PILGRIMS PRIDE CORP
Form 10-Q
August 01, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2013
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 x 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 x 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	x
Non-accelerated Filer	¨	(Do not check if a smaller reporting company)	Smaller reporting company	¨

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

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

Number of shares outstanding of the issuer s common stock, $0.01 par value per share, as of August 1, 2013, was 259,029,033.

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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 30, 2013 (Unaudited) (In thousands)	December 30, 2012
Cash and cash equivalents	$ 78,231	$ 68,180
Trade accounts and other receivables, less allowance for doubtful accounts	390,461	384,930
Account receivable from JBS USA, LLC	3,892	1,514
Inventories	952,191	950,296
Income taxes receivable	60,388	54,719
Prepaid expenses and other current assets	71,166	56,047
Assets held for sale	28,830	27,042
Total current assets	1,585,159	1,542,728
Deferred tax assets	97,434	97,431
Other long-lived assets	38,941	45,523
Identified intangible assets, net	35,395	38,266
Property, plant and equipment, net	1,166,985	1,189,921
Total assets	$ 2,923,914	$ 2,913,869
Accounts payable	$ 327,185	$ 312,365
Account payable to JBS USA, LLC	5,793	13,436
Accrued expenses and other current liabilities	285,075	283,540
Income taxes payable	10,592	468
Current deferred tax liabilities	104,486	104,482
Current maturities of long-term debt	393	15,886
Total current liabilities	733,524	730,177
Long-term debt, less current maturities	911,939	1,148,870
Other long-term liabilities	87,031	125,825
Total liabilities	1,732,494	2,004,872
Common stock	2,590	2,590
Additional paid-in capital	1,643,606	1,642,003
Accumulated deficit	(424,424)	(669,711)
Accumulated other comprehensive loss	(32,710)	(68,511)
Total Pilgrim s Pride Corporation stockholders equity	1,189,062	906,371
Noncontrolling interest	2,358	2,626
Total stockholders equity	1,191,420	908,997
Total liabilities and stockholders equity	$ 2,923,914	$ 2,913,869

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 30, 2013	June 24, 2012	June 30, 2013	June 24, 2012
	(In thousands, except per share data)			
Net sales	$ 2,184,119	$ 1,974,469	$ 4,221,048	$ 3,863,242
Cost of sales	1,901,611	1,830,380	3,820,106	3,609,088
Gross profit	282,508	144,089	400,942	254,154
Selling, general and administrative expense	44,099	44,439	88,091	89,695
Administrative restructuring charges	480	389	964	3,274
Operating income	237,929	99,261	311,887	161,185
Interest expense, net of capitalized interest	22,965	24,925	47,786	53,170
Interest income	(707)	(356)	(923)	(630)
Foreign currency transaction losses, net	9,713	8,212	2,089	2,284
Miscellaneous, net	(717)	(315)	(722)	(685)
Income before income taxes	206,675	66,795	263,657	107,046
Income tax expense (benefit)	15,884	(2,358)	18,638	(1,705)
Net income	190,791	69,153	245,019	108,751
Less: Net income (loss) attributable to noncontrolling interests	86	(205)	(268)	220
Net income attributable to Pilgrim s Pride Corporation	$ 190,705	$ 69,358	$ 245,287	$ 108,531
Weighted average shares of common stock outstanding:				
Basic	258,826	258,726	258,825	241,144
Effect of dilutive common stock equivalents	332	115	230	92
Diluted	259,158	258,841	259,055	241,236
Net income per share of common stock outstanding:				
Basic	$ 0.74	$ 0.27	$ 0.95	$ 0.45
Diluted	$ 0.74	$ 0.27	$ 0.95	$ 0.45

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 30, 2013	June 24, 2012	June 30, 2013	June 24, 2012
	(In thousands)			
Net income	$ 190,791	$ 69,153	$ 245,019	$ 108,751
Other comprehensive income (loss):				
Unrealized holding losses on available-for-sale securities, net of tax		(5)		
Gains (losses) associated with pension and other postretirement benefits, net	25,391	(11,440)	35,801	(11,025)
Total other comprehensive income (loss), net of tax	25,391	(11,445)	35,801	(11,025)
Comprehensive income	216,182	57,708	280,820	97,726
Less: Comprehensive income (loss) attributable to noncontrolling interests	86	(205)	(268)	220
Comprehensive income attributable to Pilgrim's Pride Corporation	$ 216,096	$ 57,913	$ 281,088	$ 97,506

PILGRIM S PRIDE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Pilgrim s Pride Corporation Stockholders Common Stock				Accumulated		
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
	(In thousands)						
Balance at December 30, 2012	258,999	$ 2,590	$ 1,642,003	$ (669,711)	$ (68,511)	$ 2,626	$ 908,997
Comprehensive income:							
Net income (loss)				245,287		(268)	245,019
Other comprehensive income, net of tax:							
Gains associated with pension and other postretirement benefit obligations, net of tax of $0					35,801		35,801
Total comprehensive income							280,820
Share-base compensation plans:							
Common stock issued under compensation plans	30						
Requisite service period recognition			1,603				1,603
Balance at June 30, 2013	259,029	$ 2,590	$ 1,643,606	$ (424,424)	$ (32,710)	$ 2,358	$ 1,191,420
Balance at December 25, 2011	214,282	$ 2,143	$ 1,443,484	$ (843,945)	$ (46,070)	$ 2,818	$ 558,430
Comprehensive income:							
Net income				108,531		220	108,751
Other comprehensive loss, net of tax:							
Losses associated with pension and other postretirement benefit obligations, net of tax of $0					(11,025)		(11,025)
Total other comprehensive loss, net of tax							(11,025)
Total comprehensive income							97,726
Issuance of common stock	44,444	444	197,838				198,282
Share-based compensation plans:							
Common stock issued under compensation plans	200	2					2
Requisite service period recognition			297				297
Balance at June 24, 2012	258,926	$ 2,589	$ 1,641,619	$ (735,414)	$ (57,095)	$ 3,038	$ 854,737

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 30, 2013	June 24, 2012
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 245,019	$ 108,751
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	75,939	71,980
Foreign currency transaction losses	1,338	1,948
Accretion of bond discount	228	228
Asset impairment		1,342
Loss (gain) on property disposals	(824)	628
Share-based compensation	1,603	299
Changes in operating assets and liabilities:		
Restricted cash and cash equivalents		8,013
Trade accounts and other receivables	(7,654)	(2,123)
Inventories	(579)	(109,638)
Prepaid expenses and other current assets	(15,114)	8,763
Accounts payable, accrued expenses and other current liabilities	7,097	7,403
Income taxes	4,687	(14,698)
Deposits	480	160
Long-term pension and other postretirement obligations	(2,149)	
Other operating assets and liabilities	856	(2,734)
Cash provided by operating activities	310,927	80,322
Cash flows from investing activities:		
Acquisitions of property, plant and equipment	(48,969)	(37,561)
Purchases of investment securities		(162)
Proceeds from sale or maturity of investment securities		58
Proceeds from property disposals	2,883	12,461
Cash used in investing activities	(46,086)	(25,204)
Cash flows from financing activities:		
Proceeds from revolving line of credit	505,600	391,300
Payments on revolving line of credit, long-term borrowings and capital lease obligations	(758,251)	(584,904)
Payment of note payable to JBS USA		(50,000)
Proceeds from sale of common stock		198,282
Cash used in financing activities	(252,651)	(45,322)
Effect of exchange rate changes on cash and cash equivalents	(2,139)	(2,178)
Increase in cash and cash equivalents	10,051	7,618
Cash and cash equivalents, beginning of period	68,180	41,609
Cash and cash equivalents, end of period	$ 78,231	$ 49,227

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 sPPC, 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 90 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 12 U.S. states, Puerto Rico and Mexico. Pilgrim s has approximately 37,500 employees and has the capacity to process 35.6 million birds per week for a total of approximately 10.1 billion pounds of live chicken annually. Approximately 4,100 contract growers supply poultry for the Company s operations. As of June 30, 2013, JBS USA Holdings, Inc. (JBS USA), a wholly owned indirect subsidiary of Brazil-based JBS S.A., beneficially owned 75.5% 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 thirteen and twenty-six weeks ended June 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 29, 2013. 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 30, 2012.

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, 2013) 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, with the exception of inventories that are remeasured using an exchange rate based on inventory turnover. 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 losses (gains)* 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.

Reclassifications

We have made certain reclassifications to the 2012 Consolidated Financial Statements with no impact to reported net income in order to conform to the 2013 presentation.

Recently Adopted Accounting Pronouncements

The Company adopted Accounting Standards Update (ASU) No. 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, on December 31, 2012. The objective of this ASU is to improve reporting by requiring entities to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in the statement of income. The amendments in this ASU are required to be applied prospectively. The adoption of this ASU did not have a significant impact on the Company s financial position, operating results or cash flows.

2. 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 30, 2013 and December 30, 2012, the Company held certain items that were required to be measured at fair value on a recurring basis. These included derivative assets and liabilities and deferred compensation plan assets. Derivative assets and liabilities consist of long and short positions on exchange-traded commodity futures instruments. The Company maintains nonqualified deferred compensation plans for executives and other highly compensated employees. Investments are maintained within a trust and include money market funds, mutual funds and life insurance policies. The cash surrender value of the life insurance policies is invested primarily in mutual funds. The following items were measured at fair value on a recurring basis:

	June 30, 2013			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Derivative assets - commodity futures instruments	$ 4,506	$	$	$ 4,506
Derivative assets - commodity options instruments		2,165		2,165
Deferred compensation plan assets	7,668			7,668
Derivative liabilities - commodity futures instruments	(766)			(766)

	December 30, 2012			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Derivative assets - commodity futures instruments	$ 1,821	$	$	$ 1,821
Deferred compensation plan assets	7,591			7,591
Derivative liabilities - commodity futures instruments	(1,530)			(1,530)

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 interim 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. The carrying amounts and estimated fair values of financial assets and liabilities recorded in the Condensed Consolidated Balance Sheets consisted of the following:

	June 30, 2013		**December 30, 2012**		
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**	**Note Reference**
	(In thousands)				
Derivative assets - commodity futures instruments	$ 4,506	$ 4,506	$ 1,821	$ 1,821	5
Derivative assets - commodity options instruments	2,165	2,165			5
Deferred compensation plan assets	7,668	7,668	7,591	7,591	
Derivative liabilities - commodity futures instruments	(766)	(766)	(1,530)	(1,530)	5
Long-term debt and other borrowing arrangements	(912,332)	(961,432)	(1,164,756)	(1,208,730)	8

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 Sheet. Deferred compensation plan assets were recorded at fair value based on quoted market prices and are included in the line item *Other assets* in 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 Sheet. The fair values of the Company s long-term debt and other borrowing arrangements were estimated by calculating the net present value of future payments for each debt obligation or borrowing by: (i) using a risk-free rate applicable for an instrument with a life similar to the remaining life of each debt obligation or borrowing plus the current estimated credit risk spread for the Company or (ii) using the quoted market price at June 30, 2013 or December 30, 2012, 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.

3. TRADE ACCOUNTS AND OTHER RECEIVABLES

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

	June 30, 2013	December 30, 2012
	(In thousands)	
Trade accounts receivable	$ 385,706	$ 381,747
Account receivable from JBS USA, LLC	3,892	1,514
Employee receivables	31	48
Other receivables	9,771	6,892
Receivables, gross	399,400	390,201
Allowance for doubtful accounts	(5,047)	(3,757)
Receivables, net	$ 394,353	$ 386,444

4. INVENTORIES

Inventories consisted of the following:

	June 30, 2013	December 30, 2012
	(In thousands)	
Live chicken and hens	$ 418,234	$ 405,335
Feed, eggs and other	291,009	307,500
Finished chicken products	242,608	237,159
Total chicken inventories	951,851	949,994
Commercial feed and other	340	302
Total inventories	$ 952,191	$ 950,296

5. 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 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 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 $8.9 million and net losses of $2.4 million related to changes in the fair value of its derivative financial instruments during the thirteen weeks ended June 30, 2013 and June 24, 2012, respectively. We also recognized net gains of $13.8 million and net losses of $2.2 million related to changes in the fair value of our derivative financial instruments during the twenty-six weeks ended June 30, 2013 and June 24, 2012, respectively. Information regarding the Company s outstanding derivative instruments and cash collateral posted with (owed to) brokers is included in the following table:

	June 30, 2013 (Fair values in thousands)	December 30, 2012
Fair values:		
Commodity derivative assets, gross	$ 6,671	$ 1,821
Commodity derivative liabilities, gross	(766)	(1,530)
Cash collateral posted with (owed to) brokers	6,626	(166)
Derivatives Coverage[(a)]:		
Corn	(0.9)%	%
Soybean meal	(1.0)%	%
Period through which stated percent of needs are covered:		
Corn	September 2014	December 2013
Soybean meal	December 2013	December 2013
Short positions on outstanding futures instruments[(b)]:		
Fair value	$ 3,937	$ 1,464
Number of contracts:		
Corn	1,478	584
Wheat	360	
Soybean meal	568	269

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

(b) When the Company takes a short position on a futures derivative instrument, it agrees to sell the underlying asset in the future at a price established on the contract date. The Company takes short positions on futures derivative instruments to minimize the impact of feed ingredients price volatility on its operating results.

6. PROPERTY, PLANT AND EQUIPMENT

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

	June 30, 2013 (In thousands)	December 30, 2012
Land	$ 65,234	$ 63,788
Buildings	1,082,227	1,081,059
Machinery and equipment	1,520,677	1,498,280
Autos and trucks	59,076	58,526
Construction-in-progress	43,906	47,927
PP&E, gross	2,771,120	2,749,580
Accumulated depreciation	(1,604,135)	(1,559,659)
PP&E, net	$ 1,166,985	$ 1,189,921

The Company recognized depreciation expense of $34.2 million and $32.3 million during the thirteen weeks ended June 30, 2013 and June 24, 2012, respectively. We also recognized depreciation expense of $68.0 million and $64.2 million during the twenty-six weeks ended June 30, 2013 and June 24, 2012, respectively.

During the thirteen and twenty-six weeks ended June 30, 2013, the Company sold certain PP&E for cash of $1.2 million and $2.9 million, respectively, and recognized net gains on these sales of $0.1 million and $2.1 million, respectively. PP&E sold in 2013 included vehicle maintenance centers in Arkansas and Texas and miscellaneous equipment. During the thirteen and twenty-six weeks ended June 24, 2012, the

Company sold certain PP&E for cash of $9.4 million and $12.5 million, respectively, and recognized net gains on these sales of $1.5 million and $1.4 million, respectively. PP&E sold in 2012 included a vacant office building in Texas, an idled processing plant in Georgia, idled hatcheries in Alabama and Georgia, an idled distribution center in Louisiana, various broiler and breeder farms in Texas, both developed and undeveloped land in Texas and miscellaneous processing equipment.

During the twenty-six weeks ended June 30, 2013 and June 24, 2012, the Company also scrapped certain unused o