net of tax	—	—	—	—	—	—	(2,492)	—	(2,492)
Share-based compensation plans:									
Common stock issued under compensation plans	486	5	—	—	(5)	—	—	—	—
Requisite service period recognition	—	—	—	—	1,947	—	—	—	1,947
Common stock purchased under share repurchase program	—	—	(780)	(14,641)	—	—	—	—	(14,641)
Balance at June 25, 2017	260,168	$ 2,602	(11,416)	$(231,758)	$1,688,684	$ (193,073)	$ (66,735)	$ 10,377	$ 1,210,097
Balance at December 27, 2015	259,685	$ 2,597	(4,862)	$ (99,233)	$1,675,674	$ (261,252)	$ (58,930)	$ 2,954	$ 1,261,810
Net income (loss)	—	—	—	—	—	271,257	—	(204)	271,053
Other comprehensive income, net of tax	—	—	—	—	—	—	(8,796)	—	(8,796)
Share-based compensation plans:									
Requisite service period recognition	—	—	—	—	1,869	—	—	—	1,869
Common stock purchased under share repurchase program	—	—	(309)	(7,328)	—	—	—	—	(7,328)
Balance at June 26, 2016	259,685	$ 2,597	(5,171)	$(106,561)	$1,677,543	$ (689,910)	$ (67,726)	$ 2,750	$ 818,693

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

PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Twenty-Six Weeks Ended	
	June 25, 2017	June 26, 2016
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 328,536	$ 271,053
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	107,671	88,683
Foreign currency transaction loss related to borrowing arrangements	5,634	—
Asset impairment	3,534	—
Gain on property disposals	(768)	(6,755)
Gain on equity method investments	(30)	—
Share-based compensation	1,947	1,869
Deferred income tax expense (benefit)	26,904	(700)
Changes in operating assets and liabilities:		
Trade accounts and other receivables	(73,684)	6,610
Inventories	(97,857)	(31,208)
Prepaid expenses and other current assets	(5,702)	(19,817)
Accounts payable, accrued expenses and other current liabilities	(34,565)	(23,028)
Income taxes	60,695	6,967
Long-term pension and other postretirement obligations	(3,916)	(3,952)
Other operating assets and liabilities	(2,265)	(738)
Cash provided by operating activities	316,134	288,984
Cash flows from investing activities:		
Acquisitions of property, plant and equipment	(174,150)	(93,978)
Purchase of acquired business, net of cash acquired	(359,698)	—
Proceeds from property disposals	1,466	8,097
Cash used in investing activities	(532,382)	(85,881)
Cash flows from financing activities:		
Proceeds from note payable to bank	—	36,838
Payments on note payable to bank	—	(65,564)
Proceeds from revolving line of credit and long-term borrowings	1,013,662	351,089
Payments on revolving line of credit, long-term borrowings and capital lease obligations	(586,056)	(219,812)
Proceeds from equity contribution under Tax Sharing Agreement between JBS USA Food Company Holdings and Pilgrim's Pride Corporation	5,038	3,691
Payment of capitalized loan costs	(2,777)	(693)
Purchase of common stock under share repurchase program	(14,641)	(7,328)
Payment of special cash dividends	—	(699,915)
Cash provided by (used in) financing activities	415,226	(601,694)
Increase (decrease) in cash, cash equivalents and restricted cash	198,978	(398,591)
Cash, cash equivalents and restricted cash, beginning of period	125,307	439,638
Cash, cash equivalents and restricted cash, end of period	$ 324,285	$ 41,047

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Business

Pilgrim's Pride Corporation (referred to herein as "Pilgrim's," "PPC," "the Company," "we," "us," "our," or similar terms) is one of the largest chicken producers in the world, with operations in the United States ("U.S."), Mexico and Puerto Rico. Pilgrim's products are sold to foodservice, retail and frozen entrée customers. The Company's primary distribution is through retailers, foodservice distributors and restaurants throughout the United States and Puerto Rico and in the northern and central regions of Mexico. Additionally, the Company exports chicken products to approximately 80 countries. Pilgrim's fresh chicken products consist of refrigerated (nonfrozen) whole chickens, whole cut-up chickens and selected chicken parts that are either marinated or non-marinated. The Company's prepared chicken products include fully cooked, ready-to-cook and individually frozen chicken parts, strips, nuggets and patties, some of which are either breaded or non-breaded and either marinated or non-marinated. 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 U.S. states, Puerto Rico and Mexico. As of June 25, 2017 , Pilgrim's had approximately 42,000 employees and the capacity to process approximately 39.2 million birds per five-day work week for a total of approximately 11.5 billion pounds of live chicken annually. Approximately 4,400 contract growers supply poultry for the Company's operations. As of June 25, 2017 , JBS S.A., through its indirect wholly-owned subsidiaries (together, "JBS"), beneficially owned 78.6% of the Company's outstanding common stock.

Consolidated Financial Statements

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the U.S. Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal and recurring adjustments unless otherwise disclosed) considered necessary for a fair presentation have been included. Operating results for the twenty-six weeks ended weeks ended June 25, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017 . For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 25, 2016 .

Pilgrim's operates on a 52/53-week fiscal year that ends on the Sunday falling on or before December 31. The reader should assume any reference we make to a particular year (for example, 2017) in the notes to these Condensed Consolidated Financial Statements applies to our fiscal year and not the calendar year.

The Condensed Consolidated Financial Statements include the accounts of the Company and its majority-owned subsidiaries. We eliminate all significant affiliate accounts and transactions upon consolidation.

The Company measures the financial statements of its Mexico subsidiaries as if the U.S. dollar were the functional currency. Accordingly, we remeasure assets and liabilities, other than non-monetary assets, of the Mexico subsidiaries at current exchange rates. We remeasure non-monetary assets using the historical exchange rate in effect on the date of each asset's acquisition. We remeasure income and expenses at average exchange rates in effect during the period. Currency exchange gains or losses are included in the line item *Foreign currency transaction loss* in the Condensed Consolidated Statements of Income.

Reportable Segment

We operate in one reportable business segment, as a producer and seller of chicken products we either produce or purchase for resale.

Revenue Recognition

We recognize revenue when all of the following circumstances are satisfied: (i) persuasive evidence of an arrangement exists, (ii) price is fixed or determinable, (iii) collectability is reasonably assured and (iv) delivery has occurred. Delivery occurs in the period in which the customer takes title and assumes the risks and rewards of ownership of the products specified in the customer's purchase order or sales agreement. Revenue is recorded net of estimated incentive offerings including special pricing agreements, promotions and other volume-based incentives. Revisions to these estimates are charged back to net sales in the period in which the facts that give rise to the revision become known.

Book Overdraft

The majority of the Company's disbursement bank accounts are zero balance accounts where cash needs are funded as checks are presented for payment by the holder. Checks issued pending clearance that result in overdraft balances for accounting purposes are classified as accounts payable and the change in the related balance is reflected in operating activities on the Condensed Consolidated Statements of Cash Flows.

Restricted Cash

The Company is required to maintain cash balances with a broker as collateral for exchange traded futures contracts. These balances are classified as restricted cash as they are not available for use by the Company to fund daily operations. The balance of restricted cash may also include investments in U.S. Treasury Bills that qualify as cash equivalents, as required by the broker, to offset the obligation to return cash collateral.

The following table reconciles cash, cash equivalents and restricted cash as reported in the Condensed Consolidated Balance Sheets to the total of the same amounts shown in the Condensed Consolidated Statements of Cash Flows:

	June 25, 2017	December 25, 2016
	(In thousands)	
Cash and cash equivalents	$ 303,937	$ 120,328
Restricted cash	20,348	4,979
Total cash, cash equivalents and restricted cash shown in the Condensed Consolidated Statements of Cash Flows	$ 324,285	$ 125,307

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued new accounting guidance on revenue recognition, which provides for a single five-step model to be applied to all revenue contracts with customers. The new standard also requires additional financial statement disclosures that will enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows relating to customer contracts. Companies have an option to use either a retrospective approach or cumulative effect adjustment approach to implement the standard. In June 2015, the FASB agreed to defer by one year the mandatory effective date of this standard, but will also provide entities the option to adopt the new guidance as of the original effective date. The provisions of the new guidance will be effective as of the beginning of our 2018 fiscal year, but we had the option to adopt the guidance as early as the beginning of our 2017 fiscal year. We have elected to adopt this standard as of January 1, 2018, the beginning of our 2018 fiscal year, using the modified retrospective approach. We are currently assessing our contracts with customers and evaluating the impact of the new guidance on these contracts. Although we are still evaluating the impact, we do not currently expect the new guidance to have a material impact on our financial statements beyond additional disclosure requirements.

In July 2015, the FASB issued new accounting guidance on the subsequent measurement of inventory, which, in an effort to simplify unnecessarily complicated accounting guidance that can result in several potential outcomes, requires an entity to measure inventory at the lower of cost or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Current accounting guidance requires an entity to measure inventory at the lower of cost or market. Market could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. The provisions of the new guidance were effective as of the beginning of our 2017 fiscal year. The initial adoption of this guidance did not have a material impact on our financial statements.

In February 2016, the FASB issued new accounting guidance on lease arrangements, which, in an effort to increase transparency and comparability among organizations utilizing leasing, requires an entity that is a lessee to recognize the assets and liabilities arising from leases on the balance sheet. This guidance also requires disclosures about the amount, timing and uncertainty of cash flows arising from leases. In transition, the entity is required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The provisions of the new guidance will be effective as of the beginning of our 2019 fiscal year. Early adoption is permitted. We are currently evaluating the impact of the new guidance on our financial statements and have not yet selected an adoption date.

In March 2016, the FASB issued new accounting guidance on employee share-based payments, which, in an effort to simplify unnecessarily complicated aspects of accounting and reporting for share-based payment transactions, requires an entity to amend accounting and reporting methodology for areas such as the income tax consequences of share-based payments, classification of share-based awards as either equity or liabilities, and classification of share-based payment transactions in the statement of cash flows. The transition approach will vary depending on the area of accounting and reporting methodology to be amended. The Company adopted this standard on December 26, 2016, the beginning of our 2017 fiscal year, and will prospectively present excess tax benefits or deficiencies in the income statement as a component of "Provision for income taxes" rather than in the "Equity" section of the Balance Sheet. As part of the adoption, the Company did not have a cumulative-effect adjustment, as there were no previous unrecognized excess tax benefits that would impact retained earnings. As a result, there was no retrospective adjustment to the prior period statement of cash flows of excess tax benefits as an operating activity rather than a financing activity.

In June 2016, the FASB issued new accounting guidance on the measurement of credit losses on financial instruments, which, in an effort to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments, replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, reinsurance receivables and any other financial assets not excluded from the scope that have the contractual right to receive cash. The provisions of the new guidance will be effective as of the beginning of our 2020 fiscal year. Early adoption is permitted after our 2018 fiscal year. We are currently evaluating the impact of the new guidance on our financial statements and have not yet selected an adoption date.

In November 2016, the FASB issued new accounting guidance on the classification and presentation of restricted cash in the statement of cash flows in order to eliminate the diversity that currently exists in how companies present these changes. The new guidance requires restricted cash to be included with cash and cash equivalents when explaining the changes in cash in the statement of cash flows. We elected to early adopt this guidance as of December 26, 2016, the beginning of our 2017 fiscal year. An entity should apply the new guidance on a retrospective basis, wherein the statement of cash flow of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. Upon transition, an entity is required to comply with the applicable disclosures for a change in an accounting principle. These disclosures include the nature of and reason for the change in accounting principle, the transition method, a description of the prior-period information that has been retrospectively adjusted and the effect of the change on the financial statement line items. A description of the prior-period information that has been retrospectively adjusted and the effect of the change on the statement of cash flow line items is not disclosed as it is not material.

In March 2017, the FASB issued new accounting guidance on the presentation of net periodic pension cost and net periodic postretirement benefit cost, which, in an effort to improve consistency and transparency, requires the service cost component of defined benefit pension cost and postretirement benefit cost (“net benefit cost”) to be reported in the same line of the income statement as other compensation costs earned by the employee and the other components of net benefit cost to be reported below income from operations. The new guidance will be effective as of the beginning of our 2019 fiscal year with early adoption permitted. We are currently evaluating the impact of the new guidance on our financial statements and have not yet selected an adoption date.

2. BUSINESS ACQUISITION

On January 6, 2017, the Company acquired 100% of the membership interests of JFC LLC and its subsidiaries (together, “GNP”) from Maschhoff Family Foods, LLC for cash. GNP is a vertically integrated poultry business based in Saint Cloud, Minnesota. The acquired business has a production capacity of 2.1 million birds per five-day work week in its three plants and employs approximately 1,750 people.

The following table summarizes the consideration paid for GNP (in thousands):

Negotiated sales price	$	350,000
Working capital adjustment		7,252
Preliminary purchase price	$	357,252

The preliminary purchase price includes $2.5 million due to PPC from Maschhoff Family Foods, LLC for working capital adjustments. Transaction costs incurred in conjunction with the purchase were approximately $0.5 million . These costs were expensed as incurred.

The results of operations of the acquired business since January 6, 2017 are included in the Company’s Condensed Consolidated Statements of Income. Net sales generated by the acquired business during the thirteen and twenty-six weeks ended June 25, 2017 totaled $115.9 million and $213.7 million , respectively The acquired business generated net income during the thirteen and twenty-six weeks ended June 25, 2017 totaling $10.2 million and $14.8 million , respectively.

The assets acquired and liabilities assumed in the GNP acquisition were measured at their fair values at January 6, 2017 as set forth below. The excess of the purchase price over the fair values of the net tangible assets and identifiable intangible assets was recorded as goodwill. The factors contributing to the recognition of the amount of goodwill are based on several strategic and synergistic benefits that are expected to be realized from the acquisition as well the assembled workforce. These benefits include (i) complementary product offerings, (ii) an enhanced footprint in the U.S., (iii) shared knowledge of innovative technologies such as gas stunning, aeroscalding and automated deboning, (iv) enhanced position in the fast-growing antibiotic-free and certified organic chicken segments due to the addition of GNP's portfolio of Just BARE® Certified Organic and Natural/American Humane Certified ™ /No-Antibiotics-Ever product lines and (v) attractive cost-reduction synergy opportunities and value creation. The Company has tax basis in the goodwill, and therefore, the goodwill is deductible for tax purposes. The preliminary fair values recorded were determined based upon a preliminary valuation. The estimates and assumptions used in such valuation are subject to change, which could be significant, within the measurement period (up to one year from the acquisition date). The primary areas of acquisition accounting that are not yet finalized relate to the preliminary nature of the valuation of property, plant and equipment, intangible assets and residual goodwill. We continue to review inputs and assumptions used in the preliminary valuations.

The fair values recorded for the assets acquired and liabilities assumed for GNP are as follows (in thousands):

Cash and cash equivalents	$	10
Trade accounts and other receivables		18,453
Inventories		56,459
Prepaid expenses and other current assets		3,414
Property, plant and equipment		144,138
Identifiable intangible assets		123,220
Other long-lived assets		829
Total assets acquired		346,523
Accounts payable		23,848
Other current liabilities		11,866
Other long-term liabilities		3,393
Total liabilities assumed		39,107
Total identifiable net assets		307,416
Goodwill		49,836
Total net assets	$	357,252

The Company recognized certain identifiable intangible assets during the twenty-six weeks ended June 25, 2017 due to this acquisition. The following table presents the fair values and useful lives, where applicable, of these assets:

	Fair Value		Useful Life
	(In thousands)		(In years)
Customer relationships	$	85,000	13.0
Trade names		38,200	20.0
Non-compete agreement		20	3.0
Total fair value	$	123,220	
Weighted average useful life			15.2

The Company performed a valuation of the assets and liabilities of GNP as of January 6, 2017. Significant assumptions used in the preliminary valuation and the bases for their determination are summarized as follows:

- Property, plant and equipment, net . Property, plant and equipment at fair value gave consideration to the highest and best use of the assets. The valuation of the Company's real property improvements and the majority of its personal property was based on the cost approach. The valuation of the Company's land, as if vacant, and certain personal property assets was based on the market or sales comparison approach.
- Trade names . The Company valued two trade names using the income approach, specifically the relief from royalty method. Under this method, the asset value of each trade name was determined by estimating the hypothetical royalties that would have to be paid if it was not owned. Royalty rates were selected based on consideration of several factors, including (i) prior transactions involving GNP trade names, (ii) incomes derived from license agreements on comparable

trade names within the food industry and (iii) the relative profitability and perceived contribution of each trade name. The royalty rate used in the determination of the fair values of the two trade names was 2.0% of expected net sales related to the respective trade names. In estimating the fair value of the trade names, net sales related to the respective trade names were estimated to grow at a rate of 2.5% . Income taxes were estimated at 39.3% of pre-tax income, a tax amortization benefit factor was estimated at 1.2098 and the hypothetical savings generated by avoiding royalty costs were discounted using a rate of 13.8% .

- Customer relationships . The Company valued GNP customer relationships using the income approach, specifically the multi-period excess earnings model. Under this model, the fair value of the customer relationships asset was determined by estimating the net cash inflows from the relationships discounted to present value. In estimating the fair value of the customer relationships, net sales related to existing GNP customers were estimated to grow at a rate of 2.5% annually, but we also anticipate losing existing GNP customers at an attrition rate of 4.0% . Income taxes were estimated at 39.3% of pre-tax income, a tax amortization benefit factor was estimated at 1.2098 and net cash flows attributable to our existing customers were discounted using a rate of 13.8% .

The Company recognized the following change in goodwill due to this acquisition during the twenty-six weeks ended June 25, 2017 (in thousands):

Balance, beginning of period	$	125,607
Preliminary purchase price attributed to goodwill		49,836
Balance, end of period	$	175,443

During the thirteen weeks ended June 25, 2017, the Company recognized restructuring charges in the amounts of $0.7 million and $0.1 million related to the elimination of prepaid costs associated with obsolete GNP software and involuntary employee termination costs, respectively. These charges are reported in the line item *Administrative restructuring charges* on the Condensed Consolidated Statements of Income. The Company expects to incur additional involuntary employee termination costs of approximately $1.8 million during 2017.

The following unaudited pro forma information presents the combined financial results for the Company and GNP as if the acquisition had been completed at the beginning of the Company's prior year, December 28, 2015.

	Twenty-Six Weeks Ended June 25, 2017	Twenty-Six Weeks Ended June 26, 2016
	(In thousands, except per share amount)	
Net sales	$ 4,277,896	$ 4,209,015
Net income attributable to Pilgrim's Pride Corporation	325,179	266,341
Net income attributable to Pilgrim's Pride Corporation per common share - diluted	1.31	1.04

The above unaudited pro forma financial information is presented for informational purposes only and does not purport to represent what the Company's results of operations would have been had it completed the acquisition on the date assumed, nor is it necessarily indicative of the results that may be expected in future periods. Pro forma adjustments exclude cost savings from any synergies resulting from the acquisition.

3. FAIR VALUE MEASUREMENTS

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets and liabilities measured at fair value must be categorized into one of three different levels depending on the assumptions (i.e., inputs) used in the valuation:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2	Quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability; or
Level 3	Unobservable inputs, such as discounted cash flow models or valuations.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement in its entirety.

As of June 25, 2017 and December 25, 2016 , the Company held derivative assets and liabilities that were required to be measured at fair value on a recurring basis. Derivative assets and liabilities consist of long and short positions on exchange-traded commodity futures instruments and foreign currency forward contracts to manage translation risk.

The following items were measured at fair value on a recurring basis:

	June 25, 2017	
	Level 1	Total
	(In thousands)	
Fair value assets:		
Commodity futures instruments	$ 3,855	$ 3,855
Commodity options instruments	9	9
Fair value liabilities:		
Commodity futures instruments	(8,717)	(8,717)
Commodity options instruments	(3,019)	(3,019)
Foreign currency instruments	(186)	(186)

	December 25, 2016	
	Level 1	Total
	(In thousands)	
Fair value assets:		
Commodity futures instruments	$ 5,341	$ 5,341
Commodity options instruments	98	98
Fair value liabilities:		
Commodity futures instruments	(4,063)	(4,063)
Commodity option instruments	(2,764)	(2,764)

See “Note 7. Derivative Financial Instruments” for additional information.

Fair value and carrying value for our fixed-rate debt obligation is as follows:

	June 25, 2017		December 25, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Fixed-rate senior notes payable at 5.75%, at Level 1 inputs	$ (500,000)	$ (504,005)	$ (500,000)	$ (503,395)

See “Note 10. Long-Term Debt and Other Borrowing Arrangements” for additional information.

The valuation of financial assets and liabilities classified in Level 1 is determined using a market approach, taking into account current interest rates, creditworthiness, and liquidity risks in relation to current market conditions, and is based upon unadjusted quoted prices for identical assets in active markets. The valuation of financial assets and liabilities in Level 2 is determined using a market approach based upon quoted prices for similar assets and liabilities in active markets or other inputs that are observable for substantially the full term of the financial instrument. The valuation of financial assets in Level 3 is determined using an income approach based on unobservable inputs such as discounted cash flow models or valuations.

In addition to the fair value disclosure requirements related to financial instruments carried at fair value, accounting standards require periodic disclosures regarding the fair value of all of the Company’s financial instruments. The methods and significant assumptions used to estimate the fair value of financial instruments and any changes in methods or significant assumptions from prior periods are also required to be disclosed.

Derivative assets were recorded at fair value based on quoted market prices and are included in the line item *Prepaid expenses and other current assets* on the Condensed Consolidated Balance Sheets. Derivative liabilities were recorded at fair value based on quoted market prices and are included in the line item *Accrued expenses and other current liabilities* on the Condensed Consolidated Balance Sheets. The fair value of the Company’s fixed-rate debt obligation was based on the quoted market price at June 25, 2017 or December 25, 2016 , as applicable.

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company records certain assets and liabilities at fair value on a nonrecurring basis. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges when required by U.S. GAAP. There were no significant fair value measurement losses recognized for such assets and liabilities in the periods reported.

4. TRADE ACCOUNTS AND OTHER RECEIVABLES

Trade accounts and other receivables, less allowance for doubtful accounts, consisted of the following:

	June 25, 2017	December 25, 2016
	(In thousands)	
Trade accounts receivable	$ 394,219	$ 305,337
Notes receivable - current	630	630
Other receivables	17,041	15,766
Receivables, gross	411,890	321,733
Allowance for doubtful accounts	(5,304)	(4,563)
Receivables, net	$ 406,586	$ 317,170
Account receivable from related parties [(a)]	$ 4,050	$ 3,913

(a) Additional information regarding accounts receivable from related parties is included in “Note 15. Related Party Transactions.”

Activity in the allowance for doubtful accounts for the twenty-six weeks ended June 25, 2017 was as follows (in thousands):

Balance, beginning of period	$ (4,563)
Provision charged to operating results	(771)
Account write-offs and recoveries	374
GNP acquisition	(17)
Effect of exchange rate	(327)
Balance, end of period	$ (5,304)

5. INVENTORIES

Inventories consisted of the following:

	June 25, 2017	December 25, 2016
	(In thousands)	
Live chicken and hens	$ 411,445	$ 362,054
Feed, eggs and other	274,785	250,680
Finished chicken products	276,749	182,918
Total chicken inventories	962,979	795,652
Commercial feed and other	4,598	17,610
Total inventories	$ 967,577	$ 813,262

6. INVESTMENTS IN SECURITIES

We recognize investments in available-for-sale securities as cash equivalents, current investments or long-term investments depending upon each security's length to maturity. Additionally, those securities identified by management at the time of purchase for funding operations in less than one year are classified as current.

The following table summarizes our investments in available-for-sale securities:

	June 25, 2017		December 25, 2016	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
Cash equivalents:				
Fixed income securities	$ 85,849	$ 85,849	$ 44,865	$ 44,865
Other	62	62	61	61

Securities classified as cash and cash equivalents mature within 90 days. Securities classified as short-term investments mature between 91 and 365 days. Securities classified as long-term investments mature after 365 days. The specific identification method is used to determine the cost of each security sold and each amount reclassified out of accumulated other comprehensive loss to earnings. Gross realized gains and gross realized losses recognized during the thirteen and twenty-six weeks ended June 25, 2017 and June 26, 2016 related to the Company's available-for-sale securities were immaterial. Proceeds received from the sale or maturity of available-for-sale securities recognized as either short- or long-term investments are historically disclosed in the Condensed Consolidated Statements of Cash Flows. No proceeds were received from the sale or maturity of available-for-sale securities recognized as either short- or long-term investments during the twenty-six weeks ended June 25, 2017 and June 26, 2016 . Net unrealized holding gains and losses on the Company's available-for-sale securities recognized during the twenty-six weeks ended June 25, 2017 and June 26, 2016 that have been included in accumulated other comprehensive loss and the net amount of gains and losses reclassified out of accumulated other comprehensive loss to earnings during the twenty-six weeks ended June 25, 2017 and June 26, 2016 is disclosed in "Note 13. Stockholders' Equity - Accumulated Other Comprehensive Loss."

7. DERIVATIVE FINANCIAL INSTRUMENTS

The Company utilizes various raw materials in its operations, including corn, soybean meal, soybean oil, sorghum and energy, such as natural gas, electricity and diesel fuel, which are all considered commodities. The Company considers these raw materials generally available from a number of different sources and believes it can obtain them to meet its requirements. These commodities are subject to price fluctuations and related price risk due to factors beyond our control, such as economic and political conditions, supply and demand, weather, governmental regulation and other circumstances. Generally, the Company purchases derivative financial instruments, specifically exchange-traded futures and options, in an attempt to mitigate price risk related to its anticipated consumption of commodity inputs for approximately the next 12 months. The Company may purchase longer-term derivative financial instruments on particular commodities if deemed appropriate.

The Company has operations in Mexico and, therefore, has exposure to translational foreign exchange risk when the financial results of those operations are translated to U.S. dollars. The Company has purchased foreign currency forward contracts to manage this translational foreign exchange risk.

The fair value of derivative assets is included in the line item *Prepaid expenses and other current assets* on the Condensed Consolidated Balance Sheets while the fair value of derivative liabilities is included in the line item *Accrued expenses and other current liabilities* on the same statements. Our counterparties require that we post cash collateral for changes in the net fair value of the derivative contracts.

We have not designated the derivative financial instruments that we have purchased to mitigate commodity purchase or foreign currency transaction exposures as cash flow hedges. Therefore, we recognized changes in the fair value of these derivative financial instruments immediately in earnings. Gains or losses related to these derivative financial instruments are included in the line item *Cost of sales* in the Condensed Consolidated Statements of Income. The Company recognized net gains of $3.2 million and $1.8 million related to changes in the fair value of its derivative financial instruments during the thirteen weeks ended June 25, 2017 and June 26, 2016 , respectively. The Company also recognized net gains of $0.4 million and $5.9 million related to changes in the fair value of its derivative financial instruments during the twenty-six weeks ended June 25, 2017 and June 26, 2016 , respectively. Information regarding the Company's outstanding derivative instruments and cash collateral posted with (owed to) brokers is included in the following table:

	June 25, 2017	December 25, 2016
	(Fair values in thousands)	
Fair values:		
Commodity derivative assets	$ 3,864	$ 5,439
Commodity derivative liabilities	(11,736)	(6,827)
Foreign currency derivative liabilities	(186)	—
Cash collateral posted with brokers	20,348	4,979
Derivatives coverage [(a)] **:**		
Corn	2.0%	2.3%
Soybean meal	12.0%	0.3%
Period through which stated percent of needs are covered:		
Corn	September 2018	September 2018
Soybean meal	January 2018	July 2017

(a) Derivatives coverage is the percent of anticipated commodity needs covered by outstanding derivative instruments through a specified date.

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (“PP&E”), net consisted of the following:

	June 25, 2017	December 25, 2016
	(In thousands)	
Land	$ 164,157	$ 112,132
Buildings	1,256,981	1,169,984
Machinery and equipment	1,888,854	1,789,550
Autos and trucks	47,840	50,964
Construction-in-progress	268,175	231,874
PP&E, gross	3,626,007	3,354,504
Accumulated depreciation	(1,904,059)	(1,848,564)
PP&E, net	$ 1,721,948	$ 1,505,940

The Company recognized depreciation expenses of $52.0 million and $43.5 million during the thirteen weeks ended June 25, 2017 and June 26, 2016 , respectively. The Company recognized depreciation expense of $97.8 million and $81.9 million during the twenty-six weeks ended June 25, 2017 and June 26, 2016 , respectively.

During the twenty-six weeks ended June 25, 2017 , Pilgrim's spent $174.2 million on capital projects and transferred $ 139.6 million of completed projects from construction-in-progress to depreciable assets. During the twenty-six weeks ended June 26, 2016 , the Company spent $94.0 million on capital projects and transferred $128.1 million of completed projects from construction-in-progress to depreciable assets. Capital expenditures were primarily incurred during the twenty-six weeks ended June 25, 2017 to improve efficiencies and reduce costs.

During the thirteen and twenty-six weeks ended June 25, 2017 , the Company sold certain PP&E for cash of $2.0 million and $1.5 million , respectively, and recognized net gains on these sales of $0.9 million and $0.8 million , respectively. PP&E sold in the twenty-six weeks ended June 25, 2017 included poultry farms in Alabama and Texas, vacant land in Texas and miscellaneous equipment. During the thirteen and twenty-six weeks ended June 26, 2016 , the Company sold certain PP&E for cash of $7.5 million and $8.1 million , respectively, and recognized net gains on these sales of $6.6 million and $6.8 million , respectively. PP&E sold in the twenty-six weeks ended June 26, 2016 included poultry farms in Mexico and Texas, an office building in Texas, vacant land in Alabama and Texas and miscellaneous equipment.

Management has committed to the sale of certain properties and related assets, including, but not limited to, a processing complex in Texas, a processing complex in Alabama and miscellaneous machinery and equipment, which no longer fit into the operating plans of the Company. The Company is actively marketing these properties and related assets for immediate sale and believes a sale of each property can be consummated within the next 12 months. At both June 25, 2017 and December 25, 2016 , the Company reported properties and related assets totaling $5.5 million and $5.3 million , respectively, in the line item *Assets held for sale* on its Condensed Consolidated Balance Sheets. The fair values of the Texas processing complex and the Alabama processing complex were both based on quoted market prices. The fair values of the miscellaneous assets were based on prices for similar assets. The Company tested the recoverability of its assets held for sale and determined that the aggregate carrying amount of the Texas processing complex asset group was recoverable over the remaining life of the respective primary asset in that asset group. However, the aggregate carrying amount of the Alabama processing complex asset group was not recoverable over the remaining life of the respective primary asset in that asset group. The Company recognized impairment cost of $ 3.5 million , which it reported in the line item *Administrative restructuring charges* on its Condensed Consolidated Statements of Income.

The Company has closed or idled various processing complexes, processing plants, hatcheries, broiler farms, and feed mills throughout the U.S. Neither the Board of Directors nor JBS has determined if it would be in the best interest of the Company to divest any of these idled assets. Management is therefore not certain that it can or will divest any of these assets within one year, is not actively marketing these assets and, accordingly, has not classified them as assets held for sale. The Company continues to depreciate these assets. At June 25, 2017 , the carrying amount of these idled assets was $52.7 million based on depreciable value of $174.0 million and accumulated depreciation of $121.3 million .

The Company last tested the recoverability of its long-lived assets held and used in December 2016 . At that time, the Company determined that the carrying amount of its long-lived assets held and used was recoverable over the remaining life of the primary asset in the group and that long-lived assets held and used passed the Step 1 recoverability test under ASC 360-10-35, *Impairment or Disposal of Long-Lived Assets* . There were no indicators present during the twenty-six weeks ended June 25, 2017 that required the Company to test its long-lived assets held and used for recoverability.

9. CURRENT LIABILITIES

Current liabilities, other than current notes payable to banks, income taxes and current maturities of long-term debt, consisted of the following components:

	June 25, 2017	December 25, 2016
	(In thousands)	
Accounts payable:		
Trade accounts	$ 457,952	$ 487,214
Book overdrafts	46,964	63,577
Other payables	14,904	4,306
Total accounts payable	519,820	555,097
Accounts payable to related parties [(a)]	3,622	1,421
Accrued expenses and other current liabilities:		
Compensation and benefits	107,631	110,385
Interest and debt-related fees	10,934	8,685
Insurance and self-insured claims	77,540	82,544
Derivative liabilities:		
Futures	8,717	4,063
Options	3,019	2,764
Foreign currency	186	—
Other accrued expenses	116,700	82,258
Total accrued expenses and other current liabilities	324,727	290,699
	$ 848,169	$ 847,217

(a) Additional information regarding accounts payable from related parties is included in “Note 15. Related Party Transactions.”

10. LONG-TERM DEBT AND OTHER BORROWING ARRANGEMENTS

Long-term debt and other borrowing arrangements, including current notes payable to banks, consisted of the following components:

	Maturity	June 25, 2017	December 25, 2016
		(In thousands)	
Long-term debt and other long-term borrowing arrangements:			
Senior notes payable at 5.75%	2025	$ 500,000	$ 500,000
U.S. Credit Facility (defined below):			
Term note payable at 4.75%	2022	800,000	500,000
Revolving note payable at 4.56%	2022	73,262	—
Mexico Credit Facility (defined below) with notes payable at TIIE Rate plus 0.95%	2019	83,328	23,304
Capital lease obligations	Various	330	376
Long-term debt		1,456,920	1,023,680
Less: Current maturities of long-term debt		(40,098)	(94)
Long-term debt, less current maturities		1,416,822	1,023,586
Less: Capitalized financing costs		(12,558)	(11,728)
Long-term debt, less current maturities, net of capitalized financing costs:		$ 1,404,264	$ 1,011,858

Senior Notes

On March 11, 2015, the Company completed a sale of $500.0 million aggregate principal amount of its 5.75% senior notes due 2025 (the "Senior Notes"). The Company used the net proceeds from the sale of the Senior Notes to repay $350.0 million and $150.0 million of the term loan indebtedness under the U.S. Credit Facility (defined below) on March 12, 2015 and April 22, 2015, respectively. The Notes were sold to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act.

The Senior Notes are governed by, and were issued pursuant to, an indenture dated as of March 11, 2015 by and among the Company, its guarantor subsidiary and Wells Fargo Bank, National Association, as trustee (the "Indenture"). The Indenture provides, among other things, that the Senior Notes bear interest at a rate of 5.75% per annum from the date of issuance until maturity, payable semi-annually in cash in arrears, beginning on September 15, 2015. The Senior Notes are guaranteed on a senior unsecured basis by the Company's guarantor subsidiary. In addition, any of the Company's other existing or future domestic restricted subsidiaries that incur or guarantee any other indebtedness (with limited exceptions) must also guarantee the Senior Notes. The Senior Notes and related guarantees are unsecured senior obligations of the Company and its guarantor subsidiary and rank equally with all of the Company's and its guarantor subsidiary's other unsubordinated indebtedness. The Senior Notes and the Indenture also contain customary covenants and events of default, including failure to pay principal or interest on the Senior Notes when due, among others.

U.S. Credit Facility

On May 8, 2017, the Company and certain of its subsidiaries entered into a Third Amended and Restated Credit Agreement (the "U.S. Credit Facility") with Coöperatieve Rabobank U.A., New York Branch ("Rabobank"), as administrative agent and collateral agent, and the other lenders party thereto. The U.S. Credit Facility provides for a revolving loan commitment of up to $750.0 million and a term loan commitment of up to $800.0 million (the "Term Loans"). The U.S. Credit Facility also includes an accordion feature that allows the Company, at any time, to increase the aggregate revolving loan and term loan commitments by up to an additional $1.0 billion , subject to the satisfaction of certain conditions, including obtaining the lenders' agreement to participate in the increase.

The revolving loan commitment under the U.S. Credit Facility matures on May 6, 2022. All principal on the Term Loans is due at maturity on May 6, 2022. Installments of principal are required to be made, in an amount equal to 1.25% of the original principal amount of the term loans, on a quarterly basis prior to the maturity date of the term loans. Covenants in the U.S. Credit Facility also require the Company to use the proceeds it receives from certain asset sales and specified debt or equity issuances and upon the occurrence of other events to repay outstanding borrowings under the U.S. Credit Facility. As of June 25, 2017 , the company had Term Loans outstanding totaling $800.0 million and the amount available for borrowing under the revolving loan commitment was $631.9 million . The Company had letters of credit of $44.8 million and borrowings of $73.3 million outstanding under the revolving loan commitment as of June 25, 2017 .

The U.S. Credit Facility includes a $75.0 million sub-limit for swingline loans and a $125.0 million sub-limit for letters of credit. Outstanding borrowings under the revolving loan commitment and the Term Loans bear interest at a per annum rate equal to (i) in the case of LIBOR loans, LIBOR plus 1.50% through June 25, 2017 and, thereafter, based on the Company's net senior secured leverage ratio, between LIBOR plus 1.25% and LIBOR plus 2.75% and (ii) in the case of alternate base rate loans, the base rate plus 0.50% through June 25, 2017 and, based on the Company's net senior secured leverage ratio, between the base rate plus 0.25% and base rate plus 1.75% thereafter.

The U.S. Credit Facility contains financial covenants and various other covenants that may adversely affect the Company's ability to, among other things, incur additional indebtedness, incur liens, pay dividends or make certain restricted payments, consummate certain assets sales, enter into certain transactions with JBS and the Company's other affiliates, merge, consolidate and/or sell or dispose of all or substantially all of our assets. The U.S. Credit Facility requires the Company to comply with a minimum level of tangible net worth covenant. The U.S. Credit Facility also provides that we may not incur capital expenditures in excess of $500.0 million in any fiscal year. The Company is currently in compliance with the covenants under the U.S. Credit Facility.

All obligations under the U.S. Credit Facility continue to be unconditionally guaranteed by certain of the Company's subsidiaries and continue to be secured by a first priority lien on (i) the accounts receivable and inventory of our company and its non-Mexico subsidiaries, (ii) 100% of the equity interests in our domestic subsidiaries, To-Ricos, Ltd. and To-Ricos Distribution, Ltd., and 65% of the equity interests in our direct foreign subsidiaries and (iii) substantially all of the assets of the Company and the guarantors under the U.S. Credit Facility.

Mexico Credit Facility

On September 27, 2016, certain of our Mexican subsidiaries entered into an unsecured credit agreement (the "Mexico Credit Facility") with BBVA Bancomer, S.A. Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, as lender. The loan commitment under the Mexico Credit Facility was $ 1.5 billion Mexican pesos. Outstanding borrowings under the Mexico Credit Facility accrued interest at a rate equal to the Interbank Equilibrium Interest Rate plus 0.95% . The Mexico Credit Facility is scheduled to mature on September 27, 2019. As of June 25, 2017 , the U.S. dollar-equivalent loan commitment under the Mexico Credit Facility was $83.3 million , and there were $83.3 million outstanding borrowings under the Mexico Credit Facility that bear interest at a per annum rate of 8.10% . As of June 25, 2017 , the U.S. dollar-equivalent borrowing availability was $5,600 .

11. INCOME TAXES

The Company recorded income tax expense of $161.1 million , a 32.9% effective tax rate, for the twenty-six weeks ended June 25, 2017 compared to income tax expense of $141.0 million , a 34.2% effective tax rate, for the twenty-six weeks ended June 26, 2016 . The increase in income tax expense in 2017 resulted primarily from an increase in pre-tax income.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carry back and carry forward periods), projected future taxable income and tax-planning strategies in making this assessment. As of June 25, 2017 , the Company did not believe it had sufficient positive evidence to conclude that realization of its federal capital loss carry forwards and a portion of its foreign net deferred tax assets are more likely than not to be realized.

For the twenty-six weeks ended June 25, 2017 and June 26, 2016 , there is a tax effect of $1.5 million and $5.3 million , respectively, reflected in other comprehensive income.

Beginning in 2017, as a result of new FASB guidance on share-based payments, excess tax benefits are now required to be reported in income tax expense rather than in additional paid-in capital. For the twenty-six weeks ended June 25, 2017 , there is an immaterial tax effect reflected in income tax expense due to excess tax benefits related to share-based compensation. For the twenty-six weeks ended June 26, 2016 , there is no tax effect reflected in additional paid-in capital due to excess tax benefits related to share-based compensation. See "Note 1. Description of Business and Basis of Presentation" for additional information.

With few exceptions, the Company is no longer subject to U.S. federal, state or local income tax examinations by taxing authorities for years prior to 2010 and is no longer subject to Mexico income tax examinations by taxing authorities for years prior to 2010.

The United States Fifth Circuit Court of Appeals rendered judgment in favor of the Company regarding the IRS' amended proof of claim relating to the tax year ended June 26, 2004 for Gold Kist Inc. ("Gold Kist"). See "Note 16. Commitments and Contingencies" for additional information.

12. PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company sponsors programs that provide retirement benefits to most of its employees. These programs include qualified defined benefit pension plans, nonqualified defined benefit retirement plans, a defined benefit postretirement life insurance plan and defined contribution retirement savings plans. Expenses recognized under all of these retirement plans totaled $1.6 million and $1.4 million in the thirteen weeks ended June 25, 2017 and June 26, 2016 , respectively, and $3.2 million and $3.0 million in the twenty-six weeks ended June 25, 2017 and June 26, 2016 , respectively.

Defined Benefit Plans Obligations and Assets

The change in benefit obligation, change in fair value of plan assets, funded status and amounts recognized in the Condensed Consolidated Balance Sheets for these defined benefit plans were as follows:

	Twenty-Six Weeks Ended June 25, 2017		Twenty-Six Weeks Ended June 26, 2016	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Change in projected benefit obligation:	(In thousands)			
Projected benefit obligation, beginning of period	$ 167,159	$ 1,648	$ 165,952	$ 1,672
Interest cost	2,786	25	2,793	26
Actuarial losses (gains)	8,885	101	12,736	72
Benefits paid	(4,430)	(74)	(4,581)	(70)
Projected benefit obligation, end of period	$ 174,400	$ 1,700	$ 176,900	$ 1,700

	Twenty-Six Weeks Ended June 25, 2017		Twenty-Six Weeks Ended June 26, 2016	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Change in plan assets:	(In thousands)			
Fair value of plan assets, beginning of period	$ 97,526	$ —	$ 96,947	$ —
Actual return on plan assets	7,142	—	1,084	—
Contributions by employer	4,502	74	4,412	70
Benefits paid	(4,430)	(74)	(4,581)	(70)
Fair value of plan assets, end of period	$ 104,740	$ —	$ 97,862	$ —

	June 25, 2017		December 25, 2016	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Funded status:	(In thousands)			
Unfunded benefit obligation, end of period	$ (69,660)	$ (1,700)	$ (69,633)	$ (1,648)

	June 25, 2017		December 25, 2016	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Amounts recognized in the Condensed Consolidated Balance Sheets at end of period:	(In thousands)			
Current liability	$ (13,103)	$ (147)	$ (13,113)	$ (147)
Long-term liability	(56,557)	(1,553)	(56,520)	(1,501)
Recognized liability	$ (69,660)	$ (1,700)	$ (69,633)	$ (1,648)

	June 25, 2017		December 25, 2016	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Amounts recognized in accumulated other comprehensive loss at end of period:	(In thousands)			
Net actuarial loss (gain)	$ 50,398	$ 70	$ 46,494	$ (31)

The accumulated benefit obligation for our defined benefit pension plans was $174.4 million and $167.2 million at June 25, 2017 and December 25, 2016 , respectively. Each of our defined benefit pension plans had accumulated benefit obligations that exceeded the fair value of plan assets at June 25, 2017 and December 25, 2016 , respectively. As of June 25, 2017 , the weighted average duration of our defined benefit pension obligation is 32.44 years.

Net Periodic Benefit Costs

Net defined benefit pension and other postretirement costs included the following components:

	Thirteen Weeks Ended June 25, 2017		Thirteen Weeks Ended June 26, 2016		Twenty-Six Weeks Ended June 25, 2017		Twenty-Six Weeks Ended June 26, 2016	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
	(In thousands)							
Interest cost	$ 1,393	$ 12	$ 1,397	$ 14	$ 2,786	$ 25	$ 2,793	$ 26
Estimated return on plan assets	(1,313)	—	(1,314)	—	(2,626)	—	(2,628)	—
Amortization of net loss	233	—	164	—	466	—	329	—
Net costs	$ 313	$ 12	$ 247	$ 14	$ 626	$ 25	$ 494	$ 26

Economic Assumptions

The weighted average assumptions used in determining pension and other postretirement plan information were as follows:

	June 25, 2017		December 25, 2016	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Assumptions used to measure benefit obligation at end of period:				
Discount rate	3.88%	3.41%	4.31%	3.81%

	Twenty-Six Weeks Ended June 25, 2017		Twenty-Six Weeks Ended June 26, 2016	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Assumptions used to measure net pension and other postretirement cost:				
Discount rate	4.31%	3.81%	4.47%	4.47%
Expected return on plan assets	5.50%	NA	5.50%	NA

The discount rate represents the interest rate used to determine the present value of future cash flows currently expected to be required to settle the Company's pension and other benefit obligations. The weighted average discount rate for each plan was established by comparing the projection of expected benefit payments to the AA Above Median yield curve. The expected benefit payments were discounted by each corresponding discount rate on the yield curve. For payments beyond 30 years, the Company extended the curve assuming the discount rate derived in year 30 is extended to the end of the plan's payment expectations. Once the present value of the string of benefit payments was established, the Company determined the single rate on the yield curve, that when applied to all obligations of the plan, would exactly match the previously determined present value. As part of the evaluation of pension and other postretirement assumptions, the Company applied assumptions for mortality that incorporate generational white and blue collar mortality trends. In determining its benefit obligations, the Company used generational tables that take into consideration increases in plan participant longevity. As of June 25, 2017 and December 25, 2016 , all pension and other postretirement benefit plans used variations of the RP2014 mortality table and the MP2015 mortality improvement scale.

The sensitivity of the projected benefit obligation for pension benefits to changes in the discount rate is set out below. The impact of a change in the discount rate of 0.25% on the projected benefit obligation for other benefits is less than $1,000 . This sensitivity analysis is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as for calculating the liability recognized in the Condensed Consolidated Balance Sheet.

	Increase in Discount Rate of 0.25%	Decrease in Discount Rate of 0.25%
	(In thousands)	
Impact on projected benefit obligation for pension benefits	$ (4,819)	$ 5,123

The expected rate of return on plan assets was primarily based on the determination of an expected return and behaviors for each plan's current asset portfolio that the Company believes are likely to prevail over long periods. This determination was made using assumptions for return and volatility of the portfolio. Asset class assumptions were set using a combination of empirical and forward-looking analysis. To the extent historical results were affected by unsustainable trends or events, the effects of those trends or events were quantified and removed. The Company also considered anticipated asset allocations, investment strategies and the views of various investment professionals when developing this rate.

Plan Assets

The following table reflects the pension plans' actual asset allocations:

	June 25, 2017	December 25, 2016
Cash and cash equivalents	—%	—%
Pooled separate accounts [(a)] :		
Equity securities	5%	5%
Fixed income securities	5%	5%
Common collective trust funds [(a)] :		
Equity securities	60%	60%
Fixed income securities	30%	30%
Total assets	100%	100%

(a) Pooled separate accounts ("PSAs") and common collective trust funds ("CCTs") are two of the most common types of alternative vehicles in which benefit plans invest. These investments are pooled funds that look like mutual funds, but they are not registered with the SEC. Often times, they will be invested in mutual funds or other marketable securities, but the unit price generally will be different from the value of the underlying securities because the fund may also hold cash for liquidity purposes, and the fees imposed by the fund are deducted from the fund value rather than charged separately to investors. Some PSAs and CCTs have no restrictions as to their investment strategy and can invest in riskier investments, such as derivatives, hedge funds, private equity funds, or similar investments.

Absent regulatory or statutory limitations, the target asset allocation for the investment of pension assets in the pooled separate accounts is 50% in each of fixed income securities and equity securities and the target asset allocation for the investment of pension assets in the common collective trust funds is 30% in fixed income securities and 70% in equity securities. The plans only invest in fixed income and equity instruments for which there is a readily available public market. We develop our expected long-term rate of return assumptions based on the historical rates of returns for equity and fixed income securities of the type in which our plans invest.

The fair value measurements of plan assets fell into the following levels of the fair value hierarchy as of June 25, 2017 and December 25, 2016 :

	June 25, 2017				December 25, 2016			
	Level 1 [(a)]	Level 2 [(b)]	Level 3 [(c)]	Total	Level 1 [(a)]	Level 2 [(b)]	Level 3 [(c)]	Total
	(In thousands)							
Cash and cash equivalents	$ 127	$ —	$ —	$ 127	$ 119	$ —	$ —	$ 119
Pooled separate accounts:								
Large U.S. equity funds [(d)]	—	3,583	—	3,583	—	3,302	—	3,302
Small/Mid U.S. equity funds [(e)]	—	419	—	419	—	406	—	406
International equity funds [(f)]	—	1,419	—	1,419	—	1,231	—	1,231
Fixed income funds [(g)]	—	4,749	—	4,749	—	4,867	—	4,867
Common collective trusts funds:								
Large U.S. equity funds [(d)]	—	25,699	—	25,699	—	24,547	—	24,547
Small U.S. equity funds [(e)]	—	18,489	—	18,489	—	17,344	—	17,344
International equity funds [(f)]	—	18,581	—	18,581	—	17,006	—	17,006
Fixed income funds [(g)]	—	31,674	—	31,674	—	28,704	—	28,704
Total assets	$ 127	$ 104,613	$ —	$ 104,740	$ 119	$ 97,407	$ —	$ 97,526

(a) Unadjusted quoted prices in active markets for identical assets are used to determine fair value.
(b) Quoted prices in active markets for similar assets and inputs that are observable for the asset are used to determine fair value.
(c) Unobservable inputs, such as discounted cash flow models or valuations, are used to determine fair value.
(d) This category is comprised of investment options that invest in stocks, or shares of ownership, in large, well-established U.S. companies. These investment options typically carry more risk than fixed income options but have the potential for higher returns over longer time periods.
(e) This category is generally comprised of investment options that invest in stocks, or shares of ownership, in small to medium-sized U.S. companies. These investment options typically carry more risk than larger U.S. equity investment options but have the potential for higher returns.
(f) This category is comprised of investment options that invest in stocks, or shares of ownership, in companies with their principal place of business or office outside of the U.S.
(g) This category is comprised of investment options that invest in bonds, or debt of a company or government entity (including U.S. and non-U.S. entities). It may also include real estate investment options that directly own property. These investment options typically carry more risk than short-term fixed income investment options (including, for real estate investment options, liquidity risk), but less overall risk than equities.

The valuation of plan assets in Level 2 is determined using a market approach based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for substantially the full term of the financial instrument. Level 2 securities primarily include equity and fixed income securities funds.

Benefit Payments

The following table reflects the benefits as of June 25, 2017 expected to be paid through 2026 from our pension and other postretirement plans. Because our pension plans are primarily funded plans, the anticipated benefits with respect to these plans will come primarily from the trusts established for these plans. Because our other postretirement plans are unfunded, the anticipated benefits with respect to these plans will come from our own assets.

	Pension Benefits	Other Benefits
	(In thousands)	
2017 (remaining)	$ 8,482	$ 73
2018	11,617	147
2019	11,088	146
2020	11,019	144
2021	10,790	142
2022-2026	49,927	640
Total	$ 102,923	$ 1,292

We anticipate contributing $6.1 million and $0.1 million , as required by funding regulations or laws, to our pension plans and other postretirement plans, respectively, during the remainder of 2017 .

Unrecognized Benefit Amounts in Accumulated Other Comprehensive Loss

The amounts in accumulated other comprehensive loss that were not recognized as components of net periodic benefits cost and the changes in those amounts are as follows:

	Twenty-Six Weeks Ended June 25, 2017		Twenty-Six Weeks Ended June 26, 2016	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
	(In thousands)			
Net actuarial loss (gain), beginning of period	$ 46,494	$ (31)	$ 38,115	$ (79)
Amortization	(466)	—	(329)	—
Curtailment and settlement adjustments	—	—	—	—
Actuarial loss (gain)	8,885	101	12,736	72
Asset loss (gain)	(4,515)	—	1,543	—
Net actuarial loss (gain), end of period	$ 50,398	$ 70	$ 52,065	$ (7)

The Company expects to recognize in net pension cost throughout the remainder of 2017 an actuarial loss of $0.5 million that was recorded in accumulated other comprehensive loss at June 25, 2017 .

Risk Management

Through its defined benefit plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility. The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets under perform this yield, this will create a deficit. The pension plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while contributing volatility and risk in the short-term. The Company monitors the level of investment risk but has no current plan to significantly modify the mixture of investments. The investment position is discussed more below.

Changes in bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

The investment position is managed and monitored by a committee of individuals from various departments. This group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The group has not changed the processes used to manage its risks from previous periods. The group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The majority of equities are in U.S. large and small cap companies with some global diversification into international entities. The plans are not exposed to significant foreign currency risk.

Remeasurement

The Company remeasures both plan assets and obligations on a quarterly basis.

13. STOCKHOLDERS' EQUITY

Accumulated Other Comprehensive Loss

The following tables provide information regarding the changes in accumulated other comprehensive loss:

	Twenty-Six Weeks Ended June 25, 2017 [a]			Twenty-Six Weeks Ended June 26, 2016 [a]		
	Losses Related to Pension and Other Postretirement Benefits	Unrealized Holding Gains on Available-for-Sale Securities	Total	Losses Related to Pension and Other Postretirement Benefits	Unrealized Holding Gains on Available-for-Sale Securities	Total
	(In thousands)					
Balance, beginning of period	$ (64,243)	$ —	$ (64,243)	$ (58,997)	$ 67	$ (58,930)
Other comprehensive income (loss) before reclassifications	(2,782)	—	(2,782)	(8,934)	265	(8,669)
Amounts reclassified from accumulated other comprehensive loss to net income	290	—	290	205	(332)	(127)
Net current period other comprehensive loss	(2,492)	—	(2,492)	(8,729)	(67)	(8,796)
Balance, end of period	$ (66,735)	$ —	$ (66,735)	$ (67,726)	$ —	$ (67,726)

(a) All amounts are net of tax. Amounts in parentheses indicate debits to accumulated other comprehensive loss.

Details about Accumulated Other Comprehensive Loss Components	Amounts Reclassified from Accumulated Other Comprehensive Loss [a] Twenty-Six Weeks Ended June 25, 2017	Twenty-Six Weeks Ended June 26, 2016	Affected Line Item in the Condensed Consolidated Statements of Operations
	(In thousands)		
Realized gain on sale of securities	$ —	$ 534	Interest income
Amortization of defined benefit pension and other postretirement plan actuarial losses:			
Union employees pension plan [b][d]	(12)	(10)	Cost of sales
Legacy Gold Kist plans [c][d]	(142)	(100)	Cost of sales
Legacy Gold Kist plans [c][d]	(312)	(220)	Selling, general and administrative expense
Total before tax	(466)	204	
Tax benefit (expense)	176	(77)	
Total reclassification for the period	$ (290)	$ 127	

(a) Amounts in parentheses represent debits to results of operations.

(b) The Company sponsors the Pilgrim's Pride Retirement Plan for Union Employees, a qualified defined benefit pension plan covering certain locations or work groups with collective bargaining agreements.

(c) The Company sponsors the Pilgrim's Pride Plan for Legacy Gold Kist Employees, a qualified defined benefit pension plan covering certain eligible U.S. employees who were employed at locations that the Company purchased through its acquisition of Gold Kist in 2007, the Former Gold Kist Inc. Supplemental Executive Retirement Plan, a nonqualified defined benefit retirement plan covering certain former Gold Kist executives, the Former Gold Kist Inc. Directors' Emeriti Plan, a nonqualified defined benefit retirement plan covering certain former Gold Kist directors, and the Gold Kist Inc. Retiree Life Insurance Plan, a defined benefit postretirement life insurance plan covering certain retired Gold Kist employees.

(d) These accumulated other comprehensive income components are included in the computation of net periodic pension cost. See "Note 12. Pension and Other Postretirement Benefits" to the Condensed Consolidated Financial Statements.

Share Repurchase Program and Treasury Stock

On July 28, 2015, the Company's Board of Directors approved a $150.0 million share repurchase authorization. The Company plans to repurchase shares through various means, which may include but are not limited to open market purchases, privately negotiated transactions, the use of derivative instruments and/or accelerated share repurchase programs. The share repurchase program was originally scheduled to expire on July 27, 2016. On February 10, 2016, the Company's Board of Directors approved an increase of the share repurchase authorization to $300.0 million and an extension of the expiration to February 9, 2017. On February 8, 2017, the Company's Board of Directors further extended the program expiration to August 9, 2017. The extent to which the Company repurchases its shares and the timing of such repurchases will vary and depend upon market conditions and other corporate considerations, as determined by the Company's management team. The Company reserves the right to limit or terminate the repurchase program at any time without notice. As of June 25, 2017 , the Company had repurchased approximately 11.4 million shares under this program with a market value at the time of purchase of approximately $231.8 million . The Company accounted for the shares repurchased using the cost method.

Restrictions on Dividends

Both the U.S. Credit Facility and the Indenture governing the Senior Notes restrict, but do not prohibit, the Company from declaring dividends.

14. INCENTIVE COMPENSATION

The Company sponsors a short-term incentive plan that provides the grant of either cash or share-based bonus awards payable upon achievement of specified performance goals (the “STIP”). Full-time, salaried exempt employees of the Company and its affiliates who are selected by the administering committee are eligible to participate in the STIP. The Company has accrued $11.9 million in costs related to the STIP at June 25, 2017 related to cash bonus awards that could potentially be awarded during the remainder of 2017 and 2018 . The Company assumed responsibility for the JFC LLC Long-Term Equity Incentive Plan dated January 1, 2014, as amended (the “JFC LTIP”) through its acquisition of GNP on January 6, 2017. The Company has accrued $3.4 million in costs related to the JFC LTIP at June 25, 2017 .

The Company also sponsors a performance-based, omnibus long-term incentive plan that provides for the grant of a broad range of long-term equity-based and cash-based awards to the Company’s officers and other employees, members of the Board of Directors and any consultants (the “LTIP”). The equity-based awards that may be granted under the LTIP include “incentive stock options,” within the meaning of the Internal Revenue Code, nonqualified stock options, stock appreciation rights, restricted stock awards and restricted stock units (“RSUs”). At June 25, 2017 , we have reserved approximately 4.8 million shares of common stock for future issuance under the LTIP.

The following awards were outstanding during the twenty-six weeks ended June 25, 2017 :

Award Type		Benefit Plan	Awards Granted	Grant Date	Grant Date Fair Value per Award [(a)]	Vesting Condition	Vesting Date	Vesting Date Fair Value per Award [(a)]	Estimated Forfeiture Rate	Awards Forfeited to Date	Settlement Method
RSU		LTIP	449,217	02/19/2014	$ 16.70	Service	12/31/2016	$ 18.99	13.49%	86,458	Stock
RSU		LTIP	223,701	03/03/2014	17.18	Performance / Service	12/31/2017		12.34%	55,516	Stock
RSU	(b)	LTIP	45,961	02/11/2015	25.87	Service	12/31/2017	18.99	12.34%	—	Stock
RSU		LTIP	251,136	03/30/2016	25.36	Performance / Service	12/31/2019	18.99	(d)	251,136	Stock
RSU	(b)	LTIP	74,536	10/13/2016	20.93	Service	12/31/2016		—%	—	Stock
RSU		LTIP	389,424	01/19/2017	18.39	Performance / Service	(e)		—%	—	Stock
RSU	(c)	LTIP	48,586	02/13/2017	20.52	Service	2/13/2017		—%	—	Stock
RSU	(c)	LTIP	23,469	02/13/2017	20.52	Service	12/31/2017		—%	—	Stock

(a) The fair value of each RSU granted or vested represents the closing price of the Company's common stock on the respective grant date or vesting date.

(b) On February 17, 2015, the Company paid a special cash dividend to stockholders of record as of January 30, 2015 totaling $5.77 per share. On January 27, 2015, the Compensation Committee of the Company's Board of Directors agreed to grant additional RSUs to LTIP participants that were equal to the amount of the dividend that would be awarded to them had their RSUs existing as of the dividend record date been vested. The additional RSUs that were granted to the LTIP participants are subject to the same vesting requirements as the underlying RSUs granted under the LTIP.

(c) On May 18, 2016, the Company paid a special cash dividend to stockholders of record as of May 10, 2015 totaling $2.75 per share. On October 27, 2016, the Compensation Committee of the Company's Board of Directors agreed to grant additional RSUs to LTIP participants that were equal to the amount of the dividend that would be awarded to them had their RSUs existing as of the dividend record date been vested. The additional RSUs that were granted to the LTIP participants are subject to the same vesting requirements as the underlying RSUs granted under the LTIP.

(d) Performance conditions associated with these awards were not satisfied. Therefore, 100% of the awards were forfeited during the twenty-six weeks ended June 25, 2017 .

(e) The subject RSUs will vest in ratable tranches on December 31, 2018, December 31, 2019, and December 31, 2020.

Compensation costs and the income tax benefit recognized for our share-based compensation arrangements are included below:

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 25, 2017	June 26, 2016	June 25, 2017	June 26, 2016
	(In thousands)			
Share-based compensation cost:				
Cost of sales	$ 38	$ 162	$ 187	$ 261
Selling, general and administrative expense	449	827	1,760	1,608
Total	$ 487	$ 989	$ 1,947	$ 1,869
Income tax benefit	$ 184	$ 293	$ 601	$ 550

The Company’s RSU activity is included below:

	Twenty-Six Weeks Ended June 25, 2017		Twenty-Six Weeks Ended June 26, 2016	
	Number	Weighted Average Grant Date Fair Value	Number	Weighted Average Grant Date Fair Value
	(In thousands, except weighted average fair values)			
Outstanding at beginning of period	906	$ 20.00	774	$ 18.78
Granted	462	18.72	251	25.36
Vested	(486)	17.73	—	—
Forfeited	(251)	25.36	(193)	24.51
Outstanding at end of period	631	$ 18.68	832	$ 19.44

The total fair value of awards vested during the twenty-six weeks ended June 25, 2017 was $9.2 million . No awards vested during the twenty-six weeks ended June 26, 2016 .

At June 25, 2017 , the total unrecognized compensation cost related to all nonvested awards was $8.8 million . That cost is expected to be recognized over a weighted average period of 2.23 years.

Historically, we have issued new shares to satisfy award conversions.

15. RELATED PARTY TRANSACTIONS

Pilgrim’s has been and, in some cases, continues to be a party to certain transactions with affiliated companies.

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 25, 2017	June 26, 2016	June 25, 2017	June 26, 2016
	(In thousands)			
JBS USA Food Company Holdings :				
Letter of credit fees [(a)]	$ —	$ —	$ —	$ 202
JBS USA Food Company:				
Purchases from JBS USA Food Company [(b)]	24,994	26,377	52,283	46,888
Expenditures paid by JBS USA Food Company on behalf of Pilgrim's Pride Corporation [(c)]	7,349	8,722	18,298	16,326
Sales to JBS USA Food Company [(b)]	4,833	4,114	9,396	7,416
Expenditures paid by Pilgrim's Pride Corporation on behalf of JBS USA Food Company [(c)]	1,595	1,725	2,460	8,688
JBS Chile Ltda.:				
Sales to JBS Chile Ltda.	—	107	—	312
JBS Global (UK) Ltd.:				
Sales to JBS Global (UK) Ltd.	—	—	19	122
JBS Five Rivers:				
Sales to JBS Five Rivers [(d)]	9,394	—	16,516	—
J&F Investimentos Ltd.:				
Sales to J&F Investimentos Ltd.	—	—	104	—
JBS Seara:				
Sales to JBS Seara	80	—	80	—

(a) JBS USA Food Company Holdings ("JBS USA Holdings") arranged for letters of credit to be issued on its account in the aggregate amount of $56.5 million to an insurance company on behalf of the Company in order to allow that insurance company to return cash it held as collateral against potential workers' compensation, auto liability and general liability claims. In return for providing this letter of credit, the Company has agreed to reimburse JBS USA Holdings for the letter of credit fees the Company would otherwise incur under its U.S. Credit Facility. The letter of credit arrangements for $40.0 million and $16.5 million were terminated on March 7, 2016 and April 1, 2016, respectively. For the twenty-six weeks ended June 26, 2016, the Company paid JBS USA Holdings $ 0.2 million for letter of credit fees.

(b) We routinely execute transactions to both purchase products from JBS USA Food Company ("JBS USA") and sell products to them. As of June 25, 2017 and December 25, 2016, the outstanding payable to JBS USA was $3.6 million and $1.4 million , respectively. As of June 25, 2017 and December 25, 2016, the outstanding receivable from JBS USA was $2.1 million and $3.8 million , respectively. As of June 25, 2017 , approximately $ 1.1 million of goods from JBS USA were in transit and not reflected on our Condensed Consolidated Balance Sheet.

(c) The Company has an agreement with JBS USA 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 the underlying SAP license agreement. The Company also has an agreement with JBS USA 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 December 31, 2019.

(d) The outstanding receivable from JBS Five Rivers at June 25, 2017 was $1.9 million . There was no outstanding receivable from JBS Five Rivers at December 25, 2016.

The Company entered into a tax sharing agreement during 2014 with JBS USA Holdings effective for tax years starting in 2010. The net tax receivable of $5.0 million for tax year 2016 was accrued in 2016 and paid in February 2017. The net tax receivable of $3.7 million for tax year 2015 was accrued in 2015 and paid in January 2016.

16. COMMITMENTS AND CONTINGENCIES

We are a party to many routine contracts in which we provide general indemnities in the normal course of business to third parties for various risks. Among other considerations, we have not recorded a liability for any of these indemnities as based upon the likelihood of payment, the fair value of such indemnities would not have a material impact on our financial condition, results of operations and cash flows.

The Company is subject to various legal proceedings and claims which arise in the ordinary course of business. In the Company's opinion, it has made appropriate and adequate accruals for claims where necessary; however, the ultimate liability for these matters is uncertain, and if significantly different than the amounts accrued, the ultimate outcome could have a material effect on the financial condition or results of operations of the Company. For a discussion of the material legal proceedings and claims, see Part II, Item 1. "Legal Proceedings." Below is a summary of some of these material proceedings and claims. The Company believes it has substantial defenses to the claims made and intends to vigorously defend these cases.

Tax Claims and Proceedings

In 2009, the IRS asserted claims against the Company totaling $74.7 million . Pilgrim's entered into two Stipulations of Settled Issues agreements with the IRS (the "Stipulations") on December 12, 2012 that accounted for approximately $29.3 million of the claims and should result in no additional tax due. The Company is currently working with the IRS to finalize the complete tax calculations associated with the Stipulations.

Other Claims and Proceedings

Between September 2, 2016 and October 13, 2016, a series of purported federal class action lawsuits styled as *In re Broiler Chicken Antitrust Litigation* were brought against Pilgrim's and 13 other producers by and on behalf of direct and indirect purchasers of broiler chickens alleging violations of federal and state antitrust and unfair competition laws. The complaints, which were filed with the U.S. District Court for the Northern District of Illinois, seek, among other relief, treble damages for an alleged conspiracy among defendants to reduce output and increase prices of broiler chickens from the period of January 2008 to the present. The plaintiffs have filed three consolidated amended complaints: one on behalf of direct purchasers and two on behalf of distinct groups of indirect purchasers. The defendants (including the Company) moved to dismiss all complaints on January 27, 2017, which are fully briefed and a ruling by the court is pending.

On October 10, 2016, Patrick Hogan, acting on behalf of himself and a putative class of persons who purchased shares of Pilgrim's common stock between February 21, 2014 and October 4, 2016, filed a class action complaint in the U.S. District Court for the District of Colorado against the Company and its named executive officers. The complaint alleges, among other things, that the Company's SEC filings contained statements that were rendered materially false and misleading by its failure to disclose that (i) Pilgrim's colluded with several of its industry peers to fix prices in the broiler chicken market as alleged in the *In re Broiler Chicken Antitrust Litigation* , (ii) the Company's conduct constituted a violation of federal antitrust laws, (iii) Pilgrim's revenues during the class period were the result of illegal conduct and (iv) the Company lacked effective internal control over financial reporting, as well as stating that Pilgrim's industry was anticompetitive. On April 4, 2017, the court appointed another stockholder, George James Fuller, as lead plaintiff. On April 26, 2017, the court set a briefing schedule for the filing of an amended complaint and the defendants' motion to dismiss. On May 11, 2017, the plaintiff filed an amended complaint, which extended the end date of the putative class period to November 17, 2016. The defendants moved to dismiss on June 12, 2017, and the plaintiff filed its Opposition on July 12, 2017. The defendants replied on August 1, 2017.

On January 27, 2017, a purported class action on behalf of broiler chicken farmers was brought against Pilgrim's and four other producers in the Eastern District of Oklahoma, alleging, among other things, a conspiracy to reduce competition for grower services and depress the price paid to growers. Plaintiffs allege violations of the Sherman Act and the Packers and Stockyards Act and seek, among other relief, treble damages. The complaint was consolidated with a subsequently filed class action complaint styled as *In re Broiler Chicken Antitrust Litigation.* Answers or responses to the consolidated amended complaint are due on September 8, 2017.

On March 9, 2017, a stockholder derivative action styled as *DiSalvio v. Lovette, et al.* , No. 2017 cv. 30207, was brought against all of the Company's directors and its Chief Financial Officer, Fabio Sandri, in the District Court for the County of Weld in Colorado. The complaint alleges, among other things, that the named defendants breached their fiduciary duties by failing to prevent the Company and its officers from engaging in an antitrust conspiracy as alleged in the *In re Broiler Chicken Antitrust Litigation* , and issuing false and misleading statements as alleged in the *Hogan* class action litigation. On April 17, 2017, a related stockholder derivative action styled *Brima v. Lovette, et al.* , No. 2017 cv. 30308, was brought against all of the Company's directors and its Chief Financial Officer in the District Court for the County of Weld in Colorado. The *Brima* complaint contains largely the same allegations as the *DiSalvio* complaint. On May 4, 2017, the plaintiffs in both the *DiSalvio* and *Brima* actions moved to (i) consolidate the two stockholder derivative cases, (ii) stay the consolidated action until the resolution of the motion to dismiss in the *Hogan* putative securities class action, and (iii) appoint co-lead counsel. The court granted the motion on May 8, 2017, staying the proceedings pending resolution of the motion to dismiss in the *Hogan* action. A status conference has been scheduled for August 28, 2017.

The Company believes it has strong defenses in each of the above litigations and intends to contest them vigorously. The Company cannot predict the outcome of these actions nor when they will be resolved. If the plaintiffs were to prevail in any of these litigations, the Company could be liable for damages, which could be material and could adversely affect its financial condition or results of operations.

J&F Investigation

J&F Investimentos S.A. ("J&F"), an indirect controlling stockholder of the Company, is conducting an internal investigation involving improper payments made in Brazil by J&F, certain companies controlled by J&F, and certain officers of

J&F (including two former directors of the Company), as previously announced in connection with leniency agreements entered into by J&F and those individuals with Brazilian authorities. J&F has engaged outside advisors to assist it in conducting the investigation, including an assessment as to whether any of the misconduct disclosed to Brazilian authorities had any connection to the Company, or resulted in a violation of US law. The internal investigation is ongoing and the Company is fully cooperating with J&F in connection with the investigation. We cannot predict when the investigation will be completed or the results of the Investigation, including the outcome or impact of any government investigations or any resulting litigation.

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

Description of the Company

We are one of the largest chicken producers in the world, with operations in the United States ("U.S."), Mexico and Puerto Rico. We operate feed mills, hatcheries, processing plants and distribution centers in 14 U.S. states, Puerto Rico and Mexico. As of June 25, 2017 , we had approximately 42,000 employees and the capacity to process approximately 39.2 million birds per five-day work week for a total of approximately 11.5 billion pounds of live chicken annually. Approximately 4,400 contract growers supply poultry for our operations. As of June 25, 2017 , JBS S.A., through its indirect wholly-owned subsidiaries (together, "JBS"), beneficially owned 78.6% of our outstanding common stock. See "Note 1. Description of Business and Basis of Presentation" of our Condensed Consolidated Financial Statements included in this quarterly report for additional information.

We operate on a 52/53-week fiscal year that ends on the Sunday falling on or before December 31. The reader should assume any reference we make to a particular year (for example, 2017) in this report applies to our fiscal year and not the calendar year.

Executive Summary

We reported net income attributable to Pilgrim's Pride Corporation of $233.6 million , or $0.94 per diluted common share, for the thirteen weeks ended June 25, 2017 . These operating results included gross profit of $425.4 million . During the thirteen weeks ended June 25, 2017 , we generated $254.7 million of cash from operations.

We reported net income attributable to Pilgrim's Pride Corporation of $327.6 million, or $1.32 per diluted common share, for the twenty-six weeks ended June 25, 2017 . These operating results included gross profit of $640.6 million. During the twenty-six weeks ended June 25, 2017 , we generated $316.1 million of cash from operations.

Market prices for feed ingredients remain volatile. Consequently, there can be no assurance that our feed ingredients prices will not increase materially and that such increases would not negatively impact our financial position, results of operations and cash flow. 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 current year and previous two years:

	Corn		Soybean Meal	
	Highest Price	Lowest Price	Highest Price	Lowest Price
2017:				
Second Quarter	$ 3.96	$ 3.66	$ 321.00	$ 297.20
First Quarter	3.86	3.55	352.70	314.10
2016:				
Fourth Quarter	3.98	3.58	320.70	269.00
Third Quarter	3.94	3.16	401.00	302.80
Second Quarter	4.38	3.52	418.30	266.80
First Quarter	3.73	3.52	275.30	257.20
2015:				
Fourth Quarter	3.98	3.58	320.70	269.00
Third Quarter	4.34	3.48	374.80	302.40
Second Quarter	4.10	3.53	326.40	286.50
First Quarter	4.13	3.70	377.40	317.50

We purchase derivative financial instruments, specifically exchange-traded futures and options, in an attempt to mitigate price risk related to our anticipated consumption of commodity inputs such as corn, soybean meal, sorghum, wheat, soybean oil and natural gas. We will sometimes take a short position on a derivative instrument to minimize the impact of a commodity's price volatility on our operating results. We will also occasionally purchase derivative financial instruments in an attempt to mitigate currency exchange rate exposure related to the financial statements of our Mexico operations that are denominated in Mexican pesos. We do not designate derivative financial instruments that we purchase to mitigate commodity purchase or currency exchange rate exposures as cash flow hedges; therefore, we recognize changes in the fair value of these derivative financial instruments immediately in earnings. During the thirteen weeks ended June 25, 2017 and June 26, 2016 , we recognized net gains totaling $3.2 million and $1.8 million, respectively, related to changes in the fair values of our derivative financial instruments. During the twenty-six weeks ended June 25, 2017 and June 26, 2016 , we recognized net gains totaling $0.4 million and $5.9 million, respectively, related to changes in the fair values of our derivative financial instruments.

Although changes in the market price paid for feed ingredients impact cash outlays at the time we purchase the ingredients, such changes do not immediately impact cost of sales. The cost of feed ingredients is recognized in cost of sales, on a first-in-first-out basis, at the same time that the sales of the chickens that consume the feed grains are recognized. Thus, there is a lag between the time cash is paid for feed ingredients and the time the cost of such feed ingredients is reported in cost of goods sold. For example, corn delivered to a feed mill and paid for one week might be used to manufacture feed the following week. However, the chickens that eat that feed might not be processed and sold for another 42 to 63 days, and only at that time will the costs of the feed consumed by the chicken become included in cost of goods sold.

Commodities such as corn, soybean meal, sorghum, wheat and soybean oil are actively traded through various exchanges with future market prices quoted on a daily basis. These quoted market prices, although a good indicator of the commodity's base price, do not represent the final price for which we can purchase these commodities. There are several components in addition to the quoted market price, such as freight, storage and seller premiums, that are included in the final price that we pay for grain. Although changes in quoted market prices may be a good indicator of the commodity's base price, the components mentioned above may have a significant impact on the total change in grain costs recognized from period to period.

Market prices for chicken products are currently at levels sufficient to offset the costs of feed ingredients. However, there can be no assurance that chicken prices will not decrease due to such factors as competition from other proteins and substitutions by consumers of non-protein foods because of uncertainty surrounding the general economy and unemployment.

GNP Acquisition

On January 6, 2017, we acquired 100% of the membership interests of GNP from Maschhoff Family Foods, LLC for a cash purchase price of $350 million, subject to customary working capital adjustments. GNP is a vertically integrated poultry business based in St. Cloud, Minnesota. The acquired business has a production capacity of 2.1 million birds per five-day work week in its three plants and currently employs approximately 1,750 people. See "Note 2. Business Acquisition" of our Condensed Consolidated Financial Statements included in this quarterly report for additional information relating to this acquisition.

Business Segment and Geographic Reporting

We operate in one reportable business segment, as a producer and seller of chicken products we either produce or purchase for resale in the U.S., Puerto Rico and Mexico. We conduct separate operations in the U.S., Puerto Rico and Mexico; however, for geographic reporting purposes, we include Puerto Rico within our U.S. operations. Corporate expenses are allocated to Mexico based upon various apportionment methods for specific expenditures incurred related thereto with the remaining amounts allocated to the U.S.

Results of Operations

Thirteen Weeks Ended June 25, 2017 Compared to Thirteen Weeks Ended June 26, 2016

Net sales. Net sales generated in the thirteen weeks ended June 25, 2017 increased $223.3 million , or 11.0% , from net sales generated in the thirteen weeks ended June 26, 2016 . The following table provides net sales information:

Sources of net sales	Thirteen Weeks Ended June 25, 2017	Change from Thirteen Weeks Ended June 26, 2016: Amount	Change from Thirteen Weeks Ended June 26, 2016: Percent	
	(In thousands, except percent data)			
United States	$ 1,882,142	$ 204,697	12.2%	(a)
Mexico	369,462	18,592	5.3%	(b)
Total net sales	$ 2,251,604	$ 223,289	11.0%	

(a) U.S. net sales generated in the thirteen weeks ended June 25, 2017 increased $204.7 million , or 12.2% , from U.S. net sales generated in the thirteen weeks ended June 26, 2016 primarily because of net sales generated by the recently acquired GNP operations and an increase in net sales per pound experienced by our existing operations. The impact of the acquired business contributed $115.9 million, or 6.9 percentage points, to the increase in net sales. The net sales per pound increase experienced by our existing U.S. operations contributed $134.1 million, or 7.9 percentage points, to the increase in net sales. A decrease in sales volume experienced by our existing U.S. operations partially offset the effect that the acquired business and the increase in net sales per pound had on U.S. net sales by $45.3 million, or 2.7 percentage points. Decreased sales volume resulted primarily from lower demand for exported fresh chicken products and domestic prepared foods products. Included in U.S. net sales generated during the thirteen weeks ended June 25, 2017 and June 26, 2016 were net sales to JBS USA Food Company totaling $4.8 million and $4.1 million , respectively.

(b) Mexico net sales generated in the thirteen weeks ended June 25, 2017 increased $18.6 million , or 5.3% , from Mexico net sales generated in the thirteen weeks ended June 26, 2016 primarily because of the increase in net sales per pound and increased sales volume. Higher net sales per pound, which resulted primarily from higher market prices, and increased sales volume resulted in an increase in net sales by $26.0 million, or 7.4 percentage points, and $3.9 million, or 1.1 percentage points, respectively. The negative impact of foreign currency translation partially offset the increase in net sales by $11.3 million, or 3.2 percentage points. Other factors affecting the decrease in Mexico net sales were immaterial.

Gross profit. Gross profit increased by $139.3 million , or 48.7% , from $286.1 million generated in the thirteen weeks ended June 26, 2016 to $425.4 million generated in the thirteen weeks ended June 25, 2017 . The following tables provide information regarding gross profit and cost of sales information:

Components of gross profit	Thirteen Weeks Ended June 25, 2017	Change from Thirteen Weeks Ended June 26, 2016		Percent of Net Sales Thirteen Weeks Ended		
		Amount	Percent	June 25, 2017	June 26, 2016	
	In thousands, except percent data					
Net sales	$ 2,251,604	$ 223,289	11.0%	100.0%	100.0%	
Cost of sales	1,826,217	84,033	4.8%	81.1%	85.9%	(a)(b)
Gross profit	$ 425,387	$ 139,256	48.7%	18.9%	14.1%	

Sources of gross profit	Thirteen Weeks Ended June 25, 2017	Change from Thirteen Weeks Ended June 26, 2016		
		Amount	Percent	
	(In thousands, except percent data)			
United States	$ 334,894	$ 128,718	62.4 %	(a)
Mexico	90,470	10,539	13.2 %	(b)
Elimination	23	(1)	(4.2)%	
Total gross profit	$ 425,387	$ 139,257	48.7 %	

Sources of cost of sales	Thirteen Weeks Ended June 25, 2017	Change from Thirteen Weeks Ended June 26, 2016		
		Amount	Percent	
	(In thousands, except percent data)			
United States	$ 1,547,247	$ 75,978	5.2 %	(a)
Mexico	278,993	8,054	3.0 %	(b)
Elimination	(23)	1	(4.2)%	
Total cost of sales	$ 1,826,217	$ 84,033	4.8 %	

(a) Cost of sales incurred by our U.S. operations during the thirteen weeks ended June 25, 2017 increased $76.0 million , or 5.2% , from cost of sales incurred by our U.S. operations during the thirteen weeks ended June 26, 2016 . Cost of sales increased primarily because of costs incurred by the acquired GNP operations. Cost of sales incurred by the acquired GNP operations contributed $94.0 million, or 6.4 percentage points, to the increase in U.S. cost of sales. A decrease in cost of sales incurred by our existing U.S. operations partially offset the impact that the GNP operations had on cost of sales by $18.0 million, or 1.22 percentage points. Cost of sales incurred by our existing U.S operations decreased primarily because of a $33.0 million decrease in feed costs, a $3.5 million decrease in contracted grower pay and a $3.0 million decrease in chick costs, partially offset by a $22.9 million increase in compensation and benefit costs. Other factors affecting cost of sales were individually immaterial.

(b) Cost of sales incurred by our Mexico operations during the thirteen weeks ended June 25, 2017 increased $8.1 million , or 3.0% , from cost of sales incurred by our Mexico operations during the thirteen weeks ended June 26, 2016 . Mexico c ost of sales increased primarily because of a $9.6 million increase in contracted grower pay. Other factors affecting cost of sales were individually immaterial.

Operating income. Operating income increased by $122.8 million , or 51.9% , from $236.6 million generated in the thirteen weeks ended June 26, 2016 to $359.4 million generated in the thirteen weeks ended June 25, 2017 . The following tables provide information regarding operating income and SG&A expense:

Components of operating income	Thirteen Weeks Ended June 25, 2017	Change from Thirteen Weeks Ended June 26, 2016 Amount	Change from Thirteen Weeks Ended June 26, 2016 Percent	Percent of Net Sales Thirteen Weeks Ended June 25, 2017	Percent of Net Sales Thirteen Weeks Ended June 26, 2016	
	(In thousands, except percent data)					
Gross profit	$ 425,387	$ 139,256	48.7%	18.9%	14.1%	
SG&A expense	61,636	12,116	24.5%	2.7%	2.4%	(a)(b)
Administrative restructuring charges	4,349	4,349	—%	0.2%	—%	(c)
Operating income	$ 359,402	$ 122,791	51.9%	16.0%	11.7%	

Sources of operating income	Thirteen Weeks Ended June 25, 2017	Change from Thirteen Weeks Ended June 26, 2016 Amount	Change from Thirteen Weeks Ended June 26, 2016 Percent
	(In thousands, except percent data)		
United States	$ 277,602	$ 113,108	68.8 %
Mexico	81,777	9,684	13.4 %
Elimination	23	(1)	(4.2)%
Total operating income	$ 359,402	$ 122,791	51.9 %

Sources of SG&A expense	Thirteen Weeks Ended June 25, 2017	Change from Thirteen Weeks Ended June 26, 2016 Amount	Change from Thirteen Weeks Ended June 26, 2016 Percent	
	(In thousands, except percent data)			
United States	$ 52,944	$ 11,262	27.0 %	(a)
Mexico	8,692	854	10.9 %	(b)
Total SG&A expense	$ 61,636	$ 12,116	24.5 %	

Sources of administrative restructuring charges	Thirteen Weeks Ended June 25, 2017	Change from Thirteen Weeks Ended June 26, 2016 Amount	Change from Thirteen Weeks Ended June 26, 2016 Percent	
	(In thousands, except percent data)			
United States	$ 4,349	$ 4,349	— %	(c)
Mexico	—	—	— %	
Total administrative restructuring charges	$ 4,349	$ 4,349	— %	

(a) SG&A expense incurred by our U.S. operations during the thirteen weeks ended June 25, 2017 increased $11.3 million , or 27.0% , from SG&A expense incurred by our U.S. operations during the thirteen weeks ended June 26, 2016 , primarily because of expenses incurred by the acquired GNP operations and, to a lesser extent, by an increase in SG&A expense incurred by our existing operations. Expenses incurred by the acquired GNP business contributed $11.2 million, or 26.8 percentage points, to the overall increase in SG&A expenses. SG&A expense incurred by our existing U.S. operations increased primarily because of a $1.0 million increase in outside services expenses and a $0.8 million increase in allocated costs charged for administrative functions shared with JBS USA Food Company, partially offset by a $1.6 million decrease in compensation and benefit costs. Other factors affecting SG&A expense were individually immaterial.

(b) SG&A expense incurred by our Mexico operations during the thirteen weeks ended June 25, 2017 increased $0.9 million , or 10.9% , from SG&A expense incurred by our Mexico operations during the thirteen weeks ended June 26, 2016 . Factors affecting SG&A expense were individually immaterial.

(c) Administrative restructuring charges incurred by the U.S. operations during the thirteen weeks ended June 25, 2017 included a $3.5 million impairment of the aggregate carrying amount of an asset group held for sale in Alabama, the elimination of prepaid costs totaling $0.7 million related to obsolete software assumed in the GNP acquisition and severance costs of $0.1 million related to cost reduction actions implemented at certain facilities assumed in the GNP acquisition.

Net interest expense. Net interest expense increased 37.1% to $14.9 million recognized in the thirteen weeks ended June 25, 2017 from $10.9 million recognized in the thirteen weeks ended June 26, 2016 primarily because of an increase in average borrowings compared to the same period in the prior year. Average borrowings increased from $1.0 billion in the thirteen weeks ended June 26, 2016 to $1.4 billion in the thirteen weeks ended June 25, 2017 due to increased borrowings necessary to fund the GNP acquisition. The weighted average interest rate increased from 3.7% in the thirteen weeks ended June 26, 2016 to 4.2% in the thirteen weeks ended June 25, 2017 .

Income taxes. Income tax expense increased to $113.2 million , a 32.6% effective tax rate, for the thirteen weeks ended June 25, 2017 compared to income tax expense of $78.4 million , a 33.9% effective tax rate, for the thirteen weeks ended June 26, 2016 . The increase in income tax expense in 2017 resulted primarily from an increase in pre-tax income.

Twenty-Six Weeks Ended June 25, 2017 Compared to Twenty-Six Ended June 26, 2016

Net sales. Net sales generated in the twenty-six weeks ended June 25, 2017 increased $280.8 million , or 7.0% , from net sales generated in the twenty-six weeks ended June 26, 2016 . The following table provides net sales information:

Sources of net sales	Twenty-Six Weeks Ended June 25, 2017	Change from Twenty-Six Weeks Ended June 26, 2016 Amount	Percent	
	(In thousands, except percent data)			
United States	$ 3,618,547	$ 270,821	8.1%	(a)
Mexico	653,549	10,023	1.6%	(b)
Total net sales	$ 4,272,096	$ 280,844	7.0%	

(a) U.S. net sales generated in the twenty-six weeks ended June 25, 2017 increased $270.8 million, or 8.1%, from U.S. net sales generated in the twenty-six weeks ended June 26, 2016 primarily because of net sales generated by the recently acquired GNP operations and an increase in net sales per pound experienced by our existing operations. The impact of the acquired business contributed $213.7 million, or 6.4 percentage points, to the increase in net sales. The net sales per pound increase experienced by our existing U.S. operations contributed $161.0 million, or 4.8 percentage points, to the increase in net sales. A decrease in sales volume experienced by our existing U.S. operations partially offset the effect that the acquired business and the increase in net sales per pound had on U.S. net sales by $103.9 million, or 3.1 percentage points. Decreased sales volume resulted primarily from lower demand for exported fresh chicken products and domestic prepared foods products. Included in U.S. net sales generated during the twenty-six weeks ended June 25, 2017 and June 26, 2016 were net sales to JBS USA Food Company totaling $9.4 million and $7.4 million, respectively.

(b) Mexico net sales generated in the twenty-six weeks ended June 25, 2017 increased $10.0 million, or 1.6%, from Mexico net sales generated in the twenty-six weeks ended June 26, 2016 primarily because of the increase in net sales per pound and increased sales volume. Higher net sales per pound, which resulted primarily from higher market prices, and increased sales volume resulted in increases in net sales of $52.6 million, or 8.2 percentage points, and $11.7 million, or 1.8 percentage points, respectively. The negative impact of foreign currency translation partially offset the increase in net sales by $54.3 million, or 8.4 percentage points. Other factors affecting the decrease in Mexico net sales were immaterial.

Gross profit. Gross profit increased by $116.9 million, or 22.3%, from $523.7 million generated in the twenty-six weeks ended June 26, 2016 to $640.6 million generated in the twenty-six weeks ended June 25, 2017 . The following tables provide information regarding gross profit and cost of sales information:

Components of gross profit	Twenty-Six Weeks Ended June 25, 2017	Change from Twenty-Six Weeks Ended June 26, 2016 Amount	Percent	Percent of Net Sales Twenty-Six Weeks Ended June 25, 2017	June 26, 2016	
	In thousands, except percent data					
Net sales	$ 4,272,096	$ 280,843	7.0%	100.0%	100.0%	
Cost of sales	3,631,504	163,945	4.7%	85.0%	86.9%	(a)(b)
Gross profit	$ 640,592	$ 116,899	22.3%	15.0%	13.1%	

Sources of gross profit	Twenty-Six Weeks Ended June 25, 2017	Change from Twenty-Six Weeks Ended June 26, 2016 Amount	Percent	
	(In thousands, except percent data)			
United States	$ 523,200	$ 100,698	23.8 %	(a)
Mexico	117,345	16,202	16.0 %	(b)
Elimination	47	(1)	(2.1)%	
Total gross profit	$ 640,592	$ 116,899	22.3 %	

Sources of cost of sales	Twenty-Six Weeks Ended June 25, 2017	Change from Twenty-Six Weeks Ended June 26, 2016 Amount	Percent	
	(In thousands, except percent data)			
United States	$ 3,095,346	$ 170,122	5.8 %	(a)
Mexico	536,205	(6,178)	(1.1)%	(b)
Elimination	(47)	1	(2.1)%	
Total cost of sales	$ 3,631,504	$ 163,945	4.7 %	

(a) Cost of sales incurred by our U.S. operations during the twenty-six weeks ended June 25, 2017 increased $170.1 million, or 5.8%, from cost of sales incurred by our U.S. operations during the twenty-six weeks ended June 26, 2016 . Cost of sales increased primarily because of costs incurred by the acquired GNP operations. Cost of sales incurred by the acquired GNP operations contributed $178.2 million, or 6.1 percentage points, to the increase in U.S. cost of sales. A decrease in cost of sales incurred by our existing U.S. operations partially offset the impact that the acquired business had on cost of sales by $8.0 million, or 0.3 percentage points. Cost of sales incurred by our existing operations decreased primarily because of a $39.4 million decrease in feed costs, an $8.3 million decrease in insurance costs and a $1.2 million decrease in contracted grower costs, partially offset by a $37.2 million increase in compensation and benefit costs and a $5.5 million increase in derivative costs. Other factors affecting cost of sales were individually immaterial.

(b) Cost of sales incurred by our Mexico operations during the twenty-six weeks ended June 25, 2017 decreased $6.2 million, or 1.1%, from cost of sales incurred by our Mexico operations during the twenty-six weeks ended June 26, 2016 . The decrease in cost of sales was primarily due to the impact of foreign currency translation on input prices.

Operating income. Operating income increased by $86.4 million , or 20.3% , from $425.4 million generated in the twenty-six weeks ended June 26, 2016 to $511.8 million generated in the twenty-six weeks ended June 25, 2017 . The following tables provide information regarding operating income and SG&A expense:

Components of operating income	Twenty-Six Weeks Ended June 25, 2017	Change from Twenty-Six Weeks Ended June 26, 2016 Amount	Percent	Percent of Net Sales Twenty-Six Weeks Ended June 25, 2017	June 26, 2016	
	(In thousands, except percent data)					
Gross profit	$ 640,592	$ 116,899	22.3%	15.0%	13.1%	
SG&A expense	124,489	26,181	26.6%	2.9%	2.5%	(a)(b)
Administrative restructuring charges	4,349	4,349	—%	0.1%	—%	(c)
Operating income	$ 511,754	$ 86,368	20.3%	12.0%	10.7%	

Sources of operating income		Twenty-Six Weeks Ended June 25, 2017		Change from Twenty-Six Weeks Ended June 26, 2016 Amount	Percent
		(In thousands, except percent data)			
United States	$	411,158	$	72,074	21.3 %
Mexico		100,549		14,296	16.6 %
Elimination		47		(1)	(2.1)%
Total operating income	$	511,754	$	86,368	20.3 %

Sources of SG&A expense		Twenty-Six Weeks Ended June 25, 2017		Change from Twenty-Six Weeks Ended June 26, 2016 Amount	Percent
		(In thousands, except percent data)			
United States	$	107,694	$	24,276	29.1 % (a)
Mexico		16,795		1,905	12.8 % (b)
Total SG&A expense	$	124,489	$	26,181	26.6 %

Sources of administrative restructuring charges		Twenty-Six Weeks Ended June 25, 2017		Change from Twenty-Six Weeks Ended June 26, 2016 Amount	Percent
		(In thousands, except percent data)			
United States	$	4,349	$	4,349	— % (c)
Mexico		—		—	— %
Total administrative restructuring charges	$	4,349	$	4,349	— %

(a) SG&A expense incurred by our U.S. operations during the twenty-six weeks ended June 25, 2017 increased $24.3 million, or 29.1%, from SG&A expense incurred by our U.S. operations during the twenty-six weeks ended June 26, 2016 , primarily because of expenses incurred by the acquired GNP operations and, to a lesser extent, by an increase in SG&A expense incurred by our existing U.S. operations. Expenses incurred by the acquired GNP business contributed $20.1, or 24.1 percentage points, to the overall increase in SG&A expenses. Expenses incurred by our existing U.S. operations contributed $4.0 million, or 4.8 percentage points, to the overall increase in SG&A expenses. SG&A expense incurred by our existing U.S. operations increased primarily because of a $4.0 million increase in outside marketing expenses, a $3.7 million increase in allocated costs charged for administrative functions shared with JBS USA Food Company, a $1.5 million increase in advertising expenses and a $1.0 million increase in legal service expenses partially offset by a $5.5 million decrease in wages and benefits expenses and a $1.9 million decrease in brokerage expenses. Other factors affecting SG&A expense were individually immaterial.

(b) SG&A expense incurred by our Mexico operations during the twenty-six weeks ended June 25, 2017 increased $1.9 million, or 12.8%, from SG&A expense incurred by our Mexico operations during the twenty-six weeks ended June 26, 2016 primarily because of a $2.3 million increase in outside services. Other factors affecting SG&A expense were individually immaterial.

(c) Administrative restructuring charges incurred by the U.S. operations during the twenty-six weeks ended June 25, 2017 included a $3.5 million impairment of the aggregate carrying amount of an asset group held for sale in Alabama, the elimination of prepaid costs totaling $0.7 million related to obsolete software assumed in the GNP acquisition and severance costs of $0.1 million related to cost reduction actions implemented at certain facilities assumed in the GNP acquisition.

Net interest expense. Net interest expense increased 13.4% to $27.0 million recognized in the twenty-six weeks ended June 25, 2017 from $22.2 million recognized in the twenty-six weeks ended June 26, 2016 primarily because of an increase in average borrowings compared to the same period in the prior year. Average borrowings increased from $1.0 billion in the twenty-six weeks ended June 26, 2016 to $1.3 billion in the twenty-six weeks ended June 25, 2017 due to increased borrowings necessary to fund the GNP acquisition. The weighted average interest rate increased from 3.7% in the twenty-six weeks ended June 26, 2016 to 3.9% in the twenty-six weeks ended June 25, 2017 .

Income taxes. Income tax expense increased to $161.1 million, a 32.9% effective tax rate, for the twenty-six weeks ended June 25, 2017 compared to income tax expense of $141.0 million, a 34.2% effective tax rate, for the twenty-six weeks ended June 26, 2016 . The increase in income tax expense in 2017 resulted primarily from an increase in pre-tax income.

Liquidity and Capital Resources

The following table presents our available sources of liquidity as of June 25, 2017 :

Source of Liquidity		Facility Amount		Amount Outstanding		Amount Available	
				(In millions)			
Cash and cash equivalents					$	303.9	
Borrowing arrangements:							
U.S. Credit Facility	$	750.0	$	73.3		631.9	(a)
Mexico Credit Facility [c]		83.3		83.3		—	(b)

(a) Availability under the U.S. Credit Facility (as described below) is also reduced by our outstanding standby letters of credit. Standby letters of credit outstanding at June 25, 2017 totaled $44.8 million.

(b) As of June 25, 2017 , the U.S. dollar-equivalent of the amount available under the Mexico Credit Facility (as described below) was $5,600. The Mexico Credit Facility provides for a loan commitment of $1.5 billion Mexican pesos.

Long-Term Debt and Other Borrowing Arrangements

Senior Notes

On March 11, 2015, we completed a sale of $500.0 million aggregate principal amount of its 5.75% senior notes due 2025 (the “Senior Notes”). We used the net proceeds from the sale of the Senior Notes to repay $350.0 million and $150.0 million of the term loan indebtedness under the U.S. Credit Facility (as described below) on March 12, 2015 and April 22, 2015, respectively. The Notes were sold to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act.

The Senior Notes are governed by, and were issued pursuant to, an indenture dated as of March 11, 2015 by and among us, its guarantor subsidiary and Wells Fargo Bank, National Association, as trustee (the “Indenture”). The Indenture provides, among other things, that the Senior Notes bear interest at a rate of 5.75% per annum from the date of issuance until maturity, payable semi-annually in cash in arrears, beginning on September 15, 2015. The Senior Notes are guaranteed on a senior unsecured basis by our guarantor subsidiary. In addition, any of our other existing or future domestic restricted subsidiaries that incur or guarantee any other indebtedness (with limited exceptions) must also guarantee the Senior Notes. The Senior Notes and related guarantees are our and our guarantor subsidiary's unsecured senior obligations and rank equally with all of our and our guarantor subsidiary’s other unsubordinated indebtedness. The Senior Notes and the Indenture also contain customary covenants and events of default, including failure to pay principal or interest on the Senior Notes when due, among others.

U.S. Credit Facility

On May 8, 2017, we and certain of our subsidiaries entered into a Third Amended and Restated Credit Agreement (the “U.S. Credit Facility”) with Coöperatieve Rabobank U.A., New York Branch (“Rabobank”), as administrative agent and collateral agent, and the other lenders party thereto. The U.S. Credit Facility provides for a revolving loan commitment of up to $750.0 million and a term loan commitment of up to $800.0 million (the “Term Loans”). The U.S. Credit Facility also includes an accordion feature that allows us, at any time, to increase the aggregate revolving loan and term loan commitments by up to an additional $1.0 billion , subject to the satisfaction of certain conditions, including obtaining the lenders’ agreement to participate in the increase.

The revolving loan commitment under the U.S. Credit Facility matures on May 6, 2022. All principal on the Term Loans is due at maturity on May 6, 2022. Installments of principal are required to be made, in an amount equal to 1.25% of the original principal amount of the term loans, on a quarterly basis prior to the maturity date of the term loans. Covenants in the U.S. Credit Facility also require us to use the proceeds we receive from certain asset sales and specified debt or equity issuances and upon the occurrence of other events to repay outstanding borrowings under the U.S. Credit Facility. As of June 25, 2017 , we had Term Loans outstanding totaling $800.0 million and the amount available for borrowing under the revolving loan commitment was $631.9 million . We had letters of credit of $44.8 million and borrowings of $73.3 million outstanding under the revolving loan commitment as of June 25, 2017 .

The U.S. Credit Facility includes a $75.0 million sub-limit for swingline loans and a $125.0 million sub-limit for letters of credit. Outstanding borrowings under the revolving loan commitment and the Term Loans bear interest at a per annum rate equal to (i) in the case of LIBOR loans, LIBOR plus 1.50% through June 25, 2017 and, thereafter, based on our net senior secured leverage ratio, between LIBOR plus 1.25% and LIBOR plus 2.75% and (ii) in the case of alternate base rate loans, the base rate plus 0.50% through June 25, 2017 and, based on our net senior secured leverage ratio, between the base rate plus 0.25% and base rate plus 1.75% thereafter.

The U.S. Credit Facility contains financial covenants and various other covenants that may adversely affect our ability to, among other things, incur additional indebtedness, incur liens, pay dividends or make certain restricted payments, consummate certain assets sales, enter into certain transactions with JBS and our other affiliates, merge, consolidate and/or sell or dispose of all or substantially all of our assets. The U.S. Credit Facility requires us to comply with a minimum level of tangible net worth covenant. The U.S. Credit Facility also provides that we may not incur capital expenditures in excess of $500.0 million in any fiscal year. We are currently in compliance with the covenants under the U.S. Credit Facility.

All obligations under the U.S. Credit Facility continue to be unconditionally guaranteed by certain of our subsidiaries and continue to be secured by a first priority lien on (i) the accounts receivable and inventory of our company and its non-Mexico subsidiaries, (ii) 100% of the equity interests in our domestic subsidiaries, To-Ricos, Ltd. and To-Ricos Distribution, Ltd., and 65% of the equity interests in our direct foreign subsidiaries and (iii) substantially all of our assets and the guarantors' assets under the U.S. Credit Facility.

Mexico Credit Facility

On September 27, 2016, certain of our Mexican subsidiaries entered into an unsecured credit agreement (the “Mexico Credit Facility”) with BBVA Bancomer, S.A. Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, as lender. The loan commitment under the Mexico Credit Facility was $ 1.5 billion Mexican pesos. Outstanding borrowings under the Mexico Credit Facility accrued interest at a rate equal to the Interbank Equilibrium Interest Rate plus 0.95% . The Mexico Credit Facility is scheduled to mature on September 27, 2019. As of June 25, 2017 , the U.S. dollar-equivalent loan commitment under the Mexico Credit Facility was $83.3 million , and there were $83.3 million outstanding borrowings under the Mexico Credit Facility that bear interest at a per annum rate of 8.10% . As of June 25, 2017 , the U.S. dollar-equivalent borrowing availability was $5,600 .

Off-Balance Sheet Arrangements

We maintain operating leases for various types of equipment, some of which contain residual value guarantees for the market value of assets at the end of the term of the lease. The terms of the lease maturities range from one to ten years. We estimate the maximum potential amount of the residual value guarantees is approximately $10.4 million; however, the actual amount would be offset by any recoverable amount based on the fair market value of the underlying leased assets. No liability has been recorded related to this contingency as the likelihood of payments under these guarantees is not considered to be probable, and the fair value of the guarantees is immaterial. We historically have not experienced significant payments under similar residual guarantees.

We are a party to many routine contracts in which we provide general indemnities in the normal course of business to third parties for various risks. Among other considerations, we have not recorded a liability for any of these indemnities as, based upon the likelihood of payment, the fair value of such indemnities would not have a material impact on our financial condition, results of operations and cash flows.

Historical Flow of Funds

Cash provided by operating activities was $316.1 million and $289.0 million for the twenty-six weeks ended June 25, 2017 and June 26, 2016 , respectively. The increase in cash flows provided by operating activities was primarily a result of increased net income for the twenty-six weeks ended June 25, 2017 as compared to the twenty-six weeks ended June 26, 2016 and an increase in net operating assets of $157.3 million for the twenty-six weeks ended June 25, 2017 as compared to an increase in net operating assets of $65.2 million for the twenty-six weeks ended June 26, 2016 . The impact of net income and net operating assets movement on cash provided by operating activities was partially offset by increased net noncash expenses for the twenty-six weeks ended June 25, 2017 as compared to the twenty-six weeks ended June 26, 2016 .

Trade accounts and other receivables, including accounts receivable from related parties, increased $89.6 million , or 27.9% , to $410.6 million at June 25, 2017 from $321.1 million at December 25, 2016 . The change resulted primarily from an increase in sales generated in the two weeks ended June 25, 2017 as compared to sales generated in the two weeks ended December 25, 2016 and from the GNP acquisition. Trade accounts and other receivables, including accounts receivable from related parties, decreased $6.6 million, or 1.9%, to $345.1 million at June 26, 2016 from $351.7 million at December 27, 2015. The change resulted primarily from a decrease in sales generated in the two weeks ended June 26, 2016 as compared to sales generated in the two weeks ended December 27, 2015.

Inventories increased $154.3 million , or 19.0% , to $967.6 million at June 25, 2017 from $813.3 million at December 25, 2016 . This change resulted primarily from the GNP acquisition. Inventories increased $31.2 million, or 3.9%, to $832.6 million at June 26, 2016 from $801.4 million at December 27, 2015. This change resulted primarily from increased costs for feed grains and their impact on the value of our live chicken inventories.

Prepaid expenses and other current assets increased $9.1 million , or 15.9% , to $66.6 million at June 25, 2017 from $57.5 million at December 25, 2016 . This increase resulted primarily from an $11.7 million net increase in value-added tax receivables as of June 25, 2017. Prepaid expenses and other current assets increased $19.8 million, or 26.2%, to $95.4 million at June 26, 2016 from $75.6 million at December 27, 2015. This change resulted primarily from a $23.2 million increase in open derivative positions and a $2.5 million increase in value-added tax receivables partially offset by a $7.8 million decrease in prepaid insurance premiums.

Accounts payable, including accounts payable to related parties, decreased $33.1 million , or 5.9% , to $523.4 million at June 25, 2017 from $556.5 million at December 25, 2016 . This change resulted primarily from a $35.3 million decrease in trade payables, partially offset by a $2.2 million increase in the payable to related parties. Accounts payable, including accounts payable to related parties, decreased $19.1 million, or 3.9%, to $470.8 million at June 26, 2016 from $490.0 million at December 27, 2015. This change resulted primarily from a $16.2 million decrease in trade payables and a $2.9 million decrease in the payables to related parties.

Accrued expenses and other current liabilities increased $34.0 million , or 11.7% , to $324.7 million at June 25, 2017 from $290.7 million at December 25, 2016 . This change resulted primarily from accrued expenses of $13.4 million related to the acquired GNP business, a $13.2 million increase in sales and marketing liabilities, an $8.1 million increase in grain received but not invoiced, a $5.1 million increase in derivatives liabilities, a $4.0 million increase in contracted services liabilities and a $2.1 million increase in accrued interest costs, partially offset by a $9.4 million decrease in payroll and benefits liabilities and a $4.6 million decrease in insurance liabilities. Accrued expenses and other current liabilities of $314.9 million at June 26, 2016 were relatively unchanged from accrued expenses and other liabilities of $315.0 million at December 27, 2015.

Income taxes, which includes income taxes receivable, income taxes payable, deferred tax assets, deferred tax liabilities reserves for uncertain tax positions, and the tax components within accumulated other comprehensive loss, increased by $77.9 million , or 43.2% , to a net liability position of $258.4 million at June 25, 2017 from a net liability position of $180.5 million at December 25, 2016. This change resulted primarily from tax expense recorded on our year-to-date income and the timing of estimated tax payments. Income taxes increased by $26.7 million, or 33.7%, to a net liability position of $105.9 million at June 26, 2016 from a net liability position of $79.2 million at December 27, 2015. This change resulted primarily from tax expense recorded on our year-to-date income and the timing of estimated tax payments.

Net noncash expenses totaled $144.9 million and $83.1 million for the twenty-six weeks ended June 25, 2017 and June 26, 2016 , respectively. Net noncash expenses for the twenty-six weeks ended June 25, 2017 included depreciation and amortization expense of $107.7 million , deferred income tax expense of $26.9 million and other net noncash expenses totaling $10.3 million . Net noncash expenses for the twenty-six weeks ended June 26, 2016 included depreciation and amortization expense of $88.7 million , a net gain on property disposals of $6.8 million and other net noncash expenses totaling $1.2 million .

Cash used in investing activities was $532.4 million and $85.9 million for the twenty-six weeks ended weeks ended June 25, 2017 and June 26, 2016 , respectively. The increase was primarily attributable to funding of the GNP acquisition and an increase in capital spending. Cash of $359.7 million was used to acquire GNP, net of cash acquired, during the twenty-six weeks ended March 26, 2017. Capital expenditures totaled $174.2 million and $94.0 million in the twenty-six weeks ended June 25, 2017 and June 26, 2016 , respectively. Capital expenditures increased by $80.2 million primarily because of the number of projects that were active during the twenty-six weeks ended weeks ended June 25, 2017 as compared to the twenty-six weeks ended weeks ended June 26, 2016 . Capital expenditures for 2017 cannot exceed $500.0 million under the U.S. Credit Facility. Cash proceeds from property disposals in the twenty-six weeks ended weeks ended June 25, 2017 and June 26, 2016 were $1.5 million and $8.1 million , respectively.

Cash provided by financing activities was $415.2 million and cash used in financing activities was $601.7 million in the twenty-six weeks ended June 25, 2017 and June 26, 2016 , respectively. During the twenty-six weeks ended June 25, 2017 , cash of $586.1 million was used for payments on our revolving lines of credit and capital lease obligations, cash of $14.6 million was used to purchase common stock under the share repurchase program and cash of $2.8 million was used to pay capitalized loan costs. During the twenty-six weeks ended June 25, 2017 , cash of $1.0 billion , including $272.0 million used to purchase GNP, was provided through our revolving lines of credit and cash of $5.0 million was provided from a tax sharing agreement with JBS USA Holdings. During the twenty-six weeks ended June 26, 2016 , cash of $699.9 million was used to fund a special cash dividend, cash of $219.8 million was used for payments on our revolving lines of credit and capital lease obligations, cash of $65.6 million was used for payments on a current note payable to bank, cash of $7.3 million was used to purchase common stock under the share repurchase program and cash of $0.7 million was used to pay capitalized loan costs. During the twenty-six weeks ended June 26, 2016 , cash of $351.1 million was provided through our revolving lines of credit and cash of $36.8 million was provided through a current note payable to bank under our Mexico Credit Facility.

Contractual Obligations

Contractual obligations at June 25, 2017 were as follows:

Contractual Obligations [(a)]		Total		Less than One Year		One to Three Years		Three to Five Years		Greater than Five Years
						(In thousands)				
Long-term debt [(b)]	$	1,456,590	$	50,000	$	153,328	$	753,262	$	500,000
Interest [(c)]		442,960		85,982		131,625		139,103		86,250
Capital leases		379		122		214		43		—
Operating leases		121,879		30,382		47,918		30,396		13,183
Derivative liabilities		11,922		11,922		—		—		—
Purchase obligations [(d)]		139,557		139,474		83		—		—
Total	$	2,173,287	$	317,882	$	333,168	$	922,804	$	599,433

(a) The total amount of unrecognized tax benefits at June 25, 2017 was $15.9 million. We did not include this amount in the contractual obligations table above as reasonable estimates cannot be made at this time of the amounts or timing of future cash outflows.

(b) Long-term debt is presented at face value and excludes $44.8 million in letters of credit outstanding related to normal business transactions.

(c) Interest expense in the table above assumes the continuation of interest rates and outstanding borrowings as of June 25, 2017 .

(d) Includes agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction.

W e expect cash flows from operations, combined with availability under the U.S. Credit Facility, to provide sufficient liquidity to fund current obligations, projected working capital requirements, maturities of long-term debt and capital spending for at least the next twelve months.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued new accounting guidance on revenue recognition, which provides for a single five-step model to be applied to all revenue contracts with customers.

In July 2015, the FASB issued new accounting guidance on the subsequent measurement of inventory, which, in an effort to simplify unnecessarily complicated accounting guidance that can result in several potential outcomes, requires an entity to measure inventory at the lower of cost or net realizable value.

In February 2016, the FASB issued new accounting guidance on lease arrangements, which requires an entity that is a lessee to recognize the assets and liabilities arising from leases on the balance sheet.

In March 2016, the FASB issued new accounting guidance on employee share-based payments, which requires an entity to amend accounting and reporting methodology for areas such as the income tax consequences of share-based payments, classification of share-based awards as either equity or liabilities, and classification of share-based payment transactions in the statement of cash flows.

In June 2016, the FASB issued new accounting guidance on the measurement of credit losses on financial instruments, which replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

In November 2016, the FASB issued new accounting guidance on the classification and presentation of restricted cash in the statement of cash flows in order to eliminate the discrepancies that currently exist in how companies present these changes.

In March 2017, the FASB issued new accounting guidance on the presentation of net periodic pension cost and net periodic postretirement benefit cost, which requires the service cost component of net benefit cost to be reported in the same line of the income statement as other compensation costs earned by the employee and the other components of net benefit cost to be reported below income from operations.

See "Note 1. Description of Business and Basis of Presentation" of our Condensed Consolidated Financial Statements included in this quarterly report for additional information relating to these new accounting pronouncements.

Critical Accounting Policies

During the thirteen weeks ended June 25, 2017 , (i) we did not change any of our existing critical accounting policies, (ii) no existing accounting policies became critical accounting policies because of an increase in the materiality of associated transactions or changes in the circumstances to which associated judgments and estimates relate and (iii) there were no significant changes in the manner in which critical accounting policies were applied or in which related judgments and estimates were developed.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Market Risk-Sensitive Instruments and Positions

The risk inherent in our market risk-sensitive instruments and positions is primarily the potential loss arising from adverse changes in commodity prices, foreign currency exchange rates, interest rates and the credit quality of available-for-sale securities as discussed below. The sensitivity analyses presented do not consider the effects that such adverse changes may have on overall economic activity, nor do they consider additional actions our management may take to mitigate our exposure to such changes. Actual results may differ.

Commodity Prices

We purchase certain commodities, primarily corn, soybean meal and sorghum, for use as ingredients in the feed we either sell commercially or consume in our live operations. As a result, our earnings are affected by changes in the price and availability of such feed ingredients. In the past, we have from time to time attempted to minimize our exposure to the changing price and availability of such feed ingredients using various techniques, including, but not limited to, (i) executing purchase agreements with suppliers for future physical delivery of feed ingredients at established prices and (ii) purchasing or selling derivative financial instruments such as futures and options.

For this sensitivity analysis, market risk is estimated as a hypothetical 10.0% change in the weighted-average cost of our primary feed ingredients as of June 25, 2017 . However, fluctuations greater than 10.0% could occur. Based on our feed consumption during the thirteen weeks ended June 25, 2017 , such a change would have resulted in a change to cost of sales of approximately $59.3 million , excluding the impact of any feed ingredients derivative financial instruments in that period. A 10.0% change in ending feed ingredient inventories at June 25, 2017 would be $13.0 million , excluding any potential impact on the production costs of our chicken inventories.

The Company purchases commodity derivative financial instruments, specifically exchange-traded futures and options, in an attempt to mitigate price risk related to its anticipated consumption of commodity inputs for the next 12 months. A 10.0% change in corn, soybean meal and soybean oil prices on June 25, 2017 would have resulted in a change of approximately $1.2 million in the fair value of our net commodity derivative asset position, including margin cash, as of that date.

Interest Rates

Our variable-rate debt instruments represent approximately 65.0% of our total debt at June 25, 2017 . Holding other variables constant, including levels of indebtedness, an increase in interest rates of 25 basis points would have increased our interest expense by $0.6 million for the thirteen weeks ended June 25, 2017 .

Market risk for fixed-rate debt is estimated as the potential increase in fair value resulting from a hypothetical decrease in interest rates of 10.0%. Using a discounted cash flow analysis, a hypothetical 10.0% decrease in interest rates would have decreased the fair value of our fixed-rate debt by approximately $6.3 million as of June 25, 2017 .

Foreign Currency

Our earnings are also affected by foreign exchange rate fluctuations related to the Mexican peso net monetary position of our Mexico subsidiaries. We manage this exposure primarily by attempting to minimize our Mexican peso net monetary position. We are also exposed to the effect of potential currency exchange rate fluctuations to the extent that amounts are repatriated from Mexico to the U.S. We currently anticipate that the future cash flows of our Mexico subsidiaries will be reinvested in our Mexico operations.

The Mexican peso exchange rate can directly and indirectly impact our financial condition and results of operations in several ways, including potential economic recession in Mexico because of devaluation of their currency. Foreign currency exchange gains, representing the change in the U.S. dollar value of the net monetary assets of our Mexican subsidiaries denominated in Mexican pesos, were a gain of $1.8 million and a gain of $4.7 million in the thirteen weeks ended June 25, 2017 and June 26, 2016 , respectively. Foreign currency exchange gains, representing the change in the U.S. dollar value of the net monetary assets of our Mexican subsidiaries denominated in Mexican pesos, were a gain of $1.2 million and a gain of $5.0 million in the twenty-six weeks ended June 25, 2017 and June 26, 2016 , respectively. The average exchange rates for the thirteen weeks ended June 25, 2017 and June 26, 2016 were 18.59 Mexican pesos to 1 U.S. dollar and 18.04 Mexican pesos to 1 U.S. dollar, respectively. For this sensitivity analysis, market risk is estimated as a hypothetical 10.0% deterioration in the current exchange rate used to convert Mexican pesos to U.S. dollars as of June 25, 2017 and June 26, 2016 . However, fluctuations greater than 10.0% could occur. Based on the net monetary asset position of our Mexico operations at June 25, 2017 , such a change would have resulted in a decrease in foreign currency transaction gains recognized in the thirteen weeks ended June 25, 2017 of approximately $5.0 million. Based on the net monetary asset position of our Mexico operations at June 26, 2016 , such a change would have resulted in a decrease in foreign currency transaction gains recognized in the thirteen weeks ended June 26, 2016 of approximately $1.2 million. No assurance can be given as to how future movements in the Mexican peso could affect our future financial condition or results of operations.

Quality of Investments

Certain retirement plans that we sponsor invest in a variety of financial instruments. We have analyzed our portfolios of investments and, to the best of our knowledge, none of our investments, including money market funds units, commercial paper and municipal securities, have been downgraded, and neither we nor any fund in which we participate hold significant amounts of structured investment vehicles, auction rate securities, collateralized debt obligations, credit derivatives, hedge funds investments, fund of funds investments or perpetual preferred securities. Certain postretirement funds in which we participate hold significant amounts of mortgage-backed securities. However, none of the mortgages collateralizing these securities are considered subprime.

Impact of Inflation

Due to low to moderate inflation in the U.S. and Mexico and our rapid inventory turnover rate, the results of operations have not been significantly affected by inflation during the past three-year period.

Forward Looking Statements

Certain written and oral statements made by our Company and subsidiaries of our Company may constitute “forward-looking statements” as defined under the Private Securities Litigation Reform Act of 1995. This includes statements made herein, in our other filings with the SEC, in press releases, and in certain other oral and written presentations. Statements of our intentions, beliefs, expectations or predictions for the future, denoted by the words “anticipate,” “believe,” “estimate,” “expect,” “project,” “plan,” “imply,” “intend,” “should,” “foresee” and similar expressions, are forward-looking statements that reflect our current views about future events and are subject to risks, uncertainties and assumptions. Such risks, uncertainties and assumptions include the following:

- Matters affecting the chicken industry generally, including fluctuations in the commodity prices of feed ingredients and chicken;
- Our ability to obtain and maintain commercially reasonable terms with vendors and service providers;
- Our ability to maintain contracts that are critical to our operations;
- Our ability to retain management and other key individuals;
- Outbreaks of avian influenza or other diseases, either in our own flocks or elsewhere, affecting our ability to conduct our operations and/or demand for our poultry products;
- Contamination of our products, which has previously and can in the future lead to product liability claims and product recalls;
- Exposure to risks related to product liability, product recalls, property damage and injuries to persons, for which insurance coverage is expensive, limited and potentially inadequate;
- Changes in laws or regulations affecting our operations or the application thereof;
- New immigration legislation or increased enforcement efforts in connection with existing immigration legislation that cause our costs of business to increase, cause us to change the way in which we do business or otherwise disrupt our operations;
- Competitive factors and pricing pressures or the loss of one or more of our largest customers;

- Inability to consummate, or effectively integrate, any acquisition, including the acquisition of GNP, or to realize the associated anticipated cost savings and operating synergies;
- Currency exchange rate fluctuations, trade barriers, exchange controls, expropriation and other risks associated with foreign operations;
- Disruptions in international markets and distribution channels;
- Our ability to maintain favorable labor relations with our employees and our compliance with labor laws;
- Extreme weather or natural disasters;
- The impact of uncertainties in litigation; and
- Other risks described herein and under "Risk Factors" in our annual report on Form 10-K for the year ended December 25, 2016 as filed with the SEC.

Actual results could differ materially from those projected in these forward-looking statements as a result of these factors, among others, many of which are beyond our control.

In making these statements, we are not undertaking, and specifically decline to undertake, any obligation to address or update each or any factor in future filings or communications regarding our business or results, and we are not undertaking to address how any of these factors may have caused changes to information contained in previous filings or communications. Although we have attempted to list comprehensively these important cautionary risk factors, we must caution investors and others that other factors may in the future prove to be important and affect our business or results of operations.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"), "disclosure controls and procedures" means controls and other procedures that are designed to ensure that information required to be disclosed by the Company in the reports that it files with the U.S. Securities and Exchange Commission ("SEC") is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by our company in the reports that it files with the SEC is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

As of June 25, 2017 , an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that information we are required to disclose in our reports filed with the SEC is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

In connection with the evaluation described above, the Company's management, including the Chief Executive Officer and Chief Financial Officer, identified no change in the Company's internal control over financial reporting that occurred during the thirteen weeks ended June 25, 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's evaluation of internal control over financial reporting did not include the internal control of GNP, formerly JFC LLC and its subsidiaries, which the Company acquired in the first quarter of 2017. The amount of total assets and revenue of GNP included in our condensed consolidated financial statements as of and for the twenty-six weeks ended June 25, 2017 was $411.8 million and $213.7 million, respectively.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Tax Claims and Proceedings

In 2009, the IRS asserted claims against us in the Bankruptcy Court for the Northern District of Texas, Fort Worth Division (the "Bankruptcy Court") totaling $74.7 million. Following a series of objections, motions and opposition filed by both parties with the Bankruptcy Court, we worked with the IRS through the normal processes and procedures that are available to resolve the IRS' claims. On December 12, 2012, we entered into two Stipulation of Settled Issues agreements with the IRS (the "Stipulations"). The first Stipulation related to our 2003, 2005, and 2007 tax years and resolved all of the material issues in the case. The second Stipulation related to us as the successor in interest to Gold Kist Inc. for the tax years ended June 30, 2005 and September 30, 2005, and resolved all substantive issues in the case. These Stipulations accounted for approximately $29.3 million of the claims and should result in no additional tax due. We are currently working with the IRS to finalize the complete tax calculations associated with the Stipulations.

Other Claims and Proceedings

Between September 2, 2016 and October 13, 2016, a series of purported federal class action lawsuits styled as *In re Broiler Chicken Antitrust Litigation* were brought against Pilgrim's and 13 other producers by and on behalf of direct and indirect purchasers of broiler chickens alleging violations of federal and state antitrust and unfair competition laws. The complaints, which were filed with the U.S. District Court for the Northern District of Illinois, seek, among other relief, treble damages for an alleged conspiracy among defendants to reduce output and increase prices of broiler chickens from the period of January 2008 to the present. The plaintiffs have filed three consolidated amended complaints: one on behalf of direct purchasers and two on behalf of distinct groups of indirect purchasers. The defendants (including the Company) moved to dismiss all complaints on January 27, 2017, which are fully briefed and a ruling by the court is pending.

On October 10, 2016, Patrick Hogan, acting on behalf of himself and a putative class of persons who purchased shares of Pilgrim's common stock between February 21, 2014 and October 4, 2016, filed a class action complaint in the U.S. District Court for the District of Colorado against the Company and its named executive officers. The complaint alleges, among other things, that the Company's SEC filings contained statements that were rendered materially false and misleading by its failure to disclose that (i) Pilgrim's colluded with several of its industry peers to fix prices in the broiler chicken market as alleged in the *In re Broiler Chicken Antitrust Litigation* , (ii) the Company's conduct constituted a violation of federal antitrust laws, (iii) Pilgrim's revenues during the class period were the result of illegal conduct and (iv) the Company lacked effective internal control over financial reporting, as well as stating that Pilgrim's industry was anticompetitive. On April 4, 2017, the court appointed another stockholder, George James Fuller, as lead plaintiff. On April 26, 2017, the court set a briefing schedule for the filing of an amended complaint and the defendants' motion to dismiss. On May 11, 2017, the plaintiff filed an amended complaint, which extended the end date of the putative class period to November 17, 2016. The defendants moved to dismiss on June 12, 2017, and the plaintiff filed its Opposition on July 12, 2017. The defendants replied on August 1, 2017.

On January 27, 2017, a purported class action on behalf of broiler chicken farmers was brought against Pilgrim's and four other producers in the Eastern District of Oklahoma, alleging, among other things, a conspiracy to reduce competition for grower services and depress the price paid to growers. Plaintiffs allege violations of the Sherman Act and the Packers and Stockyards Act and seek, among other relief, treble damages. The complaint was consolidated with a subsequently filed class action complaint styled as *In re Broiler Chicken Antitrust Litigation.* Answers or responses to the consolidated amended complaint are due on September 8, 2017.

On March 9, 2017, a stockholder derivative action styled as *DiSalvio v. Lovette, et al.* , No. 2017 cv. 30207, was brought against all of the Company's directors and its Chief Financial Officer, Fabio Sandri, in the District Court for the County of Weld in Colorado. The complaint alleges, among other things, that the named defendants breached their fiduciary duties by failing to prevent the Company and its officers from engaging in an antitrust conspiracy as alleged in the *In re Broiler Chicken Antitrust Litigation* , and issuing false and misleading statements as alleged in the *Hogan* class action litigation. On April 17, 2017, a related stockholder derivative action styled *Brima v. Lovette, et al.* , No. 2017 cv. 30308, was brought against all of the Company's directors and its Chief Financial Officer in the District Court for the County of Weld in Colorado. The *Brima* complaint contains largely the same allegations as the *DiSalvio* complaint. On May 4, 2017, the plaintiffs in both the *DiSalvio* and *Brima* actions moved to (i) consolidate the two stockholder derivative cases, (ii) stay the consolidated action until the resolution of the motion to dismiss in the *Hogan* putative securities class action, and (iii) appoint co-lead counsel. The court granted the motion on May 8, 2017, staying the proceedings pending resolution of the motion to dismiss in the *Hogan* action. A status conference has been scheduled for August 28, 2017.

The Company believes it has strong defenses in each of the above litigations and intends to contest them vigorously. The Company cannot predict the outcome of these actions nor when they will be resolved. If the plaintiffs were to prevail in any of these litigations, the Company could be liable for damages, which could be material and could adversely affect its financial condition or results of operations.

We are subject to various other legal proceedings and claims, which arise in the ordinary course of our business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect our financial condition, results of operations or cash flows.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this quarterly report, you should carefully consider the risks discussed in our annual report on Form 10-K for the year ended December 25, 2016, including under the heading "Item 1A. Risk Factors", which, along with risks disclosed in this report, are risks we believe could materially affect the Company's business, financial condition or future results. These risks are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that it currently deems to be immaterial also may materially adversely affect the Company's business, financial condition or future results. The following risk factor supplements those contained in our annual report on Form 10-K for the year ended December 25, 2016:

J&F Investimentos S.A. is investigating improper payments made in Brazil.

J&F Investimentos S.A. ("J&F"), an indirect controlling stockholder of the Company, is conducting an internal investigation involving improper payments made in Brazil by J&F, certain companies controlled by J&F, and certain officers of J&F (including two former directors of the Company), as previously announced in connection with leniency agreements entered into by J&F and those individuals with Brazilian authorities. J&F has engaged outside advisors to assist it in conducting the investigation, including an assessment as to whether any of the misconduct disclosed to Brazilian authorities had any connection to the Company, or resulted in a violation of US law. The internal investigation is ongoing and the Company is fully cooperating with J&F in connection with the investigation. We cannot predict when the investigation will be completed or the results of the Investigation, including the outcome or impact of any government investigations or any resulting litigation.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On July 28, 2015, our Board of Directors approved a $150.0 million share repurchase authorization. We plan to repurchase shares through various means, which may include but are not limited to open market purchases, privately negotiated transactions, the use of derivative instruments and/or accelerated share repurchase programs. The share repurchase program was originally scheduled to expire on July 27, 2016. On February 10, 2016, the Company's Board of Directors approved an increase of the share repurchase authorization to $300.0 million and an extension of the expiration to February 9, 2017. On February 8, 2017, the Company's Board of Directors further extended the program expiration to August 9, 2017. The extent to which we repurchase our shares and the timing of such repurchases will vary and depend upon market conditions and other corporate considerations, as determined by our management team. We reserve the right to limit or terminate the repurchase program at any time without notice. As of June 25, 2017 , we had repurchased 11,415,373 shares under this program with a market value at the time of purchase of approximately $231.8 million . Set forth below is information regarding our stock repurchases for the thirteen weeks ended June 25, 2017 .

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of the Shares That May Yet Be Purchased Under the Plans or Programs
March 27, 2017 through April 23, 2017	—	$ —	—	$ 72,913,018
April 24, 2017 through May 28, 2017	—	—	—	72,913,018
May 29, 2017 through June 25, 2017	—	—	—	72,913,018
Total	—	$ —	—	$ 72,913,018

ITEM 6. EXHIBITS

2.1	Agreement and Plan of Reorganization dated September 15, 1986, by and among Pilgrim's Pride Corporation, a Texas corporation; Pilgrim's Pride Corporation, a Delaware corporation; and Doris Pilgrim Julian, Aubrey Hal Pilgrim, Paulette Pilgrim Rolston, Evanne Pilgrim, Lonnie "Bo" Pilgrim, Lonnie Ken Pilgrim, Greta Pilgrim Owens and Patrick Wayne Pilgrim (incorporated by reference from Exhibit 2.1 to the Company's Registration Statement on Form S-1 (No. 33-8805) effective November 14, 1986).
2.2	Agreement and Plan of Merger dated September 27, 2000 (incorporated by reference from Exhibit 2 of WLR Foods, Inc.'s current report on Form 8-K (No. 000-17060) dated September 28, 2000).
2.3	Agreement and Plan of Merger dated as of December 3, 2006, by and among the Company, Protein Acquisition Corporation, a wholly owned subsidiary of the Company, and Gold Kist Inc. (incorporated by reference from Exhibit 99.(D)(1) to Amendment No. 11 to the Company's Tender Offer Statement on Schedule TO (No. 005-81998) filed on December 5, 2006).
2.4	Stock Purchase Agreement by and between the Company and JBS USA Holding Lux, S.à.r.l., formerly known as JBS USA Holdings, LLC, dated September 16, 2009 (incorporated by reference from Exhibit 2.1 of the Company's current report on Form 8-K (No. 001-09273) filed September 18, 2009).
2.5	Amendment No.1 to the Stock Purchase Agreement by and between the Company and JBS USA Holding Lux, S.à.r.l., formerly known as JBS USA Holdings, LLC, dated December 28, 2009 (incorporated by reference from Exhibit 2.5 of the Company's annual report on Form 10-K/A (No. 001-09273) filed January 22, 2010).
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated by reference from Exhibit 3.1 of the Company's Form 8-A (No. 001-09273) filed on December 27, 2012).
3.2	Amended and Restated Corporate Bylaws of the Company (incorporated by reference from Exhibit 3.2 of the Company's Form 8-A (No. 001-09273) filed on December 27, 2012).
4.1	Amended and Restated Certificate of Incorporation of the Company (included as Exhibit 3.1).
4.2	Amended and Restated Corporate Bylaws of the Company (included as Exhibit 3.2).
4.3	Stockholders Agreement dated December 28, 2009 between the Company and JBS USA Holding Lux, S.à.r.l., formerly known as JBS USA Holdings, LLC, as amended (incorporated by reference from Exhibit 4.1 to the Company's Form 8-A (No. 001-09273) filed on December 27, 2012).
4.4	Form of Common Stock Certificate (incorporated by reference from Exhibit 4.1 to the Company's current report on Form 8-K (No. 001-09273) filed on December 29, 2009).
4.5	Indenture dated as of March 11, 2015 among the Company, Pilgrim's Pride Corporation of West Virginia, Inc. and Wells Fargo Bank, National Association, as Trustee, Form of Senior 5.750% Note due 2025, and Form of Guarantee attached (incorporated by reference from Exhibit 4.1 of the Company's current report on Form 8-K (No. 001-09273) filed on March 11, 2015).
10.1	Third Amended and Restated Credit Agreement dated May 8, 2017 among Pilgrim's Pride Corporation, To-Ricos, Ltd. and To-Ricos Distribution, Ltd., Coöperatieve Rabobank U.A., New York Branch, as administrative agent and collateral agent, and the lenders party thereto (incorporated by reference from Exhibit 10.1 to the Company's current report on Form 8-K (No. 001-09273) filed on May 11, 2017).
12	Ratio of Earnings to Fixed Charges for the thirteen weeks ended March 26, 2017 and March 27, 2016.*
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
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32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition
101.LAB	XBRL Taxonomy Extension Label
101.PRE	XBRL Taxonomy Extension Presentation

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	PILGRIM'S PRIDE CORPORATION
Date: August 2, 2017	/s/ Fabio Sandri
	Fabio Sandri
	Chief Financial Officer
	(Principal Financial Officer, Chief Accounting Officer and Duly Authorized Officer)

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* Filed herewith.

** Furnished herewith.

EXHIBIT 12
PILGRIM'S PRIDE CORPORATION
COMPUTATION OF RATIO EARNINGS TO FIXED CHARGES

	Twenty-Six Weeks Ended	
	June 25, 2017	June 26, 2016
	(In thousands)	
Earnings:		
Income before income taxes	$ 489,655	$ 412,055
Add: Total fixed charges (see below)	38,034	29,718
Less: Interest capitalized	3,846	869
Total earnings	$ 523,843	$ 440,904
Fixed charges:		
Interest [(a)]	$ 32,168	$ 24,450
Portion of noncancelable lease expense representative of interest factor [(b)]	5,866	5,268
Total fixed charges	$ 38,034	$ 29,718
Ratio of earnings to fixed charges	13.77	14.84

(a) Interest includes amortization of capitalized financing fees.
(b) One-third of noncancelable lease expense is assumed to be representative of the interest factor.

EXHIBIT 31.1
CERTIFICATION BY PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, William W. Lovette, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended June 25, 2017 , of Pilgrim's Pride Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2017

/s/ William W. Lovette

William W. Lovette
Principal Executive Officer

EXHIBIT 31.2
CERTIFICATION BY PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Fabio Sandri, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended June 25, 2017 , of Pilgrim's Pride Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2017

/s/ Fabio Sandri

Fabio Sandri
Chief Financial Officer

EXHIBIT 32.1
CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. § 1350 ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Pilgrim's Pride Corporation (the “Company”), does hereby certify, to such officer's knowledge, that:

The quarterly report on Form 10-Q for the quarter ended June 25, 2017 (the “Form 10-Q”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 2, 2017	/s/ William W. Lovette
	William W. Lovette
	Principal Executive Officer

EXHIBIT 32.2
CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. § 1350 ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Pilgrim's Pride Corporation (the “Company”), does hereby certify, to such officer's knowledge, that:

The quarterly report on Form 10-Q for the quarter ended June 25, 2017 (the “Form 10-Q”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 2, 2017

/s/ Fabio Sandri

Fabio Sandri
Chief Financial Officer