CONAGRA FOODS INC /DE/
Form 10-Q
October 01, 2010

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

FORM 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended August 29, 2010

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 1-7275

CONAGRA FOODS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**47-0248710**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
One ConAgra Drive, Omaha, Nebraska	**68102-5001**
(Address of principal executive offices)	**(Zip Code)**

(402) 240-4000
(Registrant s telephone number, including area code)
(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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

Number of shares outstanding of issuer s common stock, as of September 26, 2010, was 439,720,454.

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PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
ConAgra Foods, Inc. and Subsidiaries
Condensed Consolidated Statements of Earnings
(in millions except per share amounts)
(unaudited)

	Thirteen weeks ended August 29, 2010	Thirteen weeks ended August 30, 2009
Net sales	$ 2,817.6	$ 2,886.3
Costs and expenses:		
Cost of goods sold	2,165.8	2,180.1
Selling, general and administrative expenses	410.0	421.9
Interest expense, net	37.3	41.4
Income from continuing operations before income taxes and equity method investment earnings	204.5	242.9
Income tax expense	67.0	88.8
Equity method investment earnings	6.2	8.9
Income from continuing operations	143.7	163.0
Income from discontinued operations, net of tax	2.6	2.2
Net income	$ 146.3	$ 165.2
Less: Net loss attributable to noncontrolling interests	(0.1)	(0.7)
Net income attributable to ConAgra Foods, Inc.	$ 146.4	$ 165.9
Earnings per share - basic		
Income from continuing operations attributable to ConAgra Foods, Inc. common stockholders	$ 0.32	$ 0.37
Income from discontinued operations attributable to ConAgra Foods, Inc. common stockholders	0.01	
Net income attributable to ConAgra Foods, Inc. common stockholders	$ 0.33	$ 0.37
Earnings per share - diluted		
Income from continuing operations attributable to ConAgra Foods, Inc. common stockholders	$ 0.32	$ 0.37
Income from discontinued operations attributable to ConAgra Foods, Inc. common stockholders	0.01	
Net income attributable to ConAgra Foods, Inc. common stockholders	$ 0.33	$ 0.37
Cash dividends declared per common share	$ 0.20	$ 0.19

See notes to the condensed consolidated financial statements.

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ConAgra Foods, Inc. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income
(in millions)
(unaudited)

	Thirteen weeks ended	
	August 29, 2010	**August 30, 2009**
Net income	$ 146.3	$ 165.2
Other comprehensive income (loss):		
Derivative adjustments, net of tax	0.1	
Unrealized gains and losses on available-for-sale securities, net of tax:		
Unrealized holding losses arising during the period	(0.2)	(0.1)
Currency translation adjustment:		
Unrealized translation gains arising during the period	4.9	1.2
Pension and postretirement healthcare liabilities, net of tax	2.3	(0.8)
Comprehensive income	153.4	165.5
Comprehensive loss attributable to noncontrolling interests	(0.1)	(0.7)
Comprehensive income attributable to ConAgra Foods, Inc.	$ 153.5	$ 166.2

See notes to the condensed consolidated financial statements.

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ConAgra Foods, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets
(in millions except share data)
(unaudited)

	August 29, 2010	May 30, 2010
ASSETS		
Current assets		
Cash and cash equivalents	$ 840.9	$ 953.2
Receivables, less allowance for doubtful accounts of $8.0 and $8.5	853.3	849.6
Inventories	1,769.3	1,606.5
Prepaid expenses and other current assets	522.2	307.3
Current assets held for sale		243.5
Total current assets	3,985.7	3,960.1
Property, plant and equipment	5,494.5	5,402.9
Less accumulated depreciation	(2,848.9)	(2,777.9)
Property, plant and equipment, net	2,645.6	2,625.0
Goodwill	3,602.0	3,552.1
Brands, trademarks and other intangibles, net	934.1	874.8
Other assets	480.3	695.6
Noncurrent assets held for sale		30.4
	$ 11,647.7	$ 11,738.0
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Notes payable	$ 0.6	$ 0.6
Current installments of long-term debt	257.7	260.2
Accounts payable	977.3	919.1
Accrued payroll	131.1	263.9
Other accrued liabilities	711.7	579.0
Current liabilities held for sale		13.4
Total current liabilities	2,078.4	2,036.2
Senior long-term debt, excluding current installments	3,018.4	3,030.5
Subordinated debt	195.9	195.9
Other noncurrent liabilities	1,442.9	1,541.3
Noncurrent liabilities held for sale		5.2
Total liabilities	6,735.6	6,809.1
Commitments and contingencies (Note 14)		

Common stockholders equity		
Common stock of $5 par value, authorized 1,200,000,000 shares; issued 567,907,172	2,839.7	2,839.7
Additional paid-in capital	880.9	897.5
Retained earnings	4,475.5	4,417.1
Accumulated other comprehensive loss	(278.2)	(285.3)
Less treasury stock, at cost, 128,393,555 and 125,637,495 common shares	(3,010.8)	(2,945.1)
Total ConAgra Foods common stockholders equity	4,907.1	4,923.9
Noncontrolling interests	5.0	5.0
Total stockholders equity	4,912.1	4,928.9
	$ 11,647.7	$ 11,738.0

See notes to the condensed consolidated financial statements.

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ConAgra Foods, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows
(in millions)
(unaudited)

	Thirteen weeks ended	
	August 29, 2010	**August 30, 2009**
Cash flows from operating activities:		
Net income	$ 146.3	$ 165.2
Income from discontinued operations	2.6	2.2
Income from continuing operations	143.7	163.0
Adjustments to reconcile income from continuing operations to net cash flows from operating activities:		
Depreciation and amortization	86.4	78.8
Loss on sale of fixed assets	1.7	1.3
Impairment charges related to Garner accident		19.1
Insurance recoveries recognized related to Garner accident	(1.3)	(33.7)
Advances from insurance carriers related to Garner accident	3.0	
Distributions from affiliates greater (less) than current earnings	(2.6)	1.8
Contributions to pension plans	(110.1)	(2.7)
Share-based payments expense	8.4	12.0
Non-cash interest income on payment-in-kind notes	(18.5)	(19.8)
Other items	22.5	17.7
Change in operating assets and liabilities before effects of business acquisitions and dispositions:		
Accounts receivable	(1.5)	(74.1)
Inventory	(148.0)	34.5
Prepaid expenses and other current assets	37.8	(15.9)
Accounts payable	80.9	(42.6)
Accrued payroll	(132.1)	(19.1)
Other accrued liabilities	135.7	155.8
Net cash flows from operating activities continuing operations	106.0	276.1
Net cash flows from operating activities discontinued operations	2.8	(13.5)
Net cash flows from operating activities	108.8	262.6
Cash flows from investing activities:		
Additions to property, plant and equipment	(129.1)	(117.4)
Sale of property, plant and equipment	1.0	1.4
Advances from insurance carriers related to Garner accident	2.5	
Purchase of businesses and intangible assets	(129.7)	(3.0)
Net cash flows from investing activities continuing operations	(255.3)	(119.0)
Net cash flows from investing activities discontinued operations	248.9	4.9

Net cash flows from investing activities	$ (6.4)	$ (114.1)

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ConAgra Foods, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (continued)
(in millions)
(unaudited)

	Thirteen weeks ended	
	August 29, 2010	**August 30, 2009**
Cash flows from financing activities:		
Repayment of long-term debt	$ (38.4)	$ (2.7)
Repurchase of ConAgra Foods common shares	(100.0)	
Cash dividends paid	(88.5)	(85.0)
Exercise of stock options and issuance of other stock awards	10.9	(14.1)
Other items	(0.3)	(0.8)
Net cash flows from financing activities continuing operations	(216.3)	(102.6)
Net cash flows from financing activities discontinued operations	(0.1)	(0.2)
Net cash flows from financing activities	(216.4)	(102.8)
Effect of exchange rate changes on cash and cash equivalents	1.7	0.8
Net change in cash and cash equivalents	(112.3)	46.5
Cash and cash equivalents at beginning of period	953.2	243.2
Cash and cash equivalents at end of period	$ 840.9	$ 289.7

See notes to the condensed consolidated financial statements.

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ConAgra Foods, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
For the Thirteen Weeks ended August 29, 2010 and August 30, 2009
(columnar dollars in millions except per share amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited financial information reflects all adjustments, which are, in the opinion of management, necessary for a fair presentation of the results of operations, financial position, and cash flows for the periods presented. The adjustments are of a normal recurring nature, except as otherwise noted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the ConAgra Foods, Inc. (the Company, we, us, or our) annual report on Form 10-K for the fiscal year ended May 30, 2010.

The results of operations for any quarter or a partial fiscal year period are not necessarily indicative of the results to be expected for other periods or the full fiscal year.

Basis of Consolidation The condensed consolidated financial statements include the accounts of ConAgra Foods, Inc. and all majority-owned subsidiaries. In addition, the accounts of all variable interest entities for which we have been determined to be the primary beneficiary are included in our condensed consolidated financial statements from the date such determination is made. All significant intercompany investments, accounts, and transactions have been eliminated.

Comprehensive Income Comprehensive income includes net income, currency translation adjustments, certain derivative-related activity, changes in the value of available-for-sale investments, and changes in prior service cost and net actuarial gains (losses) from pension and postretirement health care plans. We generally deem our foreign investments to be essentially permanent in nature and we do not provide for taxes on currency translation adjustments arising from converting the investment denominated in a foreign currency to U.S. dollars. When we determine that a foreign investment, as well as undistributed earnings, are no longer permanent in nature, estimated taxes are provided for the related deferred tax liability (asset), if any, resulting from currency translation adjustments.

The following details the income tax expense (benefit) on components of other comprehensive income:

	Thirteen weeks ended	
	August 29, 2010	**August 30, 2009**
Unrealized losses on available-for-sale securities	$ (0.1)	$ (0.1)
Pension and postretirement healthcare liabilities	1.5	0.2
	$ 1.4	$ 0.1

Accounting Changes In June 2009, the Financial Accounting Standards Board (FASB) amended its guidance on the consolidation of variable interest entities. This guidance requires an enterprise to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as the enterprise that has both of the following characteristics: the power to direct the activities of a variable interest entity that most significantly impact the entity s economic performance and the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. We adopted the provisions of this guidance effective as of the beginning of our fiscal 2011. The impact of the adoption of this guidance was not material to our financial statements.

Reclassifications Certain prior year amounts have been reclassified to conform with current year presentation.

Use of Estimates Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect reported amounts of assets, liabilities, revenues, and expenses as reflected in the condensed consolidated financial statements. Actual results could differ from these estimates.

2. DISCONTINUED OPERATIONS AND DIVESTITURES

Discontinued Operations

Gilroy Foods & Flavors™ Operations

In July 2010, we completed the sale of substantially all of the assets of *Gilroy Foods & Flavors* dehydrated garlic, onion, capsicum and *Controlled Moisture* , *GardenFrost*®, *Redi-Made* , and fresh vegetable operations for $248.9 million in cash, subject to final working capital adjustments. We reflected the results of these operations as discontinued operations for all periods presented. The assets and liabilities of the discontinued *Gilroy Foods & Flavors* dehydrated vegetable business have been reclassified as assets and liabilities held for sale within our consolidated balance sheets for the period prior to divestiture.

In connection with the sale of this business, we have entered into agreements to purchase certain ingredients from the divested business for a period of five years. The continuing cash flows related to these agreements are not significant, and accordingly, are not deemed to be direct cash flows of the divested business.

Summary of Operational Results

The summary comparative financial results of discontinued operations were as follows:

	Thirteen weeks ended	
	August 29, 2010	August 30, 2009
Net sales	$ 40.7	$ 76.3
Operating results from discontinued operations before income taxes	$ 4.7	$ 3.6
Gain from disposal of businesses	0.9	
Income before income taxes	5.6	3.6
Income tax expense	(3.0)	(1.4)
Income from discontinued operations, net of tax	$ 2.6	$ 2.2

Operating results from discontinued operations for the thirteen weeks ended August 29, 2010 reflected the reversal of an accrual of $3.0 million related to certain legal matters of divested businesses.

The assets and liabilities classified as held for sale as of May 30, 2010 were as follows:

	May 30, 2010
Receivables, less allowances for doubtful accounts	$ 29.0
Inventories	213.3
Prepaid expenses and other current assets	1.2
Current assets held for sale	$ 243.5
Property, plant and equipment, net	$ 30.4
Noncurrent assets held for sale	$ 30.4
Current installments of long-term debt	$ 0.9
Accounts payable	9.1
Accrued payroll	0.9
Other accrued liabilities	2.5

Current liabilities held for sale	$	13.4
Senior long-term debt, excluding current installments	$	5.2
Noncurrent liabilities held for sale	$	5.2

Other Divestitures

In February 2010, we completed the sale of our *Luck s*® brand for proceeds of approximately $22.0 million in cash, resulting in a pre-tax gain of approximately $14.3 million ($9.0 million after-tax), reflected in selling, general and administrative expenses.

3. ACQUISITIONS

In June 2010, we acquired the assets of American Pie, LLC (American Pie), for approximately $127.8 million in cash plus assumed liabilities, subject to working capital adjustments. American Pie is a manufacturer of frozen fruit pies, thaw and serve pies, fruit cobblers, and pie crusts under the licensed *Marie Callender s*® and *Claim Jumper*® trade names, as well as frozen dinners, pot pies, and appetizers under the *Claim Jumper*® trade name. Approximately $49.4 million of the purchase price was allocated to goodwill and approximately $61.3 million was allocated to brands, trademarks and other intangibles. The fair values are subject to refinement as we complete our analysis relative to the fair values at the acquisition date. The amount allocated to goodwill is deductible for income tax purposes and is primarily attributable to American Pie s product portfolio, as well as anticipated synergies and other intangibles that do not qualify for separate recognition. This business is included in the Consumer Foods segment.

In the fourth quarter of fiscal 2010, we acquired Elan Nutrition, Inc. (Elan), a privately held formulator and manufacturer of private label snack and nutrition bars, for approximately $103.5 million in cash plus assumed liabilities. Approximately $66.4 million of the purchase price was allocated to goodwill and approximately $33.6 million was allocated to brands, trademarks and other intangibles. The amount allocated to goodwill is not deductible for income tax purposes and primarily reflects the value of the synergies we expect from the acquisition as well as other intangibles that do not qualify for separate recognition. This business is included in the Consumer Foods segment.

4. PAYMENT-IN-KIND NOTES RECEIVABLE

In connection with the divestiture of the trading and merchandising operations in fiscal 2009, we received $550.0 million (face value) of payment-in-kind debt securities (the Notes) issued by the purchaser of the divested business. The Notes were recorded at an initial estimated fair value of $479.4 million.

The Notes were issued in three tranches: $99,990,000 original principal amount of 10.5% notes due June 19, 2010; $200,035,000 original principal amount of 10.75% notes due June 19, 2011; and $249,975,000 original principal amount of 11.0% notes due June 19, 2012.

The Notes permit payment of interest in cash or additional notes. The Notes may be redeemed in whole or in part prior to maturity at the option of the issuer of the Notes. Redemption is at par plus accrued interest. The Notes contain certain covenants that govern the issuer s ability to make restricted payments and enter into certain affiliate transactions. The Notes also provide for the making of mandatory offers to repurchase upon certain change of control events involving the purchaser, their co-investors, or their affiliates. During the fourth quarter of fiscal 2010, we received $115.4 million as payment in full of all principal and interest due on the first tranche of Notes from the purchaser, in advance of the scheduled June 19, 2010 maturity date. In fiscal 2009, we received a cash interest payment on the Notes of $29.7 million from the purchaser. With the exception of these cash receipts, all interest payments on the outstanding tranches have been made in-kind. The Note due June 19, 2011, which is classified within prepaid expenses and other current assets, had a carrying value of $230.9 million at August 29, 2010. The Note due June 19, 2012, which is classified as other assets, had a carrying value of $277.8 million at August 29, 2010.

Based on market interest rates of comparable instruments, provided by investment bankers, we estimated the fair market value of the Notes was $532.8 million at August 29, 2010.

5. VARIABLE INTEREST ENTITIES

Variable Interest Entities Consolidated

In September 2008, we acquired a 49.99% interest in Lamb Weston BSW, LLC (Lamb Weston BSW), a potato processing venture with Ochoa Ag Unlimited Foods, Inc. (Ochoa). We provide all sales and marketing services to Lamb Weston BSW. Under certain circumstances, we could be required to compensate the other equity owner of Lamb Weston BSW for lost profits resulting from significant production shortfalls (production shortfalls). Commencing on June 1, 2018, or on an earlier date under certain circumstances, we have a contractual right to purchase the remaining equity interest in Lamb Weston BSW from Ochoa (the call option). Commencing on July 30, 2011, or on an earlier date under certain circumstances, we are subject to a contractual obligation to purchase all of Ochoa s equity investment in Lamb Weston BSW at the option of Ochoa (the put option). The purchase prices under the call option and the put option (the options) are based on the book value of Ochoa s equity interest at the date of exercise, 10

as modified by an agreed-upon rate of return for the holding period of the investment balance. The agreed-upon rate of return varies depending on the circumstances under which any of the options are exercised. We have determined that Lamb Weston BSW is a variable interest entity and that we are the primary beneficiary of the entity. Accordingly, we consolidate the financial statements of Lamb Weston BSW.

In the first quarter of fiscal 2010, we established a line of credit with Lamb Weston BSW, under which we will lend up to $1.5 million to Lamb Weston BSW. As of August 29, 2010, the balance of $1.1 million was due upon demand. Borrowings under the line of credit bear interest at a rate of LIBOR plus 3%. In the first quarter of fiscal 2011, we repaid $35.4 million of bank borrowings of Lamb Weston BSW and took assignment of a promissory note from the joint venture for the same amount, due in June 2018. The promissory note carries a tiered interest rate schedule and is currently accruing interest at a rate of LIBOR plus 350 basis points with a floor of 4.25%. The amounts owed by Lamb Weston BSW to the Company are not reflected in our balance sheets, as they are eliminated in consolidation.

Our variable interests in Lamb Weston BSW include an equity investment in the venture, the options, the promissory note, certain fees paid to us by Lamb Weston BSW for sales and marketing services, the contingent obligation related to production shortfalls, and the line of credit advanced to Lamb Weston BSW. Our maximum exposure to loss as a result of our involvement with this venture is equal to our equity investment in the venture and advances under the line of credit and the promissory note extended to the venture, except under certain circumstances under which production shortfalls occur. In the event of a production shortfall, we could be required to compensate the other equity owner of Lamb Weston BSW for lost profits. It is not possible to determine the maximum exposure to losses from production shortfalls. However, we do not expect to incur any losses resulting from this exposure.

We also consolidate the assets and liabilities of several entities from which we lease corporate aircraft. Each of these entities has been determined to be a variable interest entity and we have been determined to be the primary beneficiary of each of these entities. Under the terms of the aircraft leases, we provide guarantees to the owners of these entities of a minimum residual value of the aircraft at the end of the lease term. We also have fixed price purchase options on the aircraft leased from these entities. Our maximum exposure to loss from our involvement with these entities is limited to the difference between the fair value of the leased aircraft and the amount of the residual value guarantees at the time we terminate the leases (the leases expire between December 2011 and October 2012). The total amount of the residual value guarantees for these aircraft at the end of the respective lease terms is $38.4 million.

Due to the consolidation of these variable interest entities, we reflected in our balance sheets:

	August 29, 2010	May 30, 2010
Cash	$ 1.6	$
Receivables, net	16.0	16.9
Inventories	1.6	1.4
Prepaid expenses and other current assets	0.1	0.3
Property, plant and equipment, net	95.0	96.5
Goodwill	18.8	18.8
Brands, trademarks and other identifiable intangibles, net	9.6	9.8
Total assets	$ 142.7	$ 143.7
Current installments of long-term debt	$ 3.9	$ 6.4
Accounts payable	12.3	12.2
Accrued payroll	0.6	0.3
Other accrued liabilities	0.9	0.7
Senior long-term debt, excluding current installments	42.5	76.8
Other noncurrent liabilities (minority interest)	24.8	24.8
Total liabilities	$ 85.0	$ 121.2

The liabilities recognized as a result of consolidating the Lamb Weston BSW entity do not represent additional claims on our general assets. The creditors of Lamb Weston BSW have claims only on the assets of Lamb Weston BSW. The assets recognized as a result of consolidating Lamb Weston BSW are the property of the venture and are not available to us for any other purpose.

Variable Interest Entities Not Consolidated

We also have variable interests in certain other entities that we have determined to be variable interest entities, but for which we are not the primary beneficiary. We have not consolidated the financial statements of these entities.

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We hold a 50% interest in Lamb Weston RDO, a potato processing venture. We provide all sales and marketing services to Lamb Weston RDO. We receive a fee for these services based on a percentage of the net sales of the venture. We reflect the value of our ownership interest in this venture in other assets, based upon the equity method of accounting. The balance of our investment was $13.6 million and $13.8 million at August 29, 2010 and May 30, 2010, respectively, representing our maximum exposure to loss as a result of our involvement with this venture. The capital structure of Lamb Weston RDO includes owners equity of $27.2 million and term borrowings from banks of $47.9 million as of August 29, 2010. We have determined that we do not have the power to direct the activities that most significantly impact the economic performance of this venture.

We lease certain office buildings from entities that we have determined to be variable interest entities. The lease agreements with these entities include fixed-price purchase options for the assets being leased, representing our only variable interest in these lessor entities. These leases are accounted for as operating leases, and accordingly, there are no material assets or liabilities associated with these entities included in our balance sheets. We have no material exposure to loss from our variable interests in these entities. We have determined that we do not have the power to direct the activities that most significantly impact the economic performance of these entities. In making this determination, we have considered, among other items, the terms of the lease agreements, the expected remaining useful lives of the assets leased, and the capital structure of the lessor entities.

6. GARNER, NORTH CAROLINA ACCIDENT

On June 9, 2009, an accidental explosion occurred at our manufacturing facility in Garner, North Carolina. This facility was the primary production facility for our *Slim Jim®* branded meat snacks. On June 13, 2009, the U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives announced its determination that the explosion was the result of an accidental natural gas release, and not a deliberate act.

We maintain comprehensive property (including business interruption), workers compensation, and general liability insurance policies with very significant loss limits that we believe will provide substantial and broad coverage for the currently foreseeable losses arising from this accident.

We recognized charges totaling $36.6 million ($30.4 million in selling, general and administrative expenses and $6.2 million in cost of goods sold) in the first quarter of fiscal 2010 in connection with the accident. These amounts exclude lost profits from the interruption of the business. We also recognized insurance recoveries of $33.7 million in selling, general and administrative expenses in the first quarter of fiscal 2010. The costs incurred and insurance recoveries recognized in the first quarter of fiscal 2011 were not material.

Through August 29, 2010, we had received payment advances from the insurers of approximately $90.5 million for our initial insurance claims for this matter, $59.4 million of which has been recognized as a reduction to selling, general and administrative expenses (primarily in fiscal 2010), largely offsetting the cumulative changes of $63.3 million recognized to date in connection with the event. We anticipate final settlement of the claim will occur in fiscal 2011. Based on management s current assessment of production options, the expected level of insurance proceeds, and the estimated potential amount of losses and impact on the *Slim Jim®* brand, we do not believe that the accident will have a material adverse effect on our results of operations, financial condition, or liquidity.

7. GOODWILL AND OTHER IDENTIFIABLE INTANGIBLE ASSETS

The change in the carrying amount of goodwill for the first quarter of fiscal 2011 was as follows:

	Consumer Foods	Commercial Foods	Total