



Edgar Filing: **HORMEL FOODS CORP /DE/ - Form 10-Q**

**Delaware**

(State or other jurisdiction of incorporation or organization)

**41-0319970**

(I.R.S. Employer Identification No.)

**1 Hormel Place**

**Austin, Minnesota**

(Address of principal executive offices)

**55912-3680**

(Zip Code)

**(507) 437-5611**

(Registrant's telephone number, including area code)

**None**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

	<b>Class</b>		<b>Outstanding at September 4, 2011</b>
Common Stock		\$.0293 par value	265,226,125

Edgar Filing: HORMEL FOODS CORP /DE/ - Form 10-Q

Common Stock Non-Voting

\$.01 par value

-0-

---

Table of Contents

**TABLE OF CONTENTS**

**PART I - FINANCIAL INFORMATION**

<b><u>Item 1.</u></b>	<b><u>Financial Statements</u></b>
	<u>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</u> July 31, 2011 and October 31, 2010
	<u>CONSOLIDATED STATEMENTS OF OPERATIONS</u> Three and Nine Months Ended July 31, 2011 and July 25, 2010
	<u>CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' INVESTMENT</u> Twelve Months Ended October 31, 2010 and Nine Months Ended July 31, 2011
	<u>CONSOLIDATED STATEMENTS OF CASH FLOWS</u> Nine Months Ended July 31, 2011 and July 25, 2010
	<u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</u>

<b><u>Item 2.</u></b>	<b><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>
	<u>CRITICAL ACCOUNTING POLICIES</u>
	<u>RESULTS OF OPERATIONS</u>
	<u>Overview</u>
	<u>Consolidated Results</u>
	<u>Segment Results</u>
	<u>Related Party Transactions</u>
	<u>LIQUIDITY AND CAPITAL RESOURCES</u>
	<u>FORWARD-LOOKING STATEMENTS</u>

<b><u>Item 3.</u></b>	<b><u>Quantitative and Qualitative Disclosures About Market Risk</u></b>
-----------------------	--

<b><u>Item 4.</u></b>	<b><u>Controls and Procedures</u></b>
-----------------------	---------------------------------------

**PART II - OTHER INFORMATION**

<b><u>Item 1.</u></b>	<b><u>Legal Proceedings</u></b>
<b><u>Item 1A.</u></b>	<b><u>Risk Factors</u></b>
<b><u>Item 2.</u></b>	<b><u>Unregistered Sales of Equity Securities and Use of Proceeds</u></b>
<b><u>Item 6.</u></b>	<b><u>Exhibits</u></b>
<b><u>SIGNATURES</u></b>	

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****HORMEL FOODS CORPORATION****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****(In Thousands of Dollars)**

	<b>July 31, 2011 (Unaudited)</b>	<b>October 31, 2010</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 497,364	\$ 467,845
Short-term marketable securities	76,125	50,595
Accounts receivable	427,927	430,939
Inventories	865,875	793,771
Income taxes receivable	16,830	8,525
Deferred income taxes	70,299	70,703
Prepaid expenses	11,859	12,153
Other current assets	10,842	23,635
<b>TOTAL CURRENT ASSETS</b>	<b>1,977,121</b>	<b>1,858,166</b>
<b>DEFERRED INCOME TAXES</b>	<b>49,046</b>	<b>72,426</b>
<b>GOODWILL</b>	<b>630,707</b>	<b>629,023</b>
<b>OTHER INTANGIBLES</b>	<b>134,330</b>	<b>141,522</b>
<b>PENSION ASSETS</b>	<b>87,424</b>	<b>61,272</b>
<b>INVESTMENTS IN AND RECEIVABLES FROM AFFILIATES</b>	<b>227,810</b>	<b>214,389</b>
<b>OTHER ASSETS</b>	<b>147,196</b>	<b>155,017</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land	55,676	54,017
Buildings	740,655	729,718
Equipment	1,376,515	1,358,237
Construction in progress	49,767	45,283
	2,222,613	2,187,255
Less allowance for depreciation	(1,326,718)	(1,265,152)
	895,895	922,103
<b>TOTAL ASSETS</b>	<b>\$ 4,149,529</b>	<b>\$ 4,053,918</b>



Table of Contents**HORMEL FOODS CORPORATION****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****(In Thousands of Dollars)**

	<b>July 31, 2011 (Unaudited)</b>	<b>October 31, 2010</b>
<b>LIABILITIES AND SHAREHOLDERS INVESTMENT</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 301,578	\$ 361,287
Accrued expenses	42,787	46,408
Accrued workers compensation	33,579	33,022
Accrued marketing expenses	100,182	76,552
Employee related expenses	176,451	187,116
Taxes payable	9,034	9,339
Interest and dividends payable	37,352	37,489
Current maturities of long-term debt	0	350,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>700,963</b>	<b>1,101,213</b>
<b>LONG TERM DEBT less current maturities</b>	<b>250,000</b>	<b>0</b>
<b>PENSION AND POST-RETIREMENT BENEFITS</b>	<b>458,258</b>	<b>454,998</b>
<b>OTHER LONG-TERM LIABILITIES</b>	<b>73,693</b>	<b>91,068</b>
<b>SHAREHOLDERS INVESTMENT *</b>		
Preferred stock, par value \$.01 a share authorized 160,000,000 shares; issued none		
Common stock, non-voting, par value \$.01 a share authorized 400,000,000 shares; issued none		
Common stock, par value \$.0293 a share authorized 800,000,000 shares; issued 266,327,925 shares July 31, 2011 issued 265,963,080 shares October 31, 2010	7,803	7,793
Accumulated other comprehensive loss	(154,554)	(175,910)
Retained earnings	2,806,391	2,568,774
<b>HORMEL FOODS CORPORATION SHAREHOLDERS INVESTMENT</b>	<b>2,659,640</b>	<b>2,400,657</b>
<b>NONCONTROLLING INTEREST</b>	<b>6,975</b>	<b>5,982</b>
<b>TOTAL SHAREHOLDERS INVESTMENT</b>	<b>2,666,615</b>	<b>2,406,639</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS INVESTMENT</b>	<b>\$ 4,149,529</b>	<b>\$ 4,053,918</b>

\* Shares and par values have been restated, as appropriate, to reflect the two-for-one stock split effected February 1, 2011.

See Notes to Consolidated Financial Statements

Table of Contents

**HORMEL FOODS CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(In Thousands, Except Per Share Amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	July 31, 2011	July 25, 2010*	July 31, 2011	July 25, 2010*
Net sales	\$ 1,910,592	\$ 1,730,451	\$ 5,791,191	\$ 5,157,680
Cost of products sold	1,612,737	1,445,536	4,793,104	4,273,911
<b>GROSS PROFIT</b>	<b>297,855</b>	<b>284,915</b>	<b>998,087</b>	<b>883,769</b>
Selling, general and administrative	156,595	146,523	461,892	438,837
Equity in earnings of affiliates	5,562	2,222	19,139	8,995
<b>OPERATING INCOME</b>	<b>146,822</b>	<b>140,614</b>	<b>555,334</b>	<b>453,927</b>
Other income and expense:				
Interest and investment income	139	310	2,552	2,176
Interest expense	(5,623)	(6,493)	(19,389)	(19,628)
<b>EARNINGS BEFORE INCOME TAXES</b>	<b>141,338</b>	<b>134,431</b>	<b>538,497</b>	<b>436,475</b>
Provision for income taxes	41,374	48,067	177,796	159,307
<b>NET EARNINGS</b>	<b>99,964</b>	<b>86,364</b>	<b>360,701</b>	<b>277,168</b>
Less: Net earnings attributable to noncontrolling interest	1,483	994	3,815	2,729
<b>NET EARNINGS ATTRIBUTABLE TO HORMEL FOODS CORPORATION</b>	<b>\$ 98,481</b>	<b>\$ 85,370</b>	<b>\$ 356,886</b>	<b>\$ 274,439</b>
<b>NET EARNINGS PER SHARE:</b>				
BASIC	\$ 0.37	\$ 0.32	\$ 1.34	\$ 1.03
DILUTED	\$ 0.36	\$ 0.32	\$ 1.31	\$ 1.01
<b>WEIGHTED-AVERAGE SHARES OUTSTANDING:</b>				
BASIC	266,925	266,401	266,887	266,922
DILUTED	272,759	270,326	272,449	270,736
<b>DIVIDENDS DECLARED PER SHARE:</b>	<b>\$ 0.1275</b>	<b>\$ 0.1050</b>	<b>\$ 0.3825</b>	<b>\$ 0.3150</b>

\* Shares and per share figures have been restated to reflect the two-for-one stock split effected February 1, 2011.

See Notes to Consolidated Financial Statements





Table of Contents**HORMEL FOODS CORPORATION****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS INVESTMENT****(In Thousands, Except Per Share Amounts)****(Unaudited)**

	<b>Hormel Foods Corporation Shareholders</b>						
	<b>Common Stock</b>	<b>Treasury Stock</b>	<b>Additional Paid-in Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Non- controlling Interest</b>	<b>Total Shareholders Investment</b>
Balance at October 25, 2009	\$ 7,828	\$ 0	\$ 0	\$ 2,318,390	\$ (203,610)	\$ 1,713	\$ 2,124,321
Comprehensive income							
Net earnings				395,587		4,189	399,776
Foreign currency translation					5,468	80	5,548
Deferred hedging, net of reclassification adjustment					33,372		33,372
Pension and other benefits					(11,140)		(11,140)
Comprehensive income						4,269	427,556
Purchases of common stock		(69,574)					(69,574)
Stock-based compensation expense			14,402				14,402
Exercise of stock options/nonvested shares	65	(308)	22,007				21,764
Shares retired	(100)	69,882	(36,409)	(33,373)			0
Declared cash dividends \$.42 per share*				(111,830)			(111,830)
Balance at October 31, 2010	\$ 7,793	\$ 0	\$ 0	\$ 2,568,774	\$ (175,910)	\$ 5,982	\$ 2,406,639
Comprehensive income							
Net earnings				356,886		3,815	360,701
Foreign currency translation					2,915	178	3,093
Deferred hedging, net of reclassification adjustment					7,178		7,178
Pension and other benefits					11,263		11,263
Comprehensive income						3,993	382,235
Purchases of common stock		(80,648)					(80,648)
Stock-based compensation expense			14,820				14,820
Exercise of stock options/nonvested shares	94	(149)	48,835				48,780
Shares retired	(84)	80,797	(63,655)	(17,058)			0

Edgar Filing: HORMEL FOODS CORP /DE/ - Form 10-Q

Distribution to noncontrolling interest									(3,000)		(3,000)			
Declared cash dividends \$ .3825 per share									(102,211)		(102,211)			
Balance at July 31, 2011	\$	7,803	\$	0	\$	0	\$	2,806,391	\$	(154,554)	\$	6,975	\$	2,666,615

\* Per share figures have been restated to reflect the two-for-one stock split effected February 1, 2011.

See Notes to Consolidated Financial Statements

Table of Contents

**HORMEL FOODS CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In Thousands of Dollars)

(Unaudited)

	Nine Months Ended	
	July 31, 2011	July 25, 2010
<b>OPERATING ACTIVITIES</b>		
Net earnings	\$ 360,701	\$ 277,168
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	85,735	84,332
Amortization of intangibles	7,192	7,786
Equity in earnings of affiliates, net of dividends	(15,108)	(8,995)
Provision for deferred income taxes	5,040	1,285
Gain on property/equipment sales and plant facilities	(250)	(81)
Non-cash investment activities	357	(276)
Stock-based compensation expense		