



Leading the Way

Products, People, Performance

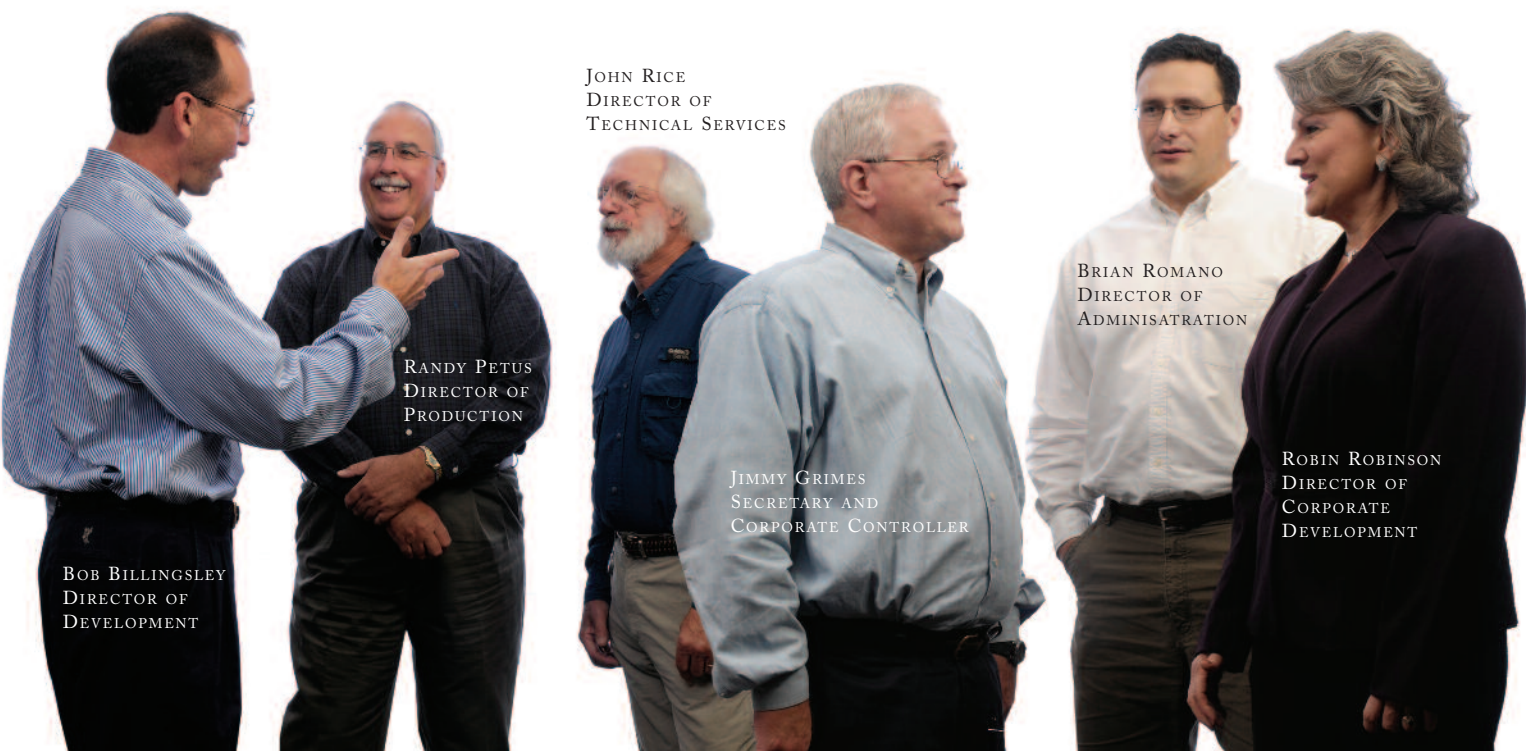


Annual Report to Shareholders 2008



Sanderson Farms, Inc. is engaged in the production, processing, marketing and distribution of fresh, frozen, further processed and partially cooked chicken. The Company sells its fresh chicken products primarily under the Sanderson Farms® brand name to retailers, distributors and casual dining operators located principally in the southeastern, southwestern, northeastern and western United States. Through its foods division, the Company also sells, under the Sanderson Farms® name, further processed and partially cooked chicken to distributors and food service establishments.

The common shares of Sanderson Farms, Inc. are traded on the NASDAQ Stock Market under the symbol SAFM.



BOB BILLINGSLEY
DIRECTOR OF
DEVELOPMENT

RANDY PETUS
DIRECTOR OF
PRODUCTION

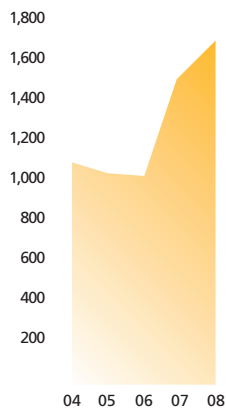
JOHN RICE
DIRECTOR OF
TECHNICAL SERVICES

JIMMY GRIMES
SECRETARY AND
CORPORATE CONTROLLER

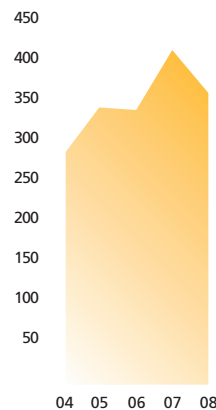
BRIAN ROMANO
DIRECTOR OF
ADMINISTRATION

ROBIN ROBINSON
DIRECTOR OF
CORPORATE
DEVELOPMENT

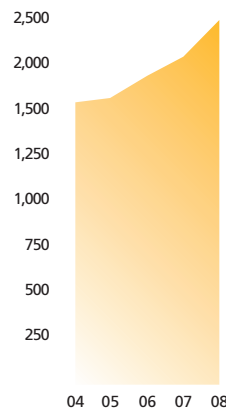
NET SALES
(\$ millions)



STOCKHOLDERS' EQUITY
(\$ millions)



POUNDS PROCESSED
(millions)



FINANCIAL Highlights

OCTOBER 31,

2008

2007

(In thousands, except per share data)

THE FISCAL YEAR

Net sales	\$ 1,723,583	\$1,474,844
Net income (loss)	\$ (43,129)	\$ 78,833
Basic earnings (loss) per share	\$ (2.13)	\$ 3.91
Diluted earnings (loss) per share	\$ (2.13)	\$ 3.88
Dividends per share	\$ 0.56	\$ 0.50
Weighted average shares outstanding		
Basic	20,269	20,140
Diluted	20,269	20,301

AT FISCAL YEAR-END

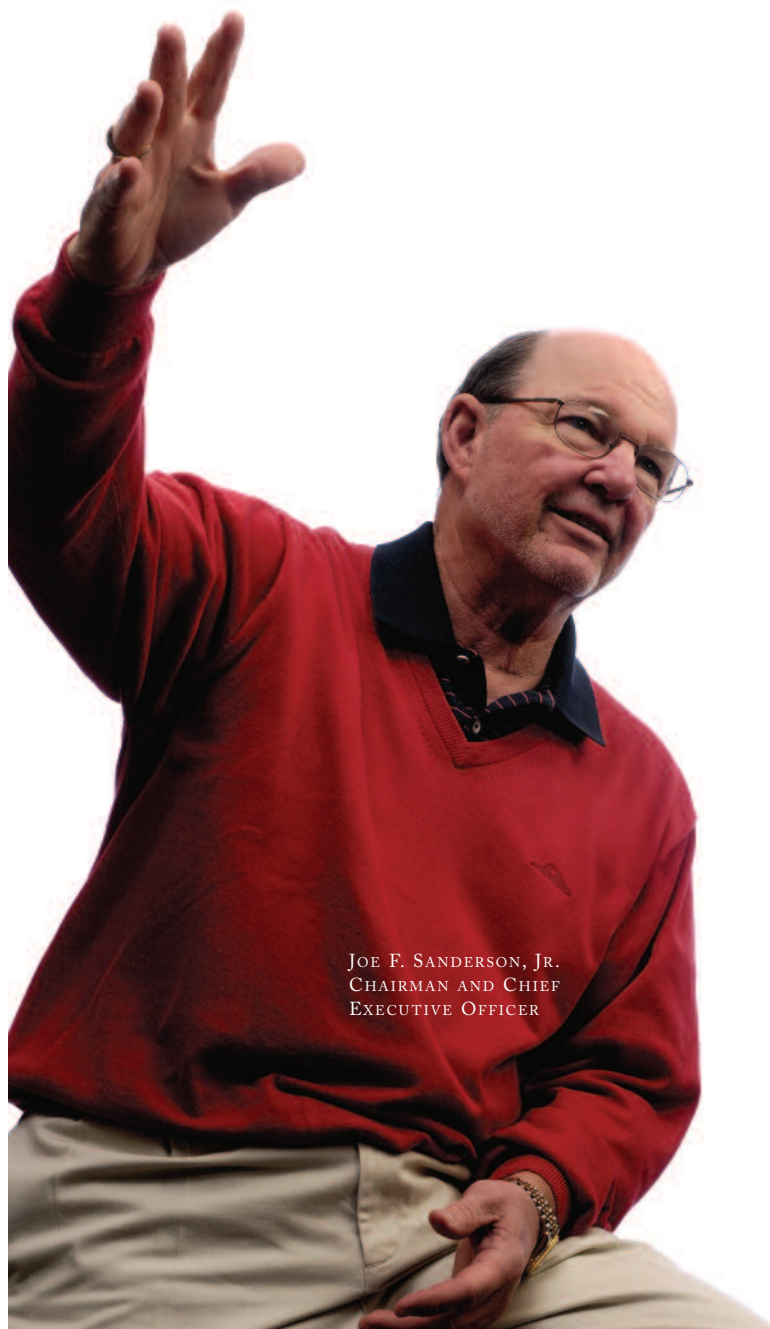
Working capital	\$ 188,779	\$ 128,049
Total assets	\$ 681,158	\$ 600,373
Long-term debt, less current maturities	\$ 225,322	\$ 96,623
Stockholders' equity	\$ 353,967	\$ 404,546

Note: The forward looking statements warning that appears in our Annual Report on Form 10-K under Item 7, "Cautionary statements regarding risks and uncertainties that may affect future performance" also applies to forward looking statements made in this annual report.

TO OUR SHAREHOLDERS:

Fiscal 2008 was highlighted by a number of accomplishments as well as considerable challenges for Sanderson Farms. The current economic downturn in our country and the world has clearly affected both consumers and businesses alike, providing unique challenges and opportunities for our Company and our industry. The poultry industry has always been cyclical in nature, but we have consistently managed our business for the long term, regardless of market conditions. Throughout the 53 years we have been in business, we have managed the Company the same way, and followed the same principles, regardless of where we are in the chicken cycle. Our success is largely due to the people of Sanderson Farms and the capable and steady leadership of our board of directors and management team. We understand the challenges we face and the opportunities available to us, and we are confident in our ability and experience to confront current challenges and take advantage of our opportunities. In this year's annual report, we acknowledge the many dedicated people who are leading the way for Sanderson Farms and who provide us with great confidence for the future.

Our accomplishments for the year included record sales of over \$1.724 billion, surpassing the previous year's record of \$1.475 billion. The strong revenue growth reflected in our numbers demonstrates the success of our growth strategy that has seen us increase our production capacity over each of the past 17 years.



JOE F. SANDERSON, JR.
CHAIRMAN AND CHIEF
EXECUTIVE OFFICER

Leading the Way

“Sanderson Farms has continued its pattern of growth throughout the various cycles that characterize our industry, and we note our position today as the fourth largest poultry producer in the United States.”

Our operations performed well in our industry as we processed over 390 million chickens, or 2.4 billion dressed pounds, in fiscal 2008 compared with 2.0 billion pounds during fiscal 2007. Despite the strength of our top line performance, we experienced challenging market conditions, especially during the second half of our fiscal year. Cash market prices for corn and soybean meal, our primary feed ingredients, increased 30 percent and 48 percent, respectively, for the year and negatively affected our margins.


Like others in our industry, our business in the second half of the year was also affected by the downturn in the economy. Most apparent was the decline in demand for chicken products from food service and casual dining customers, resulting in weak market prices for white meat. Consumer demand for chicken products at the retail level remained relatively stable, but demand for any protein consumed away from home has been depressed due to economic concerns. This fact led to the first overall domestic decline in demand for poultry meat in the history of the modern chicken industry.

The net loss for the year totaled \$43.1 million, or \$2.13 per share, compared with net income of \$78.8 million, or \$3.88 per share, for last year. The results for fiscal 2008 include adjustments taken in the fourth quarter to record inventory values at the lower of cost or market of \$29.7 million, net of the income tax benefit, or \$1.46 per share, and unreimbursed expenses associated with Hurricanes Gustav and Ike of \$736,000, net of the income tax benefit, or \$0.04 per share, as well as a net charge of \$1.7 million, or \$0.08 per share taken during the third fiscal quarter, related to the settlement of certain donning and doffing litigation. Excluding these adjustments, the net loss for fiscal 2008 was \$11.0 million, or \$0.54 per share.

Sanderson Farms has delivered
value to its customers with fresh,
high-quality chicken products
for over 50 years.







LAMPKIN BUTTS
PRESIDENT AND CHIEF
OPERATING OFFICER

Leading the Way

"Our success is largely due to the people of Sanderson Farms and the capable and steady leadership of our board of directors and management team."

GAIL JONES PITTMAN
DIRECTOR

Poultry market prices were mixed in fiscal 2008 compared with the prior year. For the year, the Georgia dock price averaged \$0.83 cents per pound, representing approximately an eight percent increase over fiscal 2007. The Georgia dock price is primarily an indicator of the supply and demand dynamics for poultry products sold in retail grocery stores. While market prices for products produced at our big bird deboning plants faced significant pressure due to the decline in demand from our food service and restaurant customers, the balance of supply and demand for the retail market was much better for the year. This balance is reflected in the improvement in the Georgia dock price during 2008, and reflects the fact that while consumers seem to be eating out less often and consuming less protein away from home, they continue to shop for bargains in

the grocery store. Our average sales price for poultry products during fiscal 2008 was about two percent higher than last year, with most all of the increase experienced during the first half of the fiscal year.

Boneless breast meat prices, reflecting the weak food service demand, averaged over ten percent lower for fiscal 2008 compared with the prior year. We expect demand from food service to remain soft until consumers begin dining out again on a more consistent basis. Jumbo wing prices averaged \$0.94 per pound during the fiscal year, down 16 percent from the average of \$1.11 per pound for fiscal 2007.



ROBERT KHAYAT
DIRECTOR

ROWAN TAYLOR
DIRECTOR

TONI COOLEY
DIRECTOR

Sanderson Farms® brand always
stands for the finest chicken on
the market, backed by an
unrelenting focus on superior
product quality and exceptional
customer service.





Leading the Way

“Our operations performed well in our industry as we processed over 390 million chickens, or 2.4 billion dressed pounds, in fiscal 2008.”

As a result of a strong export market through most of the fiscal year, the average market price for bulk leg quarters increased approximately 12 percent for fiscal 2008 compared with last year. During fiscal 2008, our sales into export markets totaled approximately \$233 million, or about 13 percent of our total sales dollars. However, market prices for leg quarters began to decline in October as the difficult worldwide economic issues began to impact the Company's export customers' access to credit. In light of the market conditions at the end of the summer, we announced in August our

plans to move our normal fall cutback in production a month early to the beginning of October. We also postponed our previously planned move to full production in our Waco, Texas, facility until 2009. This plant has continued to operate at approximately 90 percent capacity and will stay at this level until poultry houses are completed. We have also reduced our live weights at all of our big bird plants. We are encouraged to note that the USDA is predicting decreased chicken production during calendar 2009, which is supported by leading indicators such as egg sets and breeder placements.



CHARLES RITTER
DIRECTOR

BOB ROSA
CHIEF FINANCIAL
ANALYST

DOUG LEE
DIRECTOR OF
PROCESSING

NEIL MORGAN
DIRECTOR OF SALES

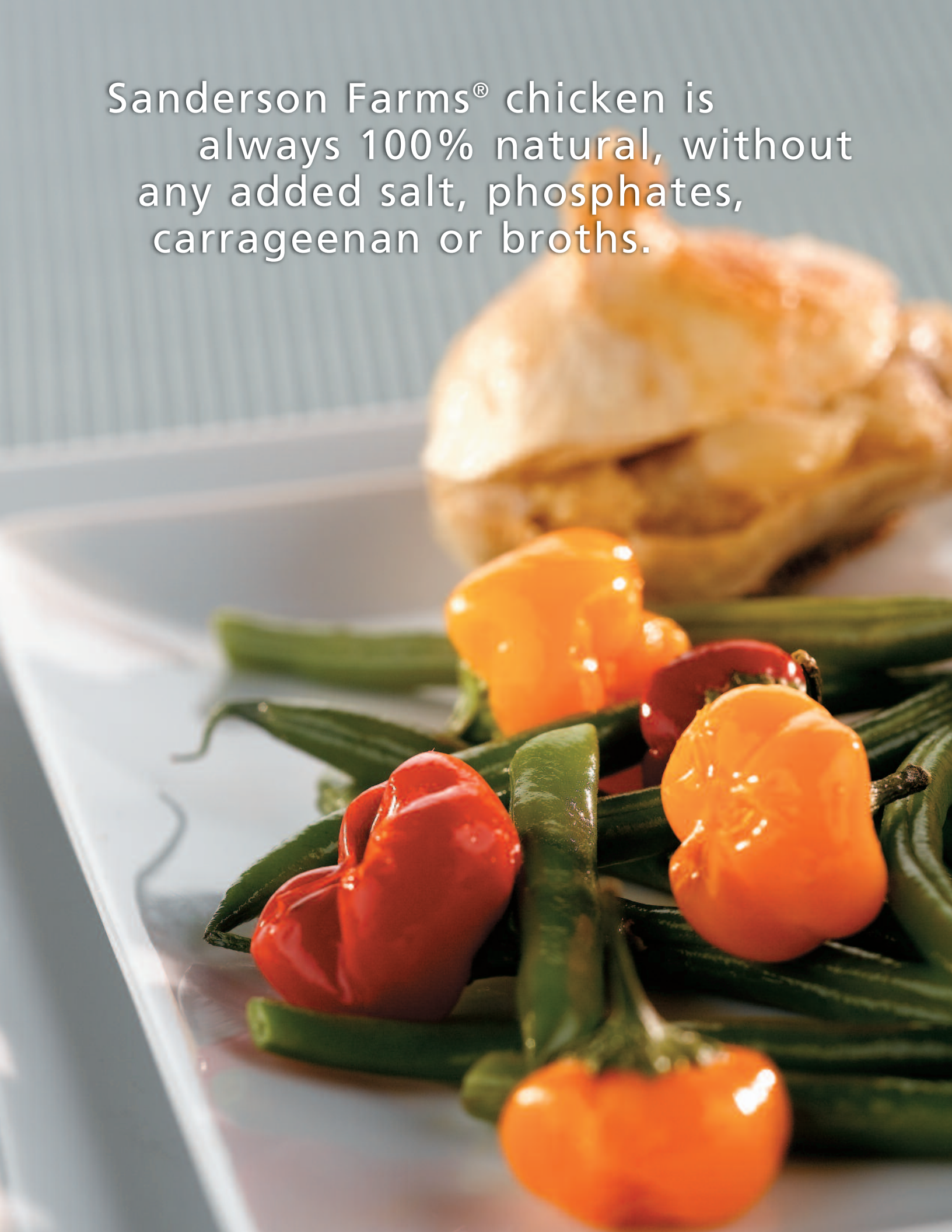


PHIL LIVINGSTON
DIRECTOR

BEVERLY WADE HOGAN
DIRECTOR

JOHN BAKER
DIRECTOR

Sanderson Farms® chicken is
always 100% natural, without
any added salt, phosphates,
carrageenan or broths.





Leading the Way

"The poultry industry has always been cyclical in nature, but we have consistently managed our business for the long term, regardless of market conditions."



JOHN BIERBUSSE
DIRECTOR

DIANNE MOONEY
DIRECTOR

FRED BANKS, JR.
DIRECTOR

Sanderson Farms has continued its pattern of growth throughout the various cycles that characterize our industry, and we note our position today as the fourth largest poultry producer in the United States. We have not grown, however, just to be bigger. We have followed a pattern of steady, manageable growth because having additional pounds of product to leverage into the marketplace to increase earnings capacity is one of two levers we have to increase our share value. The other is our operating efficiencies, and we remain focused on being the most efficient operator in our industry. We recognize that there are many things about our business over which we have no control, including overall economic concerns, higher grain prices and the constant fluctuations in market prices. However, even in difficult markets, we can control the way we operate and the number of pounds we have to leverage into the market. As a result, we remain focused on the key areas for success in our business – efficient operations; a favorable product mix and a disciplined growth strategy; exceptional customer service with the highest quality products available in our industry; and a strong, conservative financial position.

We are proud of our Company's accomplishments and our ability to face the challenges of the past year. We also look forward to the opportunities available to us

in 2009 to become better and stronger. Ultimately, we believe our prospects for long-term profitable growth and increased shareholder value rest on the strength of the people working throughout the Company. On behalf of the executive leadership team, we would like to thank the many people who represent Sanderson Farms in the market every day - our board of directors, managers, employees, customers and contract producers. As we look into the future, we are confident that we will continue, with equal success, to confront both our near-term challenges and to pursue the opportunities before us. We close by thanking you, our fellow shareholders, for your support of Sanderson Farms.

Sincerely,



JOE F. SANDERSON

Chairman and Chief Executive Officer



LAMPKIN BUTTS

President and Chief Operating Officer

MESSAGE FROM THE CHIEF FINANCIAL OFFICER



Our financial performance for fiscal 2008 reflects the changing market and economic conditions we experienced over the course of the year. While our operations continued to run efficiently, a number of external factors influenced our results.

We reported a record top-line performance with over \$1.7 billion in sales, but the combination of significantly higher feed costs and the economic downturn affected our profitability in the second half of the fiscal year. Cost of sales for the year increased over 30 percent compared with fiscal 2007. While our average sales price for poultry products during fiscal 2008 was up 2.3 percent over the prior year, the average cost per pound in our poultry business increased 16 percent, reflecting higher feed costs. All totaled, we paid \$239 million more for feed grain during fiscal 2008 than we did in fiscal 2007. That increase was on top of an increase of \$153.8 million in 2007 over 2006. As we move forward into fiscal 2009, the Company's current costs for corn and soybean meal have moderated, and we now expect to pay less for feed grain in fiscal 2009.

Regardless of market conditions, we have continued to pursue an operating strategy that has allowed us to balance considerable, but manageable growth with conservative financial management. We have maintained a financial position that ranks among the strongest in our industry. As of October 31, 2008, our balance sheet reflected \$681 million in assets, stockholders' equity of \$354 million and net working capital of \$189 million. Our total long-term debt at year-end was \$225 million and our total debt-to-capitalization ratio was 39 percent.

We spent approximately \$49 million on planned capital projects during fiscal 2008, including the completion of construction and equipment purchases for our Waco, Texas, complex. We expect our capital expenditures for fiscal 2009 to be approximately \$17 million and to be funded by cash on hand, internally generated working capital, cash flows from operations and, as needed, liquidity provided by our revolving credit facility. The significantly lower capital budget reflects the absence of new construction projects and the discipline of our managers during this challenging period. The company amended and extended its unsecured revolving line of credit on May 1, 2008, to, among other things, increase the credit available thereunder to \$300 million and relax the financial covenants and capital expenditure limitations to allow the flexibility needed to construct the new facility in North Carolina. While we put that project on hold in June until market conditions improve, we remain committed to the project. Indeed, \$8 million of our capital expenditures during fiscal 2008 were to purchase land for the project.

While we believe market forces will support a favorable balance of supply and demand for our industry over the long-term, we recognize there will be short-term fluctuations in markets and industry profitability. We also recognize that the severe economic issues and uncertainties facing our nation will continue to be a significant influence on our business in fiscal 2009. While we are mindful of these dynamics of the marketplace, our philosophy is to continue to manage Sanderson Farms for the long term. As always, our primary objective as a public company is to protect the interests of our shareholders and to reward them for their investment in Sanderson Farms.

Thank you for your continued support.

Sincerely,

MIKE COCKRELL
Treasurer and Chief Financial Officer

Board of Directors

Joe F. Sanderson, Jr.
Chairman of the Board
and Chief Executive Officer,
Sanderson Farms, Inc.

John H. Baker, III
Proprietor of John H.
Baker Interests

Fred Banks, Jr.
Partner, Phelps Dunbar LLP

John Bierbusse
Retired Manager of
Research Administration
A.G. Edwards, Inc.

Lampkin Butts
President and Chief
Operating Officer,
Sanderson Farms, Inc.

Mike Cockrell
Treasurer and Chief
Financial Officer,
Sanderson Farms, Inc.

Toni D. Cooley
President of Systems
Electro Coating, LLC

Beverly Wade Hogan
President of Tougaloo
College

Robert C. Khayat
Chancellor of the
University of Mississippi

Phil K. Livingston
Retired Chairman and
Chief Executive Officer,
Deposit Guaranty National
Bank of Louisiana,
Hammond, Louisiana

Dianne Mooney
Retired Senior Vice
President,
Southern Living at Home

Gail Jones Pittman
President, Gail Pittman, Inc.

Charles W. Ritter, Jr.
Retired President and
Director, the Attala
Company, Kosciusko,
Mississippi

Rowan H. Taylor
Retired Chairman,
Mississippi Valley Title
Insurance Company



Pictured above left to right: Rowan Taylor, Phil Livingston, Toni Cooley, Charles Ritter, Mike Cockrell, John Baker, Lampkin Butts, Joe Sanderson, Robert Khayat, Gail Pittman, Dianne Mooney, Beverly Hogan, John Bierbusse, Fred Banks

Executive Officers

Joe F. Sanderson, Jr.
Chairman and Chief
Executive Officer

Lampkin Butts
President and Chief
Operating Officer

Mike Cockrell
Treasurer and Chief
Financial Officer

James A. Grimes
Secretary and Chief
Accounting Officer

Corporate Information

Corporate Offices
Sanderson Farms, Inc.
127 Flynt Road
Post Office Box 988
Laurel, Mississippi 39443
(601) 649-4030
www.sandersonfarms.com

Transfer Agent
Mellon Investor Services
480 Washington Boulevard
Jersey City, NJ 07310-1900
800-756-3353
www.bnymellon.com/shareowner/isd

Independent Registered Public Accounting Firm
Ernst & Young LLP
Suite 3900
701 Poydras Street
New Orleans, Louisiana 70139
(504) 581-4200

Form 10-K

The Annual Report on Form 10-K, including the financial statements, schedules and exhibits thereto, for the year ended October 31, 2008, is included in this report. Other information about Sanderson Farms may be obtained without charge by writing to Mr. Mike Cockrell, Treasurer and Chief Financial Officer, at the Company's corporate offices, or by visiting the Company's web site at www.sandersonfarms.com.



Sanderson Farms, Inc.

127 Flynt Road
Post Office Box 988
Laurel, Mississippi 39443
(601) 649-4030
www.sandersonfarms.com