

HORMEL FOODS CORP /DE/  
Form 10-Q  
March 09, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

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

**For the quarterly period ended January 29, 2012**

**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: 1-2402**

**HORMEL FOODS CORPORATION**

(Exact name of registrant as specified in its charter)

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**Delaware**

**41-0319970**

(State or other jurisdiction of incorporation or organization)

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

**1 Hormel Place**

**Austin, Minnesota**

**55912-3680**

(Address of principal executive offices)

(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.

**Class**

**Outstanding at March 4, 2012**

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Common Stock	\$.0293 par value	263,651,736
Common Stock Non-Voting	\$.01 par value	-0-

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(in thousands)

	January 29, 2012 (Unaudited)	October 30, 2011
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 548,618	\$ 463,130
Short-term marketable securities	76,383	76,077
Accounts receivable	422,505	461,110
Inventories	882,828	885,823
Income taxes receivable		24,423
Deferred income taxes	69,485	69,203
Prepaid expenses	12,952	10,048
Other current assets	8,960	8,417
<b>TOTAL CURRENT ASSETS</b>	<b>2,021,731</b>	<b>1,998,231</b>
<b>DEFERRED INCOME TAXES</b>	<b>66,077</b>	<b>59,814</b>
<b>GOODWILL</b>	<b>630,875</b>	<b>630,884</b>
<b>OTHER INTANGIBLES</b>	<b>129,620</b>	<b>132,046</b>
<b>PENSION ASSETS</b>	<b>78,226</b>	<b>80,208</b>
<b>INVESTMENTS IN AND RECEIVABLES FROM AFFILIATES</b>	<b>292,901</b>	<b>295,698</b>
<b>OTHER ASSETS</b>	<b>142,582</b>	<b>140,420</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land	56,231	56,273
Buildings	749,757	749,143
Equipment	1,401,244	1,393,128
Construction in progress	62,322	50,286
	2,269,554	2,248,830
Less allowance for depreciation	(1,361,272)	(1,341,740)
	908,282	907,090
<b>TOTAL ASSETS</b>	<b>\$ 4,270,294</b>	<b>\$ 4,244,391</b>



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(in thousands)

	January 29, 2012 (Unaudited)	October 30, 2011
<b>LIABILITIES AND SHAREHOLDERS INVESTMENT</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 308,721	\$ 390,171
Accrued expenses	69,177	40,539
Accrued workers compensation	32,897	32,218
Accrued marketing expenses	91,135	77,363
Employee related expenses	139,030	195,258
Taxes payable	40,875	8,137
Interest and dividends payable	42,751	34,500
<b>TOTAL CURRENT LIABILITIES</b>	<b>724,586</b>	<b>778,186</b>
<b>PENSION AND POST-RETIREMENT BENEFITS</b>	<b>475,061</b>	<b>473,688</b>
<b>LONG-TERM DEBT less current maturities</b>	<b>250,000</b>	<b>250,000</b>
<b>OTHER LONG-TERM LIABILITIES</b>	<b>81,541</b>	<b>82,701</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 263,850,538 shares January 29, 2012 issued 263,963,251 shares October 30, 2011	7,731	7,734
Accumulated other comprehensive loss	(185,336)	(175,483)
Retained earnings	2,912,503	2,824,331
<b>HORMEL FOODS CORPORATION SHAREHOLDERS INVESTMENT</b>	<b>2,734,898</b>	<b>2,656,582</b>
<b>NONCONTROLLING INTEREST</b>	<b>4,208</b>	<b>3,234</b>
<b>TOTAL SHAREHOLDERS INVESTMENT</b>	<b>2,739,106</b>	<b>2,659,816</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS INVESTMENT</b>	<b>\$ 4,270,294</b>	<b>\$ 4,244,391</b>

See Notes to Consolidated Financial Statements

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

(in thousands, except per share amounts)

(Unaudited)

	Three Months Ended	
	January 29, 2012	January 30, 2011
Net sales	\$ 2,039,439	\$ 1,921,558
Cost of products sold	1,702,030	1,547,553
<b>GROSS PROFIT</b>	<b>337,409</b>	<b>374,005</b>
Selling, general and administrative	152,477	145,161
Equity in earnings of affiliates	11,001	6,905
<b>OPERATING INCOME</b>	<b>195,933</b>	<b>235,749</b>
Other income and expense:		
Interest and investment income	1,590	441
Interest expense	(3,214)	(6,579)
<b>EARNINGS BEFORE INCOME TAXES</b>	<b>194,309</b>	<b>229,611</b>
Provision for income taxes	64,976	79,576
<b>NET EARNINGS</b>	<b>129,333</b>	<b>150,035</b>
Less: Net earnings attributable to noncontrolling interest	938	1,209
<b>NET EARNINGS ATTRIBUTABLE TO HORMEL FOODS CORPORATION</b>	<b>\$ 128,395</b>	<b>\$ 148,826</b>
<b>NET EARNINGS PER SHARE:</b>		
BASIC	\$ 0.49	\$ 0.56
DILUTED	\$ 0.48	\$ 0.55
<b>WEIGHTED-AVERAGE SHARES OUTSTANDING:</b>		
BASIC	263,946	266,560
DILUTED	269,608	271,740
<b>DIVIDENDS DECLARED PER SHARE:</b>	<b>\$ 0.1500</b>	<b>\$ 0.1275</b>

See Notes to Consolidated Financial Statements



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(in thousands, except per share amounts)

(Unaudited)

	Hormel Foods Corporation Shareholders				Accumulated Other Comprehensive Income (Loss)	Non- controlling Interest	Total Shareholders Investment
	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings			
Balance at October 31, 2010	\$ 7,793	\$	\$	\$ 2,568,774	\$ (175,910)	\$ 5,982	\$ 2,406,639
Comprehensive income							
Net earnings				474,195		5,001	479,196
Foreign currency translation					843	251	1,094
Deferred hedging, net of reclassification adjustment					(3,476)		(3,476)
Pension and other benefits					3,060		3,060
Comprehensive income						5,252	479,874
Purchases of common stock		(152,930)					(152,930)
Stock-based compensation expense			17,229				17,229
Exercise of stock options/nonvested shares	102	(163)	53,100				53,039
Shares retired	(161)	153,093	(70,329)	(82,603)			
Distribution to noncontrolling interest						(8,000)	(8,000)
Declared cash dividends \$ .51 per share				(136,035)			(136,035)
Balance at October 30, 2011	\$ 7,734	\$	\$	\$ 2,824,331	\$ (175,483)	\$ 3,234	\$ 2,659,816
Comprehensive income							
Net earnings				128,395		938	129,333
Foreign currency translation					557	36	593
Deferred hedging, net of reclassification adjustment					(11,291)		(11,291)
					881		881

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Pension and other benefits												
Comprehensive income						974				119,516		
Purchases of common stock		(11,117)								(11,117)		
Stock-based compensation expense				6,240						6,240		
Exercise of stock options/nonvested shares	8	(76)		3,992						3,924		
Shares retired	(11)	11,193		(10,232)		(950)						
Declared cash dividends \$ .15 per share						(39,273)				(39,273)		
Balance at January 29, 2012	\$	7,731	\$		\$	2,912,503	\$	(185,336)	\$	4,208	\$	2,739,106

See Notes to Consolidated Financial Statements

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

(in thousands)

(Unaudited)

	Three Months Ended	
	January 29, 2012	January 30, 2011
<b>OPERATING ACTIVITIES</b>		
Net earnings	\$ 129,333	\$ 150,035
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	28,389	28,697
Amortization of intangibles	2,426	2,500
Equity in earnings of affiliates, net of dividends	159	(2,874)
Provision for deferred income taxes	(201)	3,692
(Gain) loss on property/equipment sales and plant facilities	(178)	237
Non-cash investment activities	(1,039)	377
Stock-based compensation expense	6,240	8,240
Excess tax benefit from stock-based compensation	(1,929)	(4,395)
Changes in operating assets and liabilities, net of acquisitions:		
Decrease in accounts receivable	38,605	24,262
Decrease in inventories	2,995	6,491
Decrease in prepaid expenses and other current assets	3,067	19,633
Increase in pension and post-retirement benefits	4,460	6,232
Decrease in accounts payable and accrued expenses	(60,167)	(77,795)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>152,160</b>	<b>165,332</b>
<b>INVESTING ACTIVITIES</b>		
Acquisitions of businesses/intangibles	(168)	(7,207)
Purchases of property/equipment	(30,458)	(16,737)
Proceeds from sales of property/equipment	1,055	1,280
Decrease in investments, equity in affiliates, and other assets	998	4,143
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(28,573)</b>	<b>(18,521)</b>
<b>FINANCING ACTIVITIES</b>		
Dividends paid on common stock	(33,600)	(27,904)
Share repurchase	(11,117)	(13,731)
Proceeds from exercise of stock options	3,885	24,015
Excess tax benefit from stock-based compensation	1,929	4,395
Distribution to noncontrolling interest		(3,000)
Other		(648)