

HORMEL FOODS CORP /DE/
Form 10-Q
March 05, 2010
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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 24, 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: 1-2402

HORMEL FOODS CORPORATION

(Exact name of registrant as specified in its charter)

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.

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	Class		Outstanding at February 28, 2010
Common Stock		\$.0586 par value	133,647,837
Common Stock Non-Voting		\$.01 par value	-0-

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	January 24, 2010 (Unaudited)	October 25, 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 449,092	\$ 385,252
Accounts receivable	348,695	372,292
Inventories	729,231	722,371
Deferred income taxes	62,832	66,435
Prepaid expenses	11,256	9,130
Other current assets	19,483	19,253
TOTAL CURRENT ASSETS	1,620,589	1,574,733
DEFERRED INCOME TAXES	119,213	122,007
GOODWILL	620,155	620,155
OTHER INTANGIBLES	121,760	140,854
PENSION ASSETS	30,612	29,663
INVESTMENTS IN AND RECEIVABLES FROM AFFILIATES	110,158	86,599
OTHER ASSETS	166,302	165,331
PROPERTY, PLANT AND EQUIPMENT		
Land	52,948	52,952
Buildings	723,859	723,553
Equipment	1,318,651	1,317,845
Construction in progress	53,390	41,722
	2,148,848	2,136,072
Less allowance for depreciation	(1,206,945)	(1,183,359)
	941,903	952,713
TOTAL ASSETS	\$ 3,730,692	\$ 3,692,055

See Notes to Consolidated Financial Statements

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(In Thousands of Dollars)

	January 24, 2010 (Unaudited)	October 25, 2009
LIABILITIES AND SHAREHOLDERS INVESTMENT		
CURRENT LIABILITIES		
Accounts payable	\$ 289,045	\$ 313,258
Accrued expenses	46,372	40,289
Accrued workers compensation	29,813	29,421
Accrued marketing expenses	90,827	70,452
Employee related expenses	146,427	181,531
Taxes payable	23,923	15,127
Interest and dividends payable	29,047	34,951
TOTAL CURRENT LIABILITIES	655,454	685,029
LONG-TERM DEBT less current maturities	350,000	350,000
PENSION AND POST-RETIREMENT BENEFITS	429,993	429,800
OTHER LONG-TERM LIABILITIES	82,530	102,905
SHAREHOLDERS INVESTMENT		
Preferred stock, par value \$.01 a share authorized 80,000,000 shares; issued none		
Common stock, non-voting, par value \$.01 a share authorized 200,000,000 shares; issued none		
Common stock, par value \$.0586 a share authorized 400,000,000 shares; issued 133,496,526 shares January 24, 2010 issued 133,593,719 shares October 25, 2009	7,823	7,828
Accumulated other comprehensive loss	(197,680)	(203,610)
Retained earnings	2,399,803	2,318,390
HORMEL FOODS CORPORATION SHAREHOLDERS INVESTMENT	2,209,946	2,122,608
NONCONTROLLING INTEREST	2,769	1,713
TOTAL SHAREHOLDERS INVESTMENT	2,212,715	2,124,321
TOTAL LIABILITIES AND SHAREHOLDERS INVESTMENT	\$ 3,730,692	\$ 3,692,055

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 24, 2010	January 25, 2009
Net sales	\$ 1,727,447	\$ 1,689,086
Cost of products sold	1,409,060	1,416,771
GROSS PROFIT	318,387	272,315
Selling, general and administrative	145,532	142,525
Equity in earnings of affiliates	2,821	698
OPERATING INCOME	175,676	130,488
Other income and expenses:		
Interest and investment income	443	2,391
Interest expense	(6,561)	(7,455)
EARNINGS BEFORE INCOME TAXES	169,558	125,424
Provision for income taxes	57,289	43,247
NET EARNINGS	112,269	82,177
Less: Net earnings attributable to noncontrolling interest	1,062	794
NET EARNINGS ATTRIBUTABLE TO HORMEL FOODS CORPORATION	\$ 111,207	\$ 81,383
NET EARNINGS PER SHARE:		
BASIC	\$ 0.83	\$ 0.61
DILUTED	\$ 0.82	\$ 0.60
WEIGHTED AVERAGE SHARES OUTSTANDING:		
BASIC	133,589	134,377
DILUTED	135,356	135,163
DIVIDENDS DECLARED PER SHARE:	\$ 0.21	\$ 0.19

See Notes to Consolidated Financial Statements

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	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 26, 2008	\$ 7,883	\$ 0	\$ 0	\$ 2,112,873	\$ (114,016)	\$ 6,535	\$ 2,013,275
Comprehensive income							
Net earnings				342,813		3,165	345,978
Foreign currency translation					(862)	12	(850)
Deferred hedging, net of reclassification adjustment					27,763		27,763
Pension and other benefits					(117,954)		(117,954)
Comprehensive income						3,177	254,937
ASC 715 measurement date adjustment (net of \$912 tax effect)				(11,793)	1,459		(10,334)
Purchases of common stock		(38,147)					(38,147)
Stock-based compensation expense			12,054				12,054
Exercise of stock options/nonvested shares	13	(15)	2,553				2,551
Shares retired	(68)	38,162	(14,607)	(23,487)			0
Distribution to noncontrolling interest						(7,999)	(7,999)
Cash dividends - \$.76 per share				(102,016)			(102,016)
Balance at October 25, 2009	\$ 7,828	\$ 0	\$ 0	\$ 2,318,390	\$ (203,610)	\$ 1,713	\$ 2,124,321
Comprehensive income							
Net earnings				111,207		1,062	112,269
Foreign currency translation					1,153	(6)	1,147
Deferred hedging, net of reclassification adjustment					1,439		1,439
Pension and other benefits					3,338		3,338
Comprehensive income						1,056	118,193
Purchases of common stock		(16,081)					(16,081)
Stock-based compensation expense			5,362				5,362
Exercise of stock options/nonvested shares	20	(106)	6,272				6,186
Shares retired	(25)	16,187	(11,634)	(4,528)			0
Cash dividends - \$.21 per share				(25,266)			(25,266)
Balance at January 24, 2010	\$ 7,823	\$ 0	\$ 0	\$ 2,399,803	\$ (197,680)	\$ 2,769	\$ 2,212,715

See Notes to Consolidated Financial Statements

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HORMEL FOODS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of Dollars)

(Unaudited)

	Three Months Ended	
	January 24, 2010	January 25, 2009
OPERATING ACTIVITIES		
Net earnings	\$ 112,269	\$ 82,177
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	28,391	28,448
Amortization of intangibles	2,459	2,585
Equity in earnings of affiliates	(2,821)	(698)
Provision for deferred income taxes	4,841	(4,478)
Loss on property/equipment sales and plant facilities	71	191
Non-cash investment activities	96	(1,299)
Stock-based compensation expense	5,362	4,050
Excess tax benefit from stock-based compensation	(3,511)	(505)
Changes in operating assets and liabilities, net of acquisitions:		
Decrease in accounts receivable	23,597	40,880
(Increase) Decrease in inventories	(10,356)	42,543
(Increase) Decrease in prepaid expenses and other current assets	(1,778)	1,469
Increase in pension and post-retirement benefits	6,636	1,141
Decrease in accounts payable and accrued expenses	(51,321)	(20,115)
NET CASH PROVIDED BY OPERATING ACTIVITIES	113,935	176,389
INVESTING ACTIVITIES		
Sale of available-for-sale securities	0	3,899
Purchase of available-for-sale securities	0	(2,371)
Acquisitions of businesses/intangibles	(384)	(543)
Purchases of property/equipment	(18,611)	(25,525)
Proceeds from sales of property/equipment	959	1,606
Increase in investments, equity in affiliates, and other assets	(565)	(4,075)
NET CASH USED IN INVESTING ACTIVITIES	(18,601)	(27,009)
FINANCING ACTIVITIES		
Dividends paid on common stock	(25,373)	(24,877)
Share repurchase	(16,081)	(10,375)
Proceeds from exercise of stock options	6,409	1,117
Excess tax benefit from stock-based compensation	3,511	505
Distribution to noncontrolling interest	0	(4,999)
Other	40	(792)
NET CASH USED IN FINANCING ACTIVITIES	(31,494)	(39,421)
INCREASE IN CASH AND CASH EQUIVALENTS	63,840	109,959
Cash and cash equivalents at beginning of year	385,252	154,778
CASH AND CASH EQUIVALENTS AT END OF QUARTER		