

SANDERSON FARMS INC

Form DEF 14A

January 16, 2004

**Table of Contents**

SCHEDULE 14A INFORMATION  
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

SANDERSON FARMS, INC.

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

1) Title of each class of securities to which transaction applies:

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2) Aggregate number of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

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**TABLE OF CONTENTS**

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

PROXY STATEMENT

ELECTION OF DIRECTORS

EXECUTIVE COMPENSATION

CERTAIN TRANSACTIONS

INDEPENDENT AUDITORS

OTHER MATTERS

STOCKHOLDER PROPOSALS

METHODS AND COST OF SOLICITING PROXIES

ADDITIONAL INFORMATION AVAILABLE

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**Table of Contents**

January 22, 2004

Dear Stockholder:

The 2004 Annual Meeting of Stockholders of the Company will be held in the Magnolia Room of the Ramada Inn in Laurel, Mississippi, at 10:00 A.M. on Thursday, February 26, 2004. The purposes of the Annual Meeting are set forth in the accompanying Notice and Proxy Statement.

The 2003 Annual Report, which is enclosed, contains financial and other information concerning the Company and its business for the fiscal year ended October 31, 2003. The Annual Report is not to be considered part of the proxy solicitation materials.

We cordially invite you to attend the Annual Meeting. If you cannot attend, please complete and return the enclosed Proxy using one of the voting methods described in the enclosed materials so that your vote can be recorded.

Cordially,

Joe F. Sanderson, Jr.  
*Chairman of the Board*

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**Table of Contents**

**SANDERSON FARMS, INC.**  
**P.O. Box 988**  
**Laurel, Mississippi 39441**

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

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<b>TIME AND DATE</b>	10:00 A.M. (local time) on Thursday, February 26, 2004
<b>PLACE</b>	The Magnolia Room of the Ramada Inn in Laurel, Mississippi 1105 Sawmill Road Laurel, Mississippi 39440
<b>ITEMS OF BUSINESS</b>	(1) To elect Class C Directors to serve until the 2007 Annual Meeting;  (2) To consider and act upon a proposal to ratify and approve the selection of Ernst & Young LLP as the Company's independent auditors for the fiscal year ending October 31, 2004; and  (3) To transact such other business as may properly come before the Meeting or any adjournment.
<b>RECORD DATE</b>	You can vote if you are a stockholder of record on January 6, 2004.
<b>ANNUAL REPORT AND PROXY STATEMENT</b>	Our 2003 Annual Report, which is not a part of the proxy soliciting material, is enclosed. The business to be transacted at the Annual Meeting is more fully described in the accompanying Proxy Statement.
<b>PROXY VOTING</b>	It is important that your shares be represented and voted at the Meeting. You can vote your shares by completing and returning the proxy card sent to you. Most stockholders also have the options of voting their shares on the Internet or by telephone. If Internet or telephone voting is available to you, voting instructions are printed on your proxy card or included with your proxy materials. You can revoke your proxy before it is voted at the Meeting by following the instructions in the accompanying Proxy Statement.

**BY ORDER OF THE BOARD OF DIRECTORS:**

*/s/ James A. Grimes*  
*Secretary*

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**Table of Contents**

**PROXY STATEMENT**

**General**

The Board of Directors of Sanderson Farms, Inc. (the Company), P.O. Box 988, Laurel, Mississippi 39441, is soliciting the enclosed proxy in connection with the Company's 2004 Annual Meeting of Stockholders to be held on February 26, 2004, as well as in connection with any adjournments of that meeting.

Even if you submit a proxy, you may still attend the annual meeting in person, and you may revoke your proxy by voting in person at the meeting. You may also revoke your proxy before it is voted at the meeting in any of the following ways:

by filing with the Secretary of the Company a written notice of revocation;

by submitting to the Secretary a properly completed and signed proxy dated a later date; or

by re-voting by Internet or by telephone before 11:59 PM on February 25, 2004 using the instructions contained in the enclosed materials, if telephone or Internet voting is available to you.

Unless you revoke your proxy, it will be voted at the meeting according to your instructions, as long as you have properly completed and submitted it to the Company. If you properly complete and submit a proxy but you do not specify how your proxy should be voted, then the proxy will be voted FOR each of the proposals listed in the Notice of Annual Meeting of Stockholders that appears at the beginning of this Proxy Statement.

The Chief Financial Officer will vote all proxies in his discretion on all other matters which may properly come before the meeting. As of the date of this Proxy Statement, the Company has not received notice and is not aware of any business to be transacted at the meeting other than the matters that are listed in the notice and are described in this Proxy Statement.

If you hold shares of the Company in your broker's name (sometimes called street name or nominee name), then you must provide voting instructions to your broker. If you do not provide instructions to your broker, your shares will not be voted on any matter on which your broker does not have discretionary authority to vote for you. A vote that is not cast for this reason is called a broker non-vote. Broker non-votes will be treated as shares present for the purpose of determining whether a quorum is present at the meeting, but they will not be considered present for purposes of calculating the vote on a particular matter, nor will they be counted as a vote FOR or AGAINST a matter or as an ABSTENTION on the matter.

The Company is paying the cost of soliciting the proxies.

The Company's 2003 Annual Report accompanies this Proxy Statement, but is not to be considered a part of the proxy solicitation materials. The record date for the Annual Meeting is January 6, 2004. These materials are being mailed to stockholders on or about January 22, 2004.

**Capital Stock**

The authorized capital stock of the Company consists of 5,000,000 shares of non-voting preferred stock, of which 500,000 shares have been designated Series A Junior Participating Preferred Stock, par value \$100.00 per share, none of which shares have been issued, and 100,000,000 shares of voting Common Stock, par value \$1.00 per share, of which 13,089,251 shares had been issued and were outstanding as of January 6, 2004, the record date for the Annual Meeting. Only stockholders of record at the close of business on such date are entitled to notice of and to vote at the Annual Meeting. Each such stockholder is entitled to one vote for each share of common stock held at that date.

**Beneficial Ownership**

The following table sets forth information, as of January 6, 2004, concerning (a) the only stockholders known by the Company to own beneficially more than 5% of the common stock of the Company, which is the only class of voting securities outstanding, (b) the beneficial ownership of common stock of the executive officers named in the Summary Compensation Table below, and (c) the beneficial ownership of common stock by all directors and executive officers of the Company as a group.

**Table of Contents**

<b>Beneficial Owner(s) and Address</b>	<b>Amount Beneficially Owned (1) (2)</b>	<b>Percent of Class</b>
Estate of Joe Frank Sanderson (3)	1,742,817 shares	13.31%
Estate of Dewey R. Sanderson, Jr. (4)	2,573,243 shares	19.66%
Joe F. Sanderson, Jr. (5)	2,123,215 shares	16.22%
William R. Sanderson (6)	2,005,737 shares	15.32%
Hugh V. Sanderson (7)	2,578,624 shares	19.70%
Robert Buck Sanderson (8)	2,585,772 shares	19.75%
D. Michael Cockrell (9)	7,575 shares	(16)
Trustmark National Bank (2)(10)	1,296,157 shares	9.90%
Lampkin Butts (2) (11)	1,309,405 shares	10.00%
James A. Grimes (12)	24,278 shares	(16)
Robin Robinson (2) (13)	1,296,157 shares	9.90%
Barclays Global Investors, N.A.(14)	668,089 shares	5.10%
All Directors and executive officers as a group (13 persons) (15)	6,292,709 shares	48.08%

(1) The shares are owned of record by the beneficial owners shown with sole voting and investment power, except as set forth in the following notes.

(2) Lampkin Butts, Robin Robinson and Trustmark National Bank are the trustees of the Employee Stock Ownership Plan and Trust of Sanderson Farms, Inc. and Affiliates (the ESOP), which is the record owner of 1,296,157 shares of common stock of the Company. Trustmark National Bank and Mr. Butts and Ms. Robinson, in their respective capacities as trustees of the ESOP, share with each other investment power with respect to those shares of common stock and therefore are each deemed to beneficially own, under applicable regulations of the Securities and Exchange Commission, the 1,296,157 shares of common stock owned of record by the ESOP. Each of them disclaims beneficial ownership of such shares. The participants in the ESOP have sole voting power over those shares allocated to their respective accounts. The trustees of the ESOP share voting power over all unallocated shares held by the ESOP, which at January 6, 2004, totaled 147,143 shares.

(3) Address: P.O. Box 988, Laurel, Mississippi, 39441. On January 4, 1998, Joe Frank Sanderson died. The shares beneficially owned by Joe Frank Sanderson are now beneficially owned by the Estate of Joe Frank Sanderson (the JFS Estate). The co-executors of the JFS Estate are Joe Frank Sanderson's sons, Joe F. Sanderson, Jr. and William R. Sanderson. Pursuant to a Pledge Agreement dated as of March 21, 2000, the Estate has pledged all of the shares of common stock owned by it to secure its obligations under its Credit Agreement dated as of March 21, 2000 with two banks. The Credit Agreement pertains to borrowings of \$13,500,000, the proceeds of which were used to pay estate taxes (please see Certain Transactions below).

(4) Address: P.O. Box 988, Laurel, Mississippi 39441. Mr. Dewey R. Sanderson, Jr. died on December 2, 1999. The shares owned of record by Mr. Sanderson are now owned by his estate (the DRS Estate). The co-executors of the DRS Estate are Dewey R. Sanderson's sons, Robert Buck Sanderson and Hugh V. Sanderson. Pursuant to a Pledge Agreement dated as of September 2, 2000, the DRS Estate pledged 1,703,364 shares of common stock owned by it to secure its obligations under its Credit Agreement dated as of September 2, 2000, with a bank. This Credit Agreement pertains to the borrowings of \$6,148,050, the proceeds of which were used to pay estate taxes.

(5) Address: P.O. Box 988, Laurel, Mississippi 39441. The amount shown in the table includes 238,151 shares owned of record by Joe F. Sanderson, Jr., over which he exercises sole voting and investment power, and 50,862 shares allocated to Joe F. Sanderson, Jr.'s account in the Company's ESOP, with respect to which he has sole voting power. The trustees of the ESOP share investment power over the 50,862 shares allocated to Joe F. Sanderson, Jr.'s account under the ESOP. The amount in the table includes 1,742,817 shares beneficially owned by Joe F. Sanderson, Jr. as co-executor of the JFS Estate. The co-executors share voting and investment power with respect to these shares. The amount shown in the table also includes 6,539 shares owned of record by Joe F. Sanderson, Jr.'s wife, over which she exercises sole voting and investment power. Pursuant to Rule 13d-4 of the Securities Exchange Act of 1934 (the Exchange Act), Joe F. Sanderson, Jr. disclaims beneficial ownership of the 6,539 shares owned of record by his wife and the 1,742,817 shares owned of record by the JFS Estate. The amount in the table also includes 84,846 options to purchase shares owned by Mr. Sanderson under the Sanderson Farms, Inc. and Affiliates Stock Option Plan (the Stock Option Plan), which options to purchase such shares were fully vested and exercisable on the date of the Proxy.



**Table of Contents**

(6) Address: P.O. Box 988, Laurel, Mississippi 39441. The amount in the table includes 211,102 shares owned of record by William R. Sanderson, over which he exercises sole voting and investment power, 9,934 shares allocated to his account under the ESOP, over which he exercises sole voting power and 28,134 shares owned by Mr. Sanderson as custodian for his minor children, over which he exercises sole voting and investment power. The trustees of the ESOP share investment power with respect to the 9,934 shares allocated to William R. Sanderson's account under the ESOP. The amount in the table includes 1,742,817 shares beneficially owned by William R. Sanderson as co-executor of the JFS Estate. The co-executors share voting and investment power with respect to the 1,742,817 shares owned of record by the JFS Estate. Pursuant to Rule 13d-4 of the Exchange Act, William R. Sanderson disclaims the beneficial ownership of the 28,134 shares owned by Mr. Sanderson as custodian for his minor children and the 1,742,817 shares owned of record by the JFS Estate. The amount in the table also includes 13,750 options to purchase shares owned by William R. Sanderson under the Company's Stock Option Plan, which options to purchase such shares were fully vested and exercisable on the date of the Proxy. The amount in the table does not include vested shares of phantom stock.

(7) Address: P.O. Box 988, Laurel, Mississippi 39441. The amount in the table includes 2,636 shares owned of record by Hugh V. Sanderson, over which he exercises sole voting and investment power, and 2,745 shares allocated to his account under the ESOP. The amount in the table also includes 2,573,243 shares beneficially owned by Hugh V. Sanderson as co-executor of the DRS Estate. The co-executors share voting and investment power with respect to the 2,573,243 shares owned of record by the DRS Estate. Hugh V. Sanderson exercises sole voting power over the 2,745 shares allocated to his account under the Company's ESOP, and the trustees of the ESOP share investment power over such shares. Pursuant to Rule 13d-4 of the Exchange Act, Hugh V. Sanderson disclaims the beneficial ownership of the 2,573,243 shares owned of record by the DRS Estate.

(8) Address: P.O. Box 988, Laurel, Mississippi 39441. The amount in the table includes 9,386 shares owned of record by Robert Buck Sanderson, over which he exercises sole voting and investment power, and 643 shares allocated to his account in the ESOP. The amount in the table also includes 2,573,243 shares beneficially owned by Robert Buck Sanderson as co-executor of the DRS Estate. The co-executors share voting and investment power with respect to the 2,573,243 shares owned of record by the DRS Estate. Robert Buck Sanderson exercises sole voting power over the 643 shares allocated to his account under the ESOP, and the trustees of the ESOP share investment power over such shares. Pursuant to Rule 13d-4 of the Exchange Act, Robert Buck Sanderson disclaims the beneficial ownership of the 2,573,243 shares owned of record by the DRS Estate. The amount in the table also includes 2,500 options to purchase shares owned by Robert Buck Sanderson under the Company's Stock Option Plan, which options to purchase shares were fully vested and exercisable on the date of the Proxy.

(9) Address: P.O. Box 988, Laurel, Mississippi 39441. The amount shown in the table includes 1,850 shares owned of record by Mr. Cockrell over which he exercises sole voting and investment power, and 1,225 shares allocated to Mr. Cockrell's account in the ESOP, with respect to which Mr. Cockrell has sole voting power. The trustees of the ESOP share investment power over the 1,225 shares allocated to Mr. Cockrell's account under the ESOP. The amount in the table also includes 4,500 options to purchase shares owned by Mr. Cockrell under the Company's Stock Option Plan, which options to purchase such shares were fully vested and exercisable on the date of this Proxy.

(10) Address: 415 North Magnolia, Laurel, Mississippi 39940. See note (2) above for a description of the nature of Trustmark National Bank's beneficial ownership of the 1,296,157 shares of common stock owned of record by the ESOP. Trustmark National Bank, pursuant to Rule 13d-4 of the Exchange Act, disclaims beneficial ownership of all shares of common stock owned of record by the ESOP, which constitute all shares reported as being beneficially owned by it.

(11) Address: P.O. Box 988, Laurel, Mississippi 39441. See note (2) for a description of the nature of Mr. Butts's beneficial ownership of the 1,296,157 shares of common stock owned of record by the ESOP. The amount in the table also includes 13,248 shares owned of record by Mr. Butts. With respect to the 25,250 shares allocated to his account under the Company's ESOP, Mr. Butts has sole voting power, but shares investment power with the other trustees of the ESOP. Mr. Butts, pursuant to Rule 13d-4 of the Exchange Act, disclaims beneficial ownership of all shares of common stock owned of record by the ESOP, except the 25,250 shares allocated to his individual account.

(12) Address: P.O. Box 988, Laurel, Mississippi 39441. The amount shown in the table includes 9,278 shares allocated to Mr. Grimes's account in the ESOP, with respect to which Mr. Grimes has sole voting power. The trustees of the ESOP share investment power over the 9,278 shares allocated to Mr. Grimes's account under the ESOP. The amount in the table also includes 15,000 options to purchase shares owned by Mr. Grimes under the Company's Stock Option Plan, which options to purchase shares were fully vested and exercisable on the date of this Proxy.

**Table of Contents**

(13) Address: P.O. Box 988, Laurel, Mississippi 39441. See note (2) above for a description of the nature of Ms. Robinson's beneficial ownership of the 1,296,157 shares of common stock owned of record by the ESOP. Ms. Robinson, pursuant to Rule 13d-4 of the Exchange Act, disclaims beneficial ownership of all shares of common stock owned of record by the ESOP, except the 7,299 shares allocated to her individual account, with respect to which Ms. Robinson has sole voting power, and over which she shares investment power with the other trustees of the ESOP.

(14) As reported in Barclays Global Investors, N.A.'s amended report on Form 13F filed with the Securities and Exchange Commission on December 4, 2003. Its address is 45 Fremont Street, San Francisco, California 94105-2228. Barclays' 13F states that it has no voting authority over 26,377 of these shares.

(15) Includes an aggregate of 99,937 shares allocated to the accounts of all Directors and executive officers, as a group (13 persons, 7 participating) under the ESOP. See note (2) above.

(16) Less than 1%.

**ELECTION OF DIRECTORS**

The amended Articles of Incorporation of the Company provide that the Board of Directors shall be divided into three classes (Class A, Class B and Class C), with each class containing one-third, or as close to one-third as possible, of the total number of directors, and that the total number of directors shall be fixed by the Board of Directors in the By-laws. At the current time, the Board of Directors has fixed the number of directors at twelve, resulting in there being four directors in each class. At each annual meeting of stockholders, directors constituting one class are elected for a three-year term. At the 2004 Annual Meeting, stockholders will elect Class C Directors, whose terms will expire at the 2007 annual meeting.

The address of each director is Post Office Box 988, Laurel, Mississippi 39441.

**Nominees for Class C Directors**

The Board of Directors proposes for election as Class C Directors the four nominees listed below, each to serve as a Class C Director until the 2007 annual meeting or until his or her successor is elected and has qualified. Any vacancy on the Board of Directors may be filled either by the Board of Directors or by the stockholders, and the term of any director elected to fill a vacancy will expire at the next stockholders' meeting at which directors are elected.

Proxies in the enclosed form may also be voted for the election as Class C Directors of substitute nominees who may be named by the Board of Directors to replace any of the nominees who become unavailable to serve for any reason. No such unavailability is presently known to the Board of Directors. There are no arrangements or understandings relating to any person's service or prospective service as a Class C Director of the Company. No person listed below will be elected as a Class C Director unless such person receives the affirmative vote of the holders of a majority of the shares entitled to vote and represented (whether in person or by proxy) at the Annual Meeting at which a quorum is present. If more persons than the number of directors to be elected receive a majority vote, then those persons receiving the highest number of votes will be elected. The Proxyholder named in the accompanying proxy card will vote FOR the nominees unless otherwise directed therein. Abstentions by holders of shares entitled to vote and represented at the meeting will be counted as shares present but not voting for the purposes of calculating the vote with respect to the election of Class C Directors. Broker non-votes will be treated as not present for purposes of calculating the vote with respect to the election of the Class C Directors, and will not be counted either as a vote FOR or AGAINST or as an ABSTENTION with respect thereto.

The following table lists the nominees for Class C Director and shows, as of January 6, 2004, their respective beneficial ownership of common stock of the Company. Robert Buck Sanderson (Class C Director) is the brother of Hugh V. Sanderson (Class B Director), and is the cousin of Joe F. Sanderson, Jr. (Class A Director) and William R. Sanderson (Class C Director). William R. Sanderson (Class C Director) is the brother of Joe F. Sanderson, Jr. (Class A Director), and is the cousin of Hugh V. Sanderson (Class B Director) and Robert Buck Sanderson (Class C Director).

**Table of Contents**

<b>Nominees for Class C Director</b>	<b>Age</b>	<b>Director Since</b>	<b>Shares Beneficially Owned (1)</b>	<b>Percent of Class</b>
Class C (Term expiring in 2007)				
Robert Buck Sanderson (2)	50	1992	2,585,772	19.75%
William R. Sanderson (3)	47	1998	2,005,737	15.32%
Donald W. Zacharias	68	1988	150	(4)
Gail Jones Pittman	50	2002	0	(4)

(1) The shares are owned of record by the beneficial ownership shown with sole voting and investment power, except as set forth in the Notes below.

(2) See note (8) to the table under the caption Proxy Statement, Beneficial Ownership for a description of the nature of Mr. Sanderson's beneficial ownership.

(3) See Note (6) to the table under the caption Proxy Statement, Beneficial Ownership for a description of the nature of Mr. Sanderson's beneficial ownership.

(4) Less than 1%.

**The Board of Directors recommends a vote FOR the election of Robert Buck Sanderson, William R. Sanderson, Donald W. Zacharias and Gail Jones Pittman as Class C Directors.**

**Directors Continuing in Office**

The following tables list the Class A and Class B Directors of the Company, whose terms expire at the 2005 and 2006 annual meetings, respectively, and show, as of January 6, 2004, the beneficial ownership of common stock by each of them. Joe F. Sanderson, Jr. (Class A Director) is the brother of William R. Sanderson (Class C Director), and is the cousin of Robert Buck Sanderson (Class C Director) and Hugh V. Sanderson (Class B Director). Hugh V. Sanderson (Class B Director) is the cousin of Joe F. Sanderson, Jr. (Class A Director) and William R. Sanderson (Class C Director), and is the brother of Robert Buck Sanderson (Class C Director).

<b>Name of Continuing Director</b>	<b>Age</b>	<b>Director Since</b>	<b>Shares Beneficially Owned (1)</b>	<b>Percent of Class</b>
Class A (Term expiring in 2005)				
Joe F. Sanderson, Jr. (2)	57	1984	2,123,215	16.22%
Charles W. Ritter, Jr.	66	1988	12,000	(7)
Phil K. Livingston	60	1989	14,700	(7)
Lampkin Butts (3)	52	1998	1,309,405	10.00%
Class B (Term expiring in 2006)				
Hugh V. Sanderson (4)	42	2000	2,578,624	19.70%
Rowan H. Taylor	79	1989	5,500	(7)
John H. Baker, III (5)	62	1994	16,500	(7)
D. Michael Cockrell (6)	46	1998	7,575	(7)

(1) The shares are owned of record by the beneficial owners shown with sole voting and investment power, except as set forth in the notes below.

(2) See Note (5) to the table under the caption Proxy Statement, Beneficial Ownership for a description of the nature of Mr. Sanderson's beneficial ownership.

(3) See Note (11) to the table under the caption Proxy Statement, Beneficial Ownership for a description of the nature of Mr. Butts's beneficial ownership.



**Table of Contents**

(4) See Note (7) to the table under the caption Proxy Statement, Beneficial Ownership for a description of the nature of Mr. Sanderson's beneficial ownership.

(5) The amount in the table includes 16,500 shares owned of record by a trust for the benefit of Mr. Baker's wife, as to which an institutional trustee exercises sole voting and investment power, and as to which Mr. Baker, pursuant to Rule 13d-4 of the Exchange Act, disclaims beneficial ownership.

(6) See Note (9) to the table under the caption Proxy Statement, Beneficial Ownership for a description of the nature of Mr. Cockrell's beneficial ownership.

(7) Less than 1%.

**Principal Occupations and Certain Directorships**

The following paragraphs identify the principal occupations of all directors of the Company and directorships they hold in other companies with securities registered with the Securities and Exchange Commission. Except as otherwise indicated, each director has served for at least five years in the position shown.

Joe F. Sanderson, Jr. has served as President and Chief Executive Officer of the Company since November 1, 1989, and as Chairman of the Board of Directors since January 8, 1998. Mr. Sanderson is a member of the Company's Executive Committee.

Charles W. Ritter, Jr. served, from 1967 to 2002, as President and a Director of the Attala Company, which is principally engaged in the business of milling and selling feed and corn meal. He now serves as a management consultant to the Attala Company. He has also served as President of JRS, Inc., a family owned real estate investment firm, since 1973. Mr. Ritter is a director of First M & F Corp. and Merchants & Farmers Bank, Kosciusko, Mississippi, and chairs the audit committee of First M & F Corp.'s Board of Directors.

Phil K. Livingston served as President and Chief Executive Officer of Citizens National Bancshares, Inc. in Hammond, Louisiana, from its organization in 1983, until its merger into Deposit Guaranty Corporation on May 19, 1995. Citizens National Bancshares, Inc., which was dissolved with the merger, was the parent company of Citizens National Bank, and is now a wholly owned subsidiary of Deposit Guaranty Corporation as a result of such merger. In July 1996, the Citizens National Bank's charter was amended to change its name to Deposit Guaranty National Bank of Louisiana. Mr. Livingston retired in 1998, but served as a banking consultant to AmSouth Corporation until 2001.

Hugh V. Sanderson was employed by the Company as a Corporate Sales Manager from 1994 until 2000 and has served as Manager of Customer Relations since 2000. At a special meeting called for that purpose on January 6, 2000, Mr. Sanderson was elected by the Board of Directors to fill the unexpired term of his father, Dewey R. Sanderson, Jr., who died on December 2, 1999. Mr. Sanderson was elected by the shareholders on February 25, 2000 as a Class B Director.

Rowan H. Taylor served as President of Mississippi Valley Title Insurance Company from 1975 until 1989, and as Chairman of the Board and Chief Executive Officer of that company from 1989 until 1992. Until December 1, 2001, Mr. Taylor served as counsel to the Jackson, Mississippi law firm of Alston & Jones. Mr. Taylor served as an advisory director of Trustmark Corporation and Trustmark National Bank located in Jackson, Mississippi until his retirement from such position in 1995, and served as counsel for First American Title Insurance Company of Santa Ana, California until his retirement in 2002.

John H. Baker, III has been the sole proprietor of John H. Baker Interests, a real estate and development company in Houston, Texas, since 1968.

Donald W. Zacharias served as President of Mississippi State University from 1985 until his retirement in December 1997, when he became President Emeritus.

Gail Jones Pittman has served, since its founding in 1979, as Chief Executive Officer of Gail Pittman, Inc., an entrepreneurial business creating individually hand-painted, semi-vitreous china dinnerware and home accessories located in Ridgeland, Mississippi.

**Table of Contents**

Robert Buck Sanderson has been employed by the Company since January 1, 1993, and has served as Corporate Live Production Assistant since 1999. From 1978 through 1992, Mr. Sanderson served as President of Pioneer Hardware & Supply Co., Inc. in Laurel, Mississippi.

William R. Sanderson has served, since 1996, as Director of Marketing for the Company. Prior to 1996, Mr. Sanderson served as Director of Prepared Foods for the Company. Mr. Sanderson is a member of the Company's Executive Committee.

Lampkin Butts has served, since 1996, as Vice President-Sales for the Company. Prior to 1996, Mr. Butts served as Director of Processing and Sales for the Company. Mr. Butts is a member of the Company's Executive Committee.

D. Michael Cockrell has served, since 1993, as Treasurer and Chief Financial Officer for the Company. Prior to 1993, Mr. Cockrell was a shareholder and member of the law firm Wise Carter Child & Caraway of Jackson, Mississippi. Mr. Cockrell is a member of the Company's Executive Committee.

**Committees of the Board of Directors and Attendance at Meetings**

As of the date of this Proxy Statement, the Company's Board of Directors had appointed one standing committee, which is the Audit Committee. Each year, the Board appoints on an ad hoc basis a nominating committee and a compensation committee to consider, respectively, nominees for election as director and the compensation of the Chief Executive Officer. In each instance, these committees were composed entirely of directors who were independent directors under the rules of The Nasdaq Stock Market, Inc. In light of recent changes to Nasdaq's corporate governance standards, the Company expects that the Board of Directors will appoint standing nominating and compensation committees at its regularly scheduled January 2004 meeting, and that each committee will be composed of all of the Company's independent directors. In addition, it is expected that the compensation committee will thereafter determine the compensation of all executive officers of the Company.

During the fiscal year ended October 31, 2003, the Board of Directors met six times. Each incumbent director attended at least 75% of the aggregate of (i) the total number of Board of Directors meetings held during the period for which he or she was a director and (ii) the total number of meetings held by the committees of the Board of which he or she was a member during the period in which he served. The Board of Directors requires all directors to attend the Company's annual meetings of stockholders, and all directors attended the 2003 annual meeting.

As described above, the Board of Directors appointed a Nominating Committee at its July 2003 meeting to consider nominees for Class C directors. The nominees were proposed to the committee by various sources, including members of the full Board of Directors. This Nominating Committee met once during fiscal 2003, with all but one member present. The members of this committee consisted of all outside, independent directors, who were Messrs. Livingston, Ritter, Baker, Zacharias and Taylor and Ms. Pittman. The Nominating Committee will consider any and all director candidates recommended by the Company's stockholders, subject to procedures that the Nominating Committee is expected to adopt during 2004. To date, neither the committee nor the Board has adopted a formal procedure that stockholders must follow to make recommendations regarding director candidates.

In assessing potential new directors, the Nominating Committee has in the past recommended candidates for election as director who possess certain minimum qualifications, qualities and skills that are necessary for election as director. These include:

significant business experience in production, preferably related to agriculture, or in marketing, finance, accounting, or other professional disciplines;

prominence and a highly respected reputation in their profession;

a global business and social perspective;

a proven record of honest and ethical conduct, personal integrity and good judgment;

concern for the long-term interests of stockholders; and

significant time available to devote to Board activities and to enhance their knowledge of the Company's industry.

### **Table of Contents**

The Nominating Committee has in the past considered potential director candidates suggested by its members or the Company's stockholders with direct input from management, including the Chief Executive Officer. Members of the committee and management have in the past interviewed potential candidates who were not incumbent directors, and the committee has then voted to recommend a slate of nominees to the Board. The Company anticipates that the committee will formalize the same procedures that it has been using, and that it would use the same process to evaluate potential candidates recommended by stockholders as it uses to evaluate any other potential candidate.

Also at its July 2003 meeting, the Board of Directors appointed a Compensation Committee consisting of all outside, independent directors to review the compensation package of the President, Chief Executive Officer and Chairman of the Board. This Committee made recommendations with respect to this matter at the October 2003 meeting of the full Board of Directors, and its report is set forth below under Executive Compensation.

The Nominating and Compensation Committees do not have charters, but the Company anticipates that the Board will adopt a charter for each committee at its January 2004 meeting.

### **Communications Between Stockholders and the Board of Directors**

Although the Board of Directors has not adopted a formal procedure that stockholders must follow to send communications to the Board, the Board does receive communications from stockholders from time to time and addresses those communications where appropriate. Stockholders can send communications to the Board by contacting the Company's Investor Relations Department in one of the following ways:

in writing at P.O. Box 988, Laurel, Mississippi 39441;

by e-mail at [info@sandersonfarms.com](mailto:info@sandersonfarms.com); or

by phone at (601) 649-4030.

Where stockholders request information or ask questions that can more efficiently be addressed by management, the Investor Relations Department responds to such stockholder communications without forwarding them to the Board. However, the Investor Relations Department forwards any stockholder communications concerning employee fraud or accounting matters to the Audit Committee. It forwards to the full Board any communications relating to corporate governance or those requiring Board action.

### **Audit Committee Report**

To the extent provided by Item 7(d)(3)(v) of SEC Regulation 14a-101 of the Securities and Exchange Commission (SEC), this section shall not be deemed to be proxy soliciting material or to be filed with the SEC or subject to its proxy regulations or to the liabilities of section 18 of the Exchange Act.

The function of the Audit Committee is, among other things, to recommend the independent auditors to the Board of Directors, to review the scope of the independent auditors' audit, to review the Company's major accounting and financial reporting policies and practices and systems for compliance with applicable statutes and regulations, and to review the Company's internal auditing functions. The members of the Audit Committee are Messrs. Ritter, Livingston and Zacharias, and the Audit Committee met five times during fiscal 2003 with all members present at each meeting.

The Audit Committee has reviewed and discussed the audited financial statements with management, and the Audit Committee has discussed with the independent auditors the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards). SAS 61 requires the independent auditor to provide the Audit Committee with information regarding the scope and results of an audit that may assist the Audit Committee in overseeing management's financial reporting and disclosure process. The Audit Committee has received the written disclosures and the letter from the independent accountants required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and has discussed with the independent accountants the independent accountants' independence. Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements for the fiscal year ended October 31, 2003 be included in the Company's Annual Report on Form 10-K for such fiscal year for filing with the SEC.

**Table of Contents**

Each member of the Audit Committee is independent (as independence is defined in Rule 4200(a)(15) of the National Association of Securities Dealers).

Phil K. Livingston  
Charles W. Ritter, Jr.  
Donald W. Zacharias

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires the Company's directors, officers and persons who own more than 10% of the outstanding common stock of the Company, to file with the SEC reports of changes in ownership of the common stock of the Company held by such persons. Officers, directors and greater than 10% stockholders are also required to furnish the Company with copies of all forms they file under this regulation. Based solely on a review of written information provided by such persons, the officers, directors and greater than 10% shareholders of the Company are in full compliance with all Section 16(a) filing requirements, except as follows: Ms. Pittman was first appointed to the Board of Directors on November 26, 2002, and was first elected by the shareholders on February 27, 2003. A Form 3 disclosing that Ms. Pittman owned no shares of the Company's common stock was due to be filed on December 6, 2002, but was inadvertently filed late on January 28, 2003.

**EXECUTIVE COMPENSATION**

The following table sets forth the cash compensation paid or to be paid by the Company, as well as certain other compensation paid or accrued, during the fiscal years indicated, to the named executive officers.

**Summary Compensation Table**

Name and Principal Position	Year	Annual Compensation			Long-term Compensation Awards	All Other Compensation (\$ (2))
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$ (1))	Securities Underlying Options/ SARs (#)	
Joe F. Sanderson, Jr. President and Chief Executive Officer	2003	706,776	706,776	41,041	-0-	14,712
	2002	671,458	528,683	18,252	105,386	10,346
	2001	557,186	296,228	33,346	-0-	15,186
D. Michael Cockrell Treasurer and Chief Financial Officer	2003	296,944	207,861	-0-	-0-	14,712
	2002	267,328	149,235	1,566	18,000	10,346
	2001	239,532	89,143	-0-	7,500	12,544
Lampkin Butts Vice President Sales	2003	265,740	186,018	-0-	-0-	14,712
	2002	242,300	135,263	992	18,000	10,346
	2001	213,879	79,596	-0-	7,500	12,715
James A. Grimes Secretary	2003	150,724	75,362	-0-	-0-	11,084
	2002	143,248	57,120	-0-	7,500	8,793
	2001	134,786	35,829	-0-	7,500	8,689

(1) The amounts in the Other Annual Compensation column represent, among other things, (A) costs of personal use of Company aircraft for Mr. Sanderson in the amounts of \$21,661 for fiscal 2001, \$10,537 for fiscal 2002, and \$29,979 for fiscal 2003, for Mr. Butts in the amount of \$992 for fiscal 2002 and for Mr. Cockrell in the amount of \$1,566 for fiscal 2002; (B) amounts reimbursed for estimated income tax liability related thereto for Mr. Sanderson