SANDERSON FARMS INC
Form DEF 14A
January 24, 2008

Table of Contents

SCHEDULE 14A INFORMATION

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

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

þ Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

SANDERSON FARMS, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

þ No fee required

o 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:

2) Aggregate number of securities to which transaction applies:

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):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

o Fee paid previously with preliminary materials

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Table of Contents

January 25, 2008

Dear Stockholder:

The 2008 Annual Meeting of Stockholders of the Company will be held in the Multi-Purpose Room of the Company s General Corporate Offices in Laurel, Mississippi, at 10:00 AM on Thursday, February 28, 2008. The purposes of the Annual Meeting are set forth in the accompanying Notice and Proxy Statement.

The 2007 Annual Report, which is enclosed, contains financial and other information concerning the Company and its business for the fiscal year ended October 31, 2007. 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

Table of Contents

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

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TIME AND DATE	10:00 AM (local time) on Thursday, February 28, 2008
PLACE	The Multi-Purpose Room of the Company s General Corporate Offices, 127 Flynt Road, Laurel, Mississippi 39443
ITEMS OF BUSINESS	(1) To elect Class A Directors to serve until the 2011 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, 2008; and (3) To transact such other business as may properly come before the meeting or any adjournment.
RECORD DATE	You can vote if you are, or if a nominee through which you hold shares is, a stockholder of record on January 8, 2008.
ANNUAL REPORT AND PROXY STATEMENT	Our 2007 Annual Report, which is not a part of the proxy solicitation material, is enclosed. Details of the business to be transacted at the Annual Meeting are more fully described in the accompanying Proxy Statement.
PROXY VOTING	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 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

TABLE OF CONTENTS

Table of Contents

PROXY STATEMENT

General

Our Board of Directors is soliciting the enclosed proxy in connection with our 2008 Annual Meeting of Stockholders to be held on February 28, 2008, as well as in connection with any adjournments of that meeting. Our post office address is Sanderson Farms, Inc., P. O. Box 988, Laurel, Mississippi 39441.

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 our Corporate Secretary a written notice of revocation;
- by submitting to our Corporate 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 27, 2008 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 us. 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 on the preceding page.

Our Chief Financial Officer will vote all proxies in his discretion on all other matters that may properly come before the meeting. As of the date of this Proxy Statement, we have not received notice and we are 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 our common stock 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. We will treat broker non-votes as shares present for the purpose of determining whether a quorum is present at the meeting, but we will not consider them present for purposes of calculating the vote on a particular matter, nor will we count them as a vote FOR or AGAINST a matter or as an ABSTENTION on the matter.

We are paying the cost of soliciting the proxies.

Our 2007 Annual Report accompanies this Proxy Statement, but is not to be considered a part of the proxy solicitation material. The record date for the Annual Meeting is January 8, 2008. These materials are being mailed to stockholders on or about January 25, 2008.

Capital Stock

Our authorized capital stock 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 20,759,376 shares had been issued and were outstanding as of January 8, 2008, 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.

Table of Contents

Beneficial Ownership

The following table sets forth information, as of January 8, 2008, concerning (a) the only stockholders known by us to own beneficially more than 5% of our outstanding common stock, which is our only class of voting securities outstanding, (b) the beneficial ownership of common stock of our executive officers named in the Summary Compensation Table below, and (c) the beneficial ownership of common stock by all of our directors and executive officers as a group.

Beneficial Owner(s) and Address	Amount Beneficially Owned (1)	Percent of Class
Trustmark National Bank (2)	1,875,395 shares	9.03%
Joe F. Sanderson, Jr. (3)	1,110,327 shares	5.35%
Lampkin Butts (5)	97,029 shares	(9)
D. Michael Cockrell (4)	46,709 shares	(9)
James A. Grimes (6)	27,893 shares	(9)
Artisan Partners Limited Partnership (7)	1,113,800 shares	5.36%
Royce & Associates, LLC (7)	2,517,059 shares	12.12%
Sheffield Asset Management L.L.C. (7)	1,200,650 shares	5.78%
Dimensional Fund Advisors LP (7)	1,341,211 shares	6.46%
NFJ Investment Group L.P. (7)	1,058,600 shares	5.10%
All Directors and executive officers as a group (15 persons) (8)	1,440,677 shares	6.94%

(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) Address: 415 North Magnolia, Laurel, Mississippi 39440. Trustmark National Bank is the trustee of the Employee Stock Ownership Plan and Trust of Sanderson Farms, Inc. and Affiliates (the ESOP), which is the record owner of 1,875,395 shares of common stock of the Company. Trustmark National Bank, in its capacity as trustee of the ESOP, has investment power with respect to those shares of common stock and therefore is deemed to beneficially own, under applicable regulations of the Securities and Exchange Commission, the 1,875,395 shares of common stock owned of record by the ESOP. Trustmark National Bank disclaims beneficial ownership of such shares. The participants in the ESOP have sole voting power over the shares allocated to their respective accounts.

(3) Address: P.O. Box 988, Laurel, Mississippi 39441. The amount shown in the table includes 1,015,935 shares owned of record by Joe F. Sanderson, Jr., over which he exercises sole voting and investment power, and 84,584 shares allocated to Mr. Sanderson s account in the ESOP, with respect to which he has sole voting power. The trustee of the ESOP has investment power over the 84,584 shares allocated to Mr. Sanderson s account under the ESOP. The amount shown in the table also includes 9,808 shares owned of record by Mr. Sanderson s wife, over which she exercises sole voting and investment power. Pursuant to Rule 13d-4 under the Securities Exchange Act of 1934 (the Exchange Act), Mr. Sanderson disclaims beneficial ownership of the 9,808 shares owned of record by his wife. The amount owned of record by Mr. Sanderson includes 100,000 restricted shares issued pursuant to the Sanderson Farms, Inc. and Affiliates Stock Incentive Plan (see EXECUTIVE COMPENSATION for a discussion of these shares).

(4)

Address: P.O. Box 988, Laurel, Mississippi 39441. The amount shown in the table includes 43,547 shares owned of record by Mr. Cockrell over which he exercises sole voting and investment power, and 3,232 shares allocated to Mr. Cockrell s account in the ESOP, with respect to which Mr. Cockrell has sole voting power. The trustee of the ESOP has investment power over the 3,232 shares allocated to Mr. Cockrell s account under the ESOP. The amount owned of record by Mr. Cockrell includes 27,898 restricted shares issued pursuant to the Sanderson Farms, Inc. and Affiliates Stock Incentive Plan (see EXECUTIVE COMPENSATION for a discussion of these shares).

Table of Contents

(5) Address: P.O. Box 988, Laurel, Mississippi 39441. The amount in the table includes 54,420 shares owned of record by Mr. Butts, over which he exercises sole voting and investment power, and 42,609 shares allocated to his ESOP account, over which he has sole voting power. The trustee of the ESOP has investment power over the 42,609 shares allocated to Mr. Butts account under the ESOP. The amount owned of record also includes 37,866 restricted shares issued pursuant to the Sanderson Farms, Inc. and Affiliates Stock Incentive Plan (see EXECUTIVE COMPENSATION for a discussion of these shares).

(6) Address: P.O. Box 988, Laurel, Mississippi 39441. The amount shown in the table includes 15,690 shares owned of record by Mr. Grimes, over which he exercises sole voting and investment power, and 12,203 shares allocated to Mr. Grimes s account in the ESOP, with respect to which Mr. Grimes has sole voting power. The trustee of the ESOP has investment power over the 12,203 shares allocated to Mr. Grimes s ESOP account. The amount owned of record by Mr. Grimes includes 12,406 restricted shares issued pursuant to the Sanderson Farms, Inc. and Affiliates Stock Incentive Plan (see EXECUTIVE COMPENSATION for a discussion of these shares).

(7) Based on information reported in Schedule 13Gs filed with the Securities and Exchange Commission as follows: Royce & Associates filed its report on a Schedule 13G on December 5, 2007. Its address is 1414 Avenue of the Americas, New York, New York 10019. The report states that various accounts managed by Royce & Associates, LLC, have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of shares of the issuer. It also states that the interest of one account, Royce Premium Fund, an investment company registered under the Investment Company Act of 1940 and managed by Royce & Associates, LLC, amounted to 1,141,500 or 5.67% of the total shares outstanding. Artisan Partners Limited Partnership filed Amendment No. 2 to its report on Schedule 13G on June 8, 2007. The report was also filed on behalf of Artisan Investment Corporation, ZFIC, Inc., Andrew A. Ziegler, Carlene M. Ziegler and Artisan Funds, Inc. The address of all the reporting persons is 875 East Wisconsin Avenue, Suite 800, Milwaukee, WI 53202. The report states that the shares reported therein were acquired on behalf of discretionary clients of Artisan Partners, including 619,800 shares held on behalf of Artisan Funds. Persons other than Artisan Partners are entitled to receive all dividends from, and proceeds from the sale of, those shares. Sheffield Asset Management, L.L.C. filed its report on Schedule 13G on February 12, 2007. Its address is 900 North Michigan Avenue, Chicago, IL 60611. Dimensional Fund Advisors LP filed its report on Schedule 13G/A on February 9, 2007. Its address is 1299 Ocean Avenue, Santa Monica, CA 90401. NFJ Investment Group L.P. filed its report on a Schedule 13G dated December 31, 2005. Its address is 2100 Ross Avenue, Suite 1840, Dallas, TX 75201. The report states that it was also filed on behalf of NFJ s investment advisory clients or discretionary accounts.

(8) Includes an aggregate of 142,628 shares allocated to the accounts of all Directors and executive officers, as a group (15 persons, 4 participating) under the ESOP. See note (2) above.

(9) Less than 1%.

ELECTION OF DIRECTORS

Our amended Articles of Incorporation provide that our 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. The Board of Directors has fixed the number of directors at fifteen, resulting in there being five director positions in each class. One board position is currently vacant. At each annual meeting of stockholders, directors constituting one class are elected for a three-year term. At the 2008 Annual Meeting, stockholders will elect five Class A Directors, whose terms will expire at the 2011 Annual Meeting. One vacancy for a Class B Director will remain following the 2008 Annual Meeting.

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

Table of Contents

Nominees for Class A Directors

The Board of Directors proposes for election as Class A Directors the five nominees listed below, each to serve as a Class A Director until the 2011 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 be voted for the election as Class A Directors only of the nominees named below or 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 A Director of the Company. No person listed below will be elected as a Class A 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 listed below (or substitutes as stated above) unless otherwise directed in the proxy. 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 A Directors. Broker non-votes will be treated as not present for purposes of calculating the vote with respect to the election of the Class A 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 A Directors and shows, as of January 8, 2008, their respective beneficial ownership of common stock of the Company.

Nominees for Class A Directors	**Age**	**Director Since**	**Shares Beneficially Owned(1)**	**Percent Of Class**
Lampkin Butts (2)	56	1998	97,029	(5)
Beverly Hogan (3)	56	2004	5,538	(5)
Phil K. Livingston (3)	64	1989	26,175	(5)
Charles W. Ritter, Jr. (3)	70	1988	24,420	(5)
Joe F. Sanderson, Jr (4)	60	1984	1,110,327	5.35%

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

(2) See Note (5) to the table under the caption PROXY STATEMENT, Beneficial Ownership for a description of

the nature of Mr. Butts beneficial ownership.

(3) The shares shown in the table respectively for Directors Hogan, Livingston and Ritter include 3,000 restricted shares granted pursuant to the Company s Stock Incentive Plan, and 2,538, 1,125 and 3,420 shares issued under the Company s share purchase plan (see Directors Fees for a discussion of these shares).

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

(5) Less than 1%.

The Board of Directors recommends a vote FOR the election of Lampkin Butts, Beverly Hogan, Phil K. Livingston, Charles W. Ritter, Jr. and Joe F. Sanderson, Jr.

Table of Contents

Directors Continuing in Office

The following tables list the Class B and Class C Directors of the Company, whose terms expire at the 2009 and 2010 Annual Meetings, respectively, and show, as of January 8, 2008, the beneficial ownership of common stock by each of them.

Name of Continuing Directors	Age	Director Since	Shares Beneficially Owned (1)	Percent Of Class
Class B (Term expiring in 2009)				
John H. Baker, III (2)	66	1994	58,814	(6)
John Bierbusse (3)	52	2006	4,354	(6)
D. Michael Cockrell (4)	50	1998	46,709	(6)
Rowan H. Taylor (5)	83	1989	16,505	(6)

Name of Continuing Directors	Age	Director Since	Shares Beneficially Owned (1)	Percent Of Class
Class C (Term expiring in 2010)				
Fred Banks, Jr. (3)	65	2007	4,458	(6)
Toni D. Cooley (3)	47	2007	3,000	(6)
Robert C. Khayat (3)	69	2007	4,075	(6)
Dianne Mooney (3)	64	2007	3,707	(6)
Gail Jones Pittman (5)	54	2002	7,673	(6)

(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) The shares shown in the table include 2,250 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 under the Exchange Act, disclaims beneficial ownership. The shares shown in the table for Mr. Baker include 6,000 shares of restricted stock granted pursuant to the Company s Stock Incentive Plan, and 5,564 shares issued under the Company s share purchase plan (see Directors Fees for a discussion of these shares.)

(3) The shares shown in the table for Directors Bierbusse, Banks, Cooley, Khayat and Mooney include 3,000 restricted shares each granted pursuant to the Company s Stock Incentive Plan and 1,354, 1,358, 0, 1,075 and 707 shares, respectively, issued under the Company s share purchase plan (see Directors Fees for a discussion of these shares).

(4) See Note (4) to the table under the caption PROXY STATEMENT, Beneficial Ownership for a description of the nature of Mr. Cockrell s beneficial ownership.

(5) The shares shown in the table for Directors Taylor and Pittman include 6,000 restricted shares granted pursuant to the Company s Stock Incentive Plan and 2,255 and 1,373 shares, respectively issued under the Company s share purchase plan (see Directors Fees for a discussion of these shares).

(6) Less than 1%.

Principal Occupations and Certain Directorships

The following paragraphs identify the principal occupations of all continuing directors and nominees 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.

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.

Fred Banks, Jr. has been a partner in the General Litigation Group in the Jackson, Mississippi office of the law firm of Phelps Dunbar LLP since 2001. From 1991 to 2001, he was a Justice of the Mississippi Supreme Court, and at the time of his retirement from the court in 2001, he was serving as Presiding Justice. Prior to serving on the Mississippi Supreme Court, Mr. Banks served as a Circuit Judge in Hinds and Yazoo Counties, Mississippi for six years. From 1976 until 1985, he served in the Mississippi House of Representatives.

John Bierbusse was employed by Duff and Phelps, Inc. from 1981 to 1987, and by A.G. Edwards from 1987 to 2004. Mr. Bierbusse served as Assistant Manager, Securities Research between 1999 and 2002 at A.G. Edwards, and as Manager, Research Administration from 2002 until his retirement in 2004. Mr. Bierbusse served on the New York Stock Exchange s Series 16 Test Committee from 2002 to 2007 and on the New York Stock Exchange s Research Analyst Qualification Examination Committee from 2003 to 2007. Mr. Bierbusse has been a Chartered Financial Analyst since 1987, and is currently retired.

Lampkin Butts served from 1996 to 2004 as Vice President-Sales for the Company. On October 21, 2004, Mr. Butts was elected President and Chief Operating Officer of the Company. Mr. Butts is a member of the Company s Executive Committee, which is a management committee, not a committee of directors.

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, Professional Association, of Jackson, Mississippi. Mr. Cockrell is a member of the Company s Executive Committee, which is a management committee, not a committee of directors.

Toni D. Cooley has served as president of Systems Consultants Associates, Inc., a management training and consulting firm established with the express purpose of assisting Jackson, Mississippi-based minority firms with capacity building, since 1993. Ms. Cooley has also been president of Systems Electro Coating, LLC, a tier one supplier to Nissan of electro coated frames and other vehicle components, since 2001. Ms. Cooley is also co-owner of Systems IT, Inc., a new horizon computer learning center in Jackson, Mississippi. From 1992 to 1993, Ms. Cooley worked as an International Contract Administrator for the international sales team of the former Turner Broadcasting Systems.

Beverly Hogan has served, since May 2002, as President of Tougaloo College in Jackson, Mississippi. Prior to becoming President of Tougaloo College, Ms. Hogan served for one year as Interim President. Prior to that, she served for ten years as a Commissioner for the Mississippi Workers Compensation Commission.

Robert C. Khayat has served as the Chancellor of the University of Mississippi since July 1995. Prior to that time he served the University in various capacities, including as professor of law at the University of Mississippi School of Law from 1982 to 1995. Mr. Khayat serves on the Board of Directors of Mississippi Power Company, a subsidiary of The Southern Company, and Mississippi Valley Title Insurance Company.

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. Mr. Livingston retired in 1998, but served as a banking consultant to AmSouth Corporation from his retirement until 2001.

Dianne Mooney served as Senior Vice President of Southern Living at Home, a direct sales division of Southern Progress Corporation, from 1999 until her retirement in 2007. She founded Southern Living at Home in 1999. Prior to that time, she was an employee of Southern Progress Corporation for over thirty years in various positions, including Vice President of Business Development and Vice President of Custom Publishing.

Table of Contents

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. It is located in Ridgeland, Mississippi.

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.

Joe F. Sanderson, Jr. served as President of the Company from November 1, 1989 to October 21, 2004, and has served as Chief Executive Officer since November 1, 1989 and as Chairman of the Board of Directors since January 8, 1998. Mr. Sanderson continues to serve as Chief Executive Officer and Chairman of the Board of Directors. Mr. Sanderson is a member of the Company s Executive Committee, which is a management committee, not a committee of directors.

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.

CORPORATE GOVERNANCE

Director Independence

Our Board of Directors has determined that the following directors are independent under the listing standards of The Nasdaq Stock Market: Ms. Cooley, Ms. Hogan, Ms. Mooney, Ms. Pittman, and Messrs. Baker, Banks, Bierbusse, Khayat, Livingston, Ritter and Taylor.

Board Meetings and Committees of the Board

During our 2007 fiscal year, the Board of Directors held 7 meetings, 2 of which were telephonic meetings. The Board of Directors strongly encourages all directors to attend the Company s annual meetings of stockholders, and all directors except Ms. Hogan attended the 2007 Annual Meeting. The Board of Directors has appointed three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. Each member of these committees is independent under the listing standards of The Nasdaq Stock Market. Every incumbent director attended at least 75% of the total of (i) all of the Board of Directors meetings held during the period for which he or she was a director and (ii) all of the meetings held by the committees of the Board on which he or she served (during the period in which he or she served).

The current charter of each committee of the Board of Directors is available in the Investor Relations section of our website at www.sandersonfarms.com.

Nominating and Governance Committee

The members of the Nominating and Governance Committee are Ms. Hogan, Ms. Mooney and Messrs. Banks, Livingston (Chair), Ritter and Taylor. The committee considers all director candidates recommended for election to the Board of Directors. It also recommends all compensation paid to our non-employee directors, leads the Board in its annual self-evaluation and from time to time makes recommendations concerning our corporate governance policies. In fiscal 2007, the Committee met 3 times.

As noted above, the Nominating and Governance Committee considers potential nominees for director proposed by its members, members of the Board of Directors, our stockholders or management. Stockholders who are not also members of our Board of Directors or management should submit notice of their proposed nominees for director in writing to the Nominating and Governance Committee at the Company s general offices. That address is Post Office Box 988, Laurel, Mississippi 39441.

Stockholders should include the following information in their written notice:

The stockholder s name and address;

A representation that the stockholder is a holder of record or a beneficial owner (in which case evidence of such beneficial ownership must be submitted if requested by the Nominating and Governance Committee) of shares of the Company s common stock as of the date of the notice;

The name, age, business and residence addresses, and principal occupation and experience of each proposed nominee;

Such other information regarding each proposed nominee that the stockholder wishes the Nominating and Governance Committee to consider;

The consent of each proposed nominee to serve as director of the Company if elected; and

A representation signed by each proposed nominee that states that such proposed nominee meets all of the qualifications set forth in Article IV of our bylaws, which requires that directors must be at least 21 years old and citizens of the United States.

Persons wishing to propose nominees for consideration at our annual meeting of stockholders must submit notice of their proposed nominee to the Nominating and Governance Committee no later than September 15 of the year prior to the annual meeting.

Anyone proposing nominees to the Nominating and Governance Committee should consider the minimum qualifications, skills and qualities that the Nominating and Governance Committee believes are necessary for a director of the Company, as follows:

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 his or her 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 our stockholders; and

significant time available to devote to Board activities and to enhance his or her knowledge of our industry.

The Nominating and Governance Committee may interview candidates for nomination for election as director who are not incumbent directors. The Nominating and Governance Committee may elect to invite members of our management to participate in the interviews. When all interviews are complete, the Nominating and Governance Committee votes to determine a slate of nominees to be submitted to the Board of Directors. The Nominating and Governance Committee uses the same process to evaluate potential nominees proposed by stockholders as it uses to evaluate any other potential nominee.

Table of Contents

Nothing in the committee s polices will prevent a stockholder from nominating persons for election as directors from the floor at any annual or special meeting of stockholders called for that purpose by following the advance notification procedures set forth in Article III, Section 9 of our bylaws. These procedures are described under STOCKHOLDER PROPOSALS, Procedure in this Proxy Statement.

Audit Committee

The members of the Audit Committee are Ms. Pittman and Messrs. Baker, Bierbusse, Livingston, and Ritter (Chair). The committee, among other things, appoints or replaces the independent auditors, reviews the scope of the independent auditors audit, reviews our major accounting and financial reporting policies and practices and systems for compliance with applicable statutes and regulations, and reviews our internal auditing functions. The Audit Committee held 8 meetings during fiscal 2007, three of which were telephonic meetings.

Audit Committee Report

To the extent provided by Item 7(d)(3)(v) of 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 imposed by Section 18 of the Exchange Act.

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 auditors required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and has discussed with the independent accountants the independent auditors independence. Based on the review and discussions referred to above, the Audit Committee recommended that the audited financial statements for the fiscal year ended October 31, 2007 be included in our Annual Report on Form 10-K for that fiscal year for filing with the SEC.

The Audit Committee:
John H. Baker, III
John Bierbusse
Phil K. Livingston
Gail J. Pittman
Charles W. Ritter, Jr. (Chair)

Compensation Committee; Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee are Ms. Cooley, Ms. Hogan, Ms. Pittman and Messrs. Baker, Bierbusse, Khayat, Livingston (Chair), Ritter and Taylor. The committee develops and recommends the philosophy, components, levels and terms of our executive compensation. In fiscal 2007, the Compensation Committee met 4 times. The committee s processes and procedures for the consideration and determination of executive pay, as well as the role of management and outside consultants in that process, are more fully described in the EXECUTIVE COMPENSATION section, below.

During fiscal 2007, none of the members of the Compensation Committee was an officer or employee of the Company and no member of the committee is a former officer of the Company. In addition, during fiscal 2007, none of our executive officers served on the board of directors of any entity whose directors or officers served on our board of directors.

Table of Contents

Communications Between Stockholders and the Board of Directors

The Board of Directors has adopted a formal procedure that stockholders may follow to send communications to the Board of Directors. Stockholders may send communications to the Board by writing to:

Internal Audit Department
Sanderson Farms, Inc.
P. O. Box 988
Laurel, MS 39441-0988

Stockholders desiring to send a communication to the full Board of Directors should mark the envelope Attention: Board of Directors. Envelopes intended for a committee of the Board should be marked to the attention of the particular committee. Stockholders may also communicate with directors who are independent directors under the rules of The NASDAQ Stock Market by marking the envelope Attention: Independent Directors at the address given above.

We will forward all communications we receive as addressed on a quarterly basis, unless management determines by individual case that a communication should be forwarded more promptly. However, any stockholder communication concerning employee fraud or accounting matters will be forwarded as addressed, with a copy to the Audit Committee, immediately upon receipt.

Review and Approval of Certain Transactions

The Audit Committee s charter charges it with reviewing on an on-going basis certain transactions between the Company and its directors, officers, major stockholders and certain other persons for conflicts of interest. The types of transactions that are subject to this review are those related party transactions that must be disclosed in our proxy statement under the rules of the SEC. The Audit Committee must recommend to a special committee of qualified, independent directors whether or not the transaction should be approved. The special committee may retain independent legal, accounting or other advisors to advise it in this process. During our 2007 fiscal year, there were no transactions between the Company and related persons that required review by the Audit Committee or that required disclosure in this proxy statement.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors, officers and persons who own more than 10% of our outstanding common stock to file with the SEC reports of changes in their ownership of our common stock. Officers, directors and greater than 10% stockholders are also required to furnish us with copies of all forms they file under this regulation. Based solely on a review of written information provided by these persons, our officers, directors and greater than 10% stockholders are in compliance with all Section 16(a) filing requirements, except that Mr. Butts filed a late Form 4 on December 28, 2006 reporting his acquisition of 221 shares of common stock through the Company s Management Stock Purchase Plan on November 28, 2006 in lieu of receiving part of a cash bonus.

Table of Contents

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Summary

This Compensation Discussion and Analysis (CD&A) describes our compensation philosophies, factors considered in developing our compensation packages and the decision-making process followed in setting compensation for our Named Executive Officers during our 2007 fiscal year. It should be read in conjunction with the tables and accompanying narratives that follow. Other than our principal executive officer and principal financial officer, there are only two individuals at our Company who meet the definition of executive officer under SEC rules, and therefore our four executive officers are our only Named Executive Officers under the SEC s proxy statement rules. They are:

Joe F. Sanderson, Jr., Chairman of the Board and Chief Executive Officer (CEO);

Lampkin Butts, President and Chief Operating Officer (COO);

D. Michael Cockrell, Treasurer and Chief Financial Officer (CFO); and

James A. Grimes, Secretary and Controller (Secretary).

The goal of this CD&A is to describe our executive compensation philosophies and programs with transparency and clarity. Our Compensation Committee met several times during the year and retained Watson Wyatt & Company as its independent executive compensation consultant. We believe that our executive compensation programs reflect our Company s philosophy and are effective in retaining and motivating our current executives and, should the need arise, will allow us to attract top management candidates.

Sanderson Farms has had a pay-for-performance culture since its early days. We expect top performance from our people every year and are willing to pay for that success. Accordingly, a substantial part of the compensation package for each Named Executive Officer is at risk and is only earned if performance so warrants. In addition to base salary, we offer our Named Executive Officers the opportunity to earn an annual bonus if certain performance goals are met, and we also grant long-term incentives to our Named Executive Officers to align their pay with the long-term success of our Company. Our long-term incentives are primarily performance-based, but also have a time-based element to assist us in retaining our management team. We encourage our Named Executive Officers, other members of management and our Board of Directors to follow our stock ownership guidelines. In addition, our executives participate in our Employee Stock Ownership Plan and can elect to participate in our Management Share Purchase Plan, which further aligns them with our stockholders.

We use a peer group and appropriate published surveys (based on appropriate industry and revenue size comparisons) to set compensation levels. We do not target our compensation levels at any particular point in the range established by data we gather, but we do consider the median of those markets as a general guide, along with a multitude of other factors, in setting our pay opportunity. However, with above-target performance, our Named Executive Officers can earn above-market pay.

For purposes of our annual bonus award plan, we measure operational performance using Agristats, a private industry benchmarking service that analyzes performance data submitted weekly by a significant majority of the poultry industry, and through earnings per share. Even if we meet the operational and earnings per share targets, executives will not receive payments under the bonus award plan unless we also meet a return on equity threshold. For our long-term performance share plan, we measure performance by return on sales and return on equity, and our stock price also factors into the final amount of the award to the Named Executive Officers.

In light of our performance in fiscal 2006, the CEO, COO and CFO requested that the Committee not recommend a merit salary increase to any of those officers for fiscal 2007. Our operational and earnings per share performance improved during fiscal 2007, and we paid incentives under the bonus award plan near target levels.

There are three long-term performance share cycles currently in place under our long-term performance share plans, and the payouts, if achieved, will occur in 2008, 2009, and 2010.

Finally, our CEO has at his request received no equity awards under the long-term incentive program since March 2005 and has indicated to the Committee and the Board of Directors that he does not intend to accept any additional grants of stock under the incentive plan for the present time.

Principles and Objectives of the Executive Compensation Program

The Compensation Committee develops and recommends to the Board of Directors the overall compensation philosophy at Sanderson Farms. The main objectives of our executive compensation programs have been to reward outstanding performance by our executives appropriately and to ensure that management and stockholder interests are closely aligned. Although we generally strive to appoint executives from within our Company, our compensation programs assist us in attracting outside talent and in motivating and retaining key management. As discussed above, our compensation plans link executive compensation levels with the performance of our Company on both a long-term and short-term basis. A significant portion of our executive compensation opportunity is related to factors that directly and indirectly influence stockholder value, including stock performance, earnings per share, operational performance, return on sales and return on equity.

A significant factor in the Committee s and the Board s decisions to make equity-based awards to our executives is stockholder dilution, and the Committee and the Board strive to minimize the dilutive effect of those awards on our stockholders.

Management, the Board of Directors and the Compensation Committee recognize that our business is cyclical, and often times the level of profitability we achieve is significantly influenced by factors beyond our control. These factors include swings in the market prices for our primary product, fresh chicken, and our two primary input costs, corn and soybean meal. Accordingly, the Compensation Committee believes it is important to measure and reward outstanding performance as much by operational performance relative to our peers as in absolute dollars per share and other typical measuring tools. This concept of placing significant emphasis on operational performance relative to our peers permeates our overall compensation plans and philosophy.

The Committee intends to continue its strategy of recommending compensation programs that emphasize performance-based incentive compensation. We have structured our executive compensation packages with an understanding of the cyclical nature of our business, and in an effort to achieve an appropriate balance between our short and long-term performance, and also a balance of emphasis between our operational performance versus the industry and our financial performance on the one hand, and stockholder return on the other.

Benchmarking and Competitive Analyses

The Committee uses information gathered by analyzing the compensation levels and programs of a peer group and, in some cases, composite survey data compiled from companies of appropriate size and industry (although the survey data does not specifically identify contributing companies). The peer group serves as the chief point of comparison of the level and structure of executive pay, and is composed of companies similar to Sanderson Farms in size, industry, geographic location and/or performance. In setting our compensation levels and package for fiscal 2008, the Committee also created a reference group of direct competitors that are considerably larger than Sanderson Farms to serve as a comparator for components of executive pay, but not for pay levels. Selection of the peer and reference groups was based on the research of Watson Wyatt, with input from the Committee, the CEO, and the CFO.

The comparator groups yield information about the general level and components of pay for comparable executive positions at other companies. The Committee uses this information as a general guide in its deliberations, but it does not target our executive compensation levels at any point in the range established by the comparisons. Instead, the Committee bases its final decisions on its business judgment,

Table of Contents

which may be influenced by the median level of that range, as well as a variety of other factors discussed below. The companies comprising the comparator groups for fiscal years 2007 and 2008 are shown below:

2007 Peer Group

Cagles	JM Smucker
Cal-Maine Foods	Lancaster Colony
Chiquita Brands International	Lance
Corn Products International	Pilgrim s Pride
Del Monte Foods	Premium Standard Farms
Delta & Pine Land	Ralcorp Holdings
Flowers Foods	Seaboard
Gold Kist	Seneca Foods

2008 Peer Group

Brown-Forman	M&F Worldwide
Cal-Maine Foods	McCormick
Corn Products International	Oxford Industries
Del Monte Foods	Premium Standard Farms
Flowers Foods	Ralcorp Holdings
Hain Celestial Group	Seaboard
Imperial Sugar	Seneca Foods
JM Smucker	Treehouse Foods
Lancaster Colony	United Natural Foods
Lance	

2008 Reference Group

Hormel	Smithfield Foods
Pilgrim s Pride	Tyson Foods

The Compensation Committee Process and the Role of Management and Compensation Consultants

Both management and the Compensation Committee recognize the importance of maintaining sound principles for the development and administration of compensation and benefit programs. Our Compensation Committee has taken steps to significantly enhance its ability to effectively carry out its responsibilities, as well as to ensure that the Company maintains strong links between executive pay and performance. Examples of actions that the Committee has taken in the past few years include:

- Retained an independent compensation consultant, Watson Wyatt & Company, to advise on executive and director compensation issues.

- Met regularly in executive sessions with the compensation consultant and legal and accounting advisors without Company management present; and

- Made significant changes to our executive and director compensation programs, including:
  - Established a peer group for primary comparisons of the level and structure of executive and director pay;

  - Established a broader reference group of companies with a business environment similar to ours to assist in comparing the elements of executive and director compensation (not levels of pay);

Table of Contents

- Suspended the Company s stock option program and developed a new long-term incentive program for executives designed to offer a variety of equity-based awards that are linked to stockholder value;

- Implemented incentive programs to promote increased Company stock ownership by management and non-employee directors;

- Instituted share ownership guidelines for both management and non-employee directors;

- Undertaken a formalized annual review of executive compensation packages with advice from the compensation consultant in light of market standards, company and industry performance and individual merit;

- Narrowed the competitive gap between our executive pay program and those of our peers by increasing cash compensation to market levels and designing performance-based equity incentives to yield an average payout of approximately 74% of target awards over a multi-cycle period, assuming strong performance; and

- Brought the mix of the CEO s cash compensation closer to marketplace standards by increasing his maximum performance-based bonus award opportunity from 100% to 150% of his base salary.

The Committee has the sole authority to retain or terminate Watson Wyatt (or any other compensation consultant) and to approve the consultant s fees and other terms and conditions of its engagement. The Committee engages Watson Wyatt from time to time to review particular compensation questions at issue. Typically, the Committee chairman meets with representatives from Watson Wyatt at the outset of any engagement to discuss the Committee s goals and objectives and to outline the parameters of the review that Watson Wyatt will undertake. The CFO is generally present for those meetings as a liaison with management, and Watson Wyatt uses the CFO to gather internal information necessary for its work. The Committee chairman also corresponds with Watson Wyatt directly during an engagement as questions arise. Because the CEO is the Committee s chief source of information about the overall performance of the Company and of senior management, the Committee or its chairman may also meet privately with the CEO to inform him of the Committee s thinking on any particular issue and to get his feedback and recommendations. Although the CEO has substantial influence on the Company s compensation and could contact or meet with Watson Wyatt or the Committee if he chooses, he is, usually, not directly involved in the Committee s decision-making process or in meetings with Watson Wyatt.

When compensation questions arise for the Committee s or the Board s consideration, management is generally present for Watson Wyatt s presentations and to answer any questions by directors. However, when the Committee meets to consider and recommend levels and components of compensation, management is ultimately excused from the meeting to permit the Committee to meet with Watson Wyatt and legal and accounting advisors in executive session and to vote. The Committee may ask the CEO to be present for the deliberations on the compensation of the other Named Executive Officers, but he is excused from the deliberations and vote on his own compensation.

Our management retained Watson Wyatt in 2006 to review our overall pay structure for our salaried employees. The Committee pre-approved that engagement. Since that time, Watson Wyatt has not been engaged to do any work for management, but any future engagements would be subject to the Committee s approval and the Committee would take measures to ensure that the engagement does not impair Watson Wyatt s independence.

Table of Contents

Elements of Executive Compensation

The compensation of our executive officers consists of the following elements:

- Base Salary
- Annual cash incentive (bonus) awards
- Long-term equity incentive awards, including:
  - Restricted Stock
  - Performance Shares
  - Stock Options
  - Management Share Purchase Rights
- In-Service and Post-Employment Benefits
- Perquisites

The Committee has recommended these elements of compensation to create a flexible package that reflects the cyclical nature of the poultry business and can reward both the short and long-term performance of the Company and the individual. Each item of compensation is considered individually, followed by consideration of the overall package, with the goal of treating executives equitably and rewarding outstanding performance. The Committee also considers how our executive pay compares to the peer and reference companies and to similar positions included in published survey data, with respect to both levels and components of total pay. The Committee and the Board do not consider the amounts realizable from prior compensation in setting future benefits.

The CEO s total compensation, as reported in the Summary Compensation Table below, was approximately 240% and 310%, respectively, higher than the total compensation for the COO and CFO because of his higher level of responsibility within our Company and his more pervasive influence over our performance. The compensation of the COO and CFO was likewise approximately 275% and 210%, respectively, higher than the Secretary s for the same reasons.

We have no employment or severance agreements with any of the Named Executive Officers.

Base Salaries

Salaries are used to provide a fixed amount of compensation for the executive s regular work. The Committee reviews and makes recommendations regarding the salaries of the Named Executive Officers annually in October, with input from the outside compensation consultant, and the Board makes final salary decisions at that time. Salary increases are based on an evaluation of Company performance, the individual s performance, and the individual s level of pay compared to the pay levels for similar positions in the peer group. Although the peer group suggests a range of competitive levels for base salaries, exact levels are recommended by the Committee based on each executive s merit. The Committee also takes into account years of service, responsibilities, our future growth plans and our current ability to pay.

As discussed above, the CEO, COO and CFO requested that the Committee not recommend a merit salary increase for those officers for 2007. The Secretary received a 5% merit increase for that year.

The effective date for merit increases typically is November 1 of each year. Salary increases can also occur upon an individual s promotion.

Table of Contents

Annual Cash Bonus Awards

We maintain a non-discretionary bonus award plan under which our salaried employees, including the Named Executive Officers, are eligible for fiscal year-end cash incentive awards equal to a percentage of their base salary based on the Company s performance (Bonus Award Program). These awards are designed to reward short-term performance and the achievement of designated operational results. The total award a participant can receive has two components: a percentage based on our achieving certain target earnings per share goals, and a percentage based on our operational performance versus our industry peers as measured by Agristats.

The earnings per share targets established under the Bonus Award Program are set each year, and reflect our growth and ability to generate earnings. We have experienced significant growth in production capacity over the past 15 years, and our ability to generate earnings has likewise grown significantly. As a result, the earnings per share targets established under the Bonus Award Program have moved higher to reflect our increased earnings capacity. We have historically performed at or near the top of the industry in operational measures, and the targets set for operational goals under the Bonus Award Program reflect our culture and expectations of achieving superior performance relative to our peers. However, because of the cyclical nature of the industry, and because many factors that influence profitability are beyond the control of management, it is possible that even if we operate at the top of the industry, we still might not achieve an acceptable level of profitability. Therefore, unless we achieve at least an 8% return on average stockholders equity (after taking into account any bonus to be paid), no payments are made under the Bonus Award Program even if the operational targets are reached, and payments are not cumulative.