TYSON FOODS INC
Form 10-K
November 21, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended **October 1, 2011**

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from ____________ to ____________

Commission File No. 001-14704

TYSON FOODS, INC.

(Exact Name of Registrant as specified in its Charter)

Delaware	**71-0225165**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2200 Don Tyson Parkway, Springdale, Arkansas	**72762-6999**
(Address of principal executive offices)	(Zip Code)
Registrant s telephone number, including area code:	**(479) 290-4000**

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Class A Common Stock, Par Value $0.10	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: Not Applicable

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes **[X]** No [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No **[X]**

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 **[X]** 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 (§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 **[X]** No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer [**X**] Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company) 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 **[X]**

On April 2, 2011, the aggregate market value of the registrant s Class A Common Stock, $0.10 par value (Class A stock), and Class B Common Stock, $0.10 par value (Class B stock), held by non-affiliates of the registrant was $5,872,066,221 and $408,715, respectively. Class B stock is not publicly listed for trade on any exchange or market system. However, Class B stock is convertible into Class A stock on a share-for-share basis, so the market value was calculated based on the market price of Class A stock.

On October 29, 2011, there were 299,769,152 shares of Class A stock and 70,020,855 shares of Class B stock outstanding.

INCORPORATION BY REFERENCE

Portions of the registrant s definitive Proxy Statement for the registrant s Annual Meeting of Shareholders to be held February 3, 2012, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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PART I

ITEM 1. BUSINESS

GENERAL

Founded in 1935, Tyson Foods, Inc. and its subsidiaries (collectively, Company, we, us or our) are one of the world s largest meat protein companies and the second-largest food production company in the *Fortune* 500 with one of the most recognized brand names in the food industry. We produce, distribute and market chicken, beef, pork, prepared foods and related allied products. Our operations are conducted in four segments: Chicken, Beef, Pork and Prepared Foods. Some of the key factors influencing our business are customer demand for our products; the ability to maintain and grow relationships with customers and introduce new and innovative products to the marketplace; accessibility of international markets; market prices for our products; the cost of live cattle and hogs, raw materials, grain and feed ingredients; and operating efficiencies of our facilities.

We operate a fully vertically integrated poultry production process. Our integrated operations consist of breeding stock, contract growers, feed production, processing, further-processing, marketing and transportation of chicken and related allied products, including animal and pet food ingredients. Through our wholly-owned subsidiary, Cobb-Vantress, Inc. (Cobb), we are one of the leading poultry breeding stock suppliers in the world. Investing in breeding stock research and development allows us to breed into our flocks the characteristics found to be most desirable.

We also process live fed cattle and hogs and fabricate dressed beef and pork carcasses into primal and sub-primal meat cuts, case ready beef and pork and fully-cooked meats. In addition, we derive value from allied products such as hides and variety meats sold to further processors and others.

We produce a wide range of fresh, value-added, frozen and refrigerated food products. Our products are marketed and sold primarily by our sales staff to grocery retailers, grocery wholesalers, meat distributors, warehouse club stores, military commissaries, industrial food processing companies, chain restaurants or their distributors, international export companies and domestic distributors who serve restaurants, foodservice operations such as plant and school cafeterias, convenience stores, hospitals and other vendors. Additionally, sales to the military and a portion of sales to international markets are made through independent brokers and trading companies.

We have been exploring ways to commercialize our supply of poultry litter and animal fats. In June 2007, we announced a 50/50 joint venture with Syntroleum Corporation, called Dynamic Fuels LLC (Dynamic Fuels). Dynamic Fuels produces renewable synthetic fuels targeting the renewable diesel and jet fuel markets. Construction of production facilities was completed in late fiscal 2010, and initial production began in October 2010.

FINANCIAL INFORMATION OF SEGMENTS

We operate in four segments: Chicken, Beef, Pork and Prepared Foods. The contribution of each segment to net sales and operating income (loss), and the identifiable assets attributable to each segment, are set forth in Note 16: Segment Reporting of the Notes to Consolidated Financial Statements.

DESCRIPTION OF SEGMENTS

Chicken: Chicken operations include breeding and raising chickens, as well as processing live chickens into fresh, frozen and value-added chicken products and logistics operations to move products through the supply chain. Products are marketed domestically to food retailers, foodservice distributors, restaurant operators, hotel chains and noncommercial foodservice establishments such as schools, healthcare facilities, the military and other food processors, as well as to international markets. It also includes sales from allied products and our chicken breeding stock subsidiary.

Beef: Beef operations include processing live fed cattle and fabricating dressed beef carcasses into primal and sub-primal meat cuts and case-ready products. This segment also includes sales from allied products such as hides and variety meats, as well as logistics operations to move products through the supply chain. Products are marketed domestically to food retailers, foodservice distributors, restaurant operators, hotel chains and noncommercial foodservice establishments such as schools, healthcare facilities, the military and other food processors, as well as to international markets. Allied products are marketed to manufacturers of pharmaceuticals and technical products.

Pork: Pork operations include processing live market hogs and fabricating pork carcasses into primal and sub-primal cuts and case-ready products. This segment also includes our live swine group, related allied product processing activities and logistics operations to move products through the supply chain. Products are marketed domestically to food retailers, foodservice distributors, restaurant operators, hotel chains and noncommercial foodservice establishments such as schools, healthcare facilities, the military and other food processors, as well as to international markets. We sell allied products to pharmaceutical and technical products manufacturers, as well as a limited number of live swine to pork processors.

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Prepared Foods: Prepared Foods operations include manufacturing and marketing frozen and refrigerated food products and logistics operations to move products through the supply chain. Products include pepperoni, bacon, beef and pork pizza toppings, pizza crusts, flour and corn tortilla products, appetizers, prepared meals, ethnic foods, soups, sauces, side dishes, meat dishes and processed meats. Products are marketed domestically to food retailers, foodservice distributors, restaurant operators, hotel chains and noncommercial foodservice establishments such as schools, healthcare facilities, the military and other food processors, as well as to international markets.

The results from Dynamic Fuels are included in Other.

RAW MATERIALS AND SOURCES OF SUPPLY

Chicken: The primary raw materials used in our chicken operations are corn and soybean meal used as feed and live chickens raised primarily by independent contract growers. Our vertically-integrated chicken process begins with the grandparent breeder flocks and ends with broilers for processing. Breeder flocks (i.e., grandparents) are raised to maturity in grandparent growing and laying farms where fertile eggs are produced. Fertile eggs are incubated at the grandparent hatchery and produce pullets (i.e., parents). Pullets are sent to breeder houses, and the resulting eggs are sent to our hatcheries. Once chicks have hatched, they are sent to broiler farms. There, contract growers care for and raise the chicks according to our standards, with advice from our technical service personnel, until the broilers reach the desired processing weight. Adult chickens are transported to processing plants, which are slaughtered and converted into finished products, then sent to distribution centers and delivered to customers.

We operate our own feed mills to produce scientifically-formulated feeds. In fiscal 2011, corn, soybean meal and other feed ingredients were major production costs, representing roughly 69% of our cost of growing a live chicken. In addition to feed ingredients to grow the chickens, we use cooking ingredients, packaging materials and cryogenic agents. We believe our sources of supply for these materials are adequate for our present needs, and we do not anticipate any difficulty in acquiring these materials in the future. While we produce nearly all our inventory of breeder chickens and live broilers, we also purchase live, ice-packed or deboned chicken to meet production and sales requirements.

Beef: The primary raw materials used in our beef operations are live cattle. We do not have facilities of our own to raise cattle but employ cattle buyers located throughout cattle producing areas who visit independent feed yards and public auctions and buy live cattle on the open spot market. These buyers are trained to select high quality animals, and we continually measure their performance. We also enter into various risk-sharing and procurement arrangements with producers to secure a supply of livestock for our facilities. We believe the sources of supply of live cattle are adequate for our present needs.

Pork: The primary raw materials used in our pork operations are live hogs. The majority of our live hog supply is obtained through various procurement relationships with independent producers. We employ buyers who make purchase agreements of various time durations as well as purchase hogs on a daily basis, generally a few days before the animals are processed. These buyers are trained to select high quality animals, and we continually measure their performance. We believe the sources of supply of live hogs are adequate for our present needs. Additionally, we raise a number of weanling swine to sell to independent finishers and supply a minimal amount of live swine for our own processing needs.

Prepared Foods: The primary raw materials used in our prepared foods operations are commodity based raw materials, including chicken, beef, pork, corn, flour and vegetables. Some of these raw materials are provided by our other segments, while others may be purchased from numerous suppliers and manufacturers. We believe the sources of supply of raw materials are adequate for our present needs.

SEASONAL DEMAND

Demand for chicken and beef products generally increases during the spring and summer months and generally decreases during the winter months. Pork and prepared foods products generally experience increased demand during the winter months, primarily due to the holiday season, while demand decreases during the spring and summer months.

CUSTOMERS

Wal-Mart Stores, Inc. accounted for 13.3% of our fiscal 2011 consolidated sales. Sales to Wal-Mart Stores, Inc. were included in the Chicken, Beef, Pork and Prepared Foods segments. Any extended discontinuance of sales to this customer could, if not replaced, have a material impact on our operations. No other single customer or customer group represented more than 10% of fiscal 2011 consolidated sales.

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COMPETITION

Our food products compete with those of other food producers and processors and certain prepared food manufacturers. Additionally, our food products compete in markets around the world.

We seek to achieve a leading market position for our products via our principal marketing and competitive strategy, which includes:

- identifying target markets for value-added products;
- concentrating production, sales and marketing efforts to appeal to and enhance demand from those markets; and
- utilizing our national distribution systems and customer support services.

Past efforts indicate customer demand can be increased and sustained through application of our marketing strategy, as supported by our distribution systems. The principal competitive elements are price, product safety and quality, brand identification, breadth and depth of product offerings, availability of products, customer service and credit terms.

INTERNATIONAL

We sold products to more than 130 countries in fiscal 2011. Major sales markets include Canada, Central America, China, the European Union, Japan, Mexico, the Middle East, Russia, South Korea, Taiwan and Vietnam.

We have the following international operations:

- Tyson de Mexico, a Mexican subsidiary, is a vertically-integrated poultry production company;
- Cobb-Vantress, a chicken breeding stock subsidiary, has business interests in Argentina, Brazil, the Dominican Republic, India, Ireland, Japan, the Netherlands, Peru, the Philippines, Russia, Spain, Sri Lanka, the United Kingdom and Venezuela;
- Tyson do Brazil, a Brazilian subsidiary, is a vertically-integrated poultry production company;
- Shandong Tyson Xinchang Foods, a Chinese subsidiary, is a vertically-integrated poultry production company;
- Tyson Dalong, a joint venture in China in which we have a majority interest, is a chicken further processing facility;
- Jiangsu-Tyson, a Chinese poultry breeding subsidiary, is building a vertically-integrated poultry operation with production expected to begin in fiscal 2012;
- Godrej Tyson Foods, a joint venture in India in which we have a majority interest, is a poultry processing business; and
- Cactus Argentina, a minority interest in a vertically-integrated beef operation joint venture in Argentina; however, we do not consolidate the entity due to the lack of controlling interest.

We continue to evaluate growth opportunities in foreign countries. Additional information regarding export sales, long-lived assets located in foreign countries and income (loss) from foreign operations is set forth in Note 16: Segment Reporting of the Notes to Consolidated Financial Statements.

RESEARCH AND DEVELOPMENT

We conduct continuous research and development activities to improve product development, to automate manual processes in our processing plants and growout operations, and to improve chicken breeding stock. In 2007, we opened the Discovery Center, which includes 19 research kitchens and a USDA-inspected pilot plant. The Discovery Center brings new market-leading retail and foodservice products to the customer faster and more effectively. Research and development costs totaled \$42 million, \$38 million and \$33 million in fiscal 2011, 2010 and 2009, respectively.

ENVIRONMENTAL REGULATION AND FOOD SAFETY

Our facilities for processing chicken, beef, pork and prepared foods, milling feed and housing live chickens and swine are subject to a variety of federal, state and local environmental laws and regulations, which include provisions relating to the discharge of materials into the environment and generally provide for protection of the environment. We believe we are in substantial compliance with such applicable laws and regulations and are not aware of any violations of such laws and regulations likely to result in material penalties or material increases in compliance costs. The cost of compliance with such laws and regulations has not had a material adverse effect on our capital expenditures, earnings or competitive position, and except as described below, is not anticipated to have a material adverse effect in the future.

Congress and the United States Environmental Protection Agency are considering various options to control greenhouse gas emissions. It is unclear at this time when or if such options will be finalized, or what the final form may be. Due to the uncertainty surrounding this issue, it is premature to speculate on the specific nature of impacts that imposition of greenhouse gas emission controls would have on us, and whether such impacts would have a material adverse effect.

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We work to ensure our products meet high standards of food safety and quality. In addition to our own internal Food Safety and Quality Assurance oversight and review, our chicken, beef, pork and prepared foods products are subject to inspection prior to distribution, primarily by the United States Department of Agriculture (USDA) and the United States Food and Drug Administration (FDA). We are also participants in the United States Hazard Analysis Critical Control Point (HACCP) program and are subject to the Sanitation Standard Operating Procedures and the Public Health Security and Bioterrorism Preparedness and Response Act of 2002.

EMPLOYEES AND LABOR RELATIONS

As of October 1, 2011, we employed approximately 115,000 employees. Approximately 97,000 employees were employed in the United States and 18,000 employees were in foreign countries, primarily China, Mexico and Brazil. Approximately 29,000 employees in the United States were subject to collective bargaining agreements with various labor unions, with approximately 40% of those employees included under agreements expiring in fiscal 2012. The remaining agreements expire over the next several years. Approximately 7,000 employees in foreign countries were subject to collective bargaining agreements. We believe our overall relations with our workforce are good.

MARKETING AND DISTRIBUTION

Our principal marketing objective is to be the primary provider of chicken, beef, pork and prepared foods products for our customers and consumers. As such, we utilize our national distribution system and customer support services to achieve the leading market position for our products. On an ongoing basis, we identify distinct markets and business opportunities through continuous consumer and market research. In addition to supporting strong regional brands across multiple protein lines, we build the Tyson brand and Tyson owned brands primarily through well-defined product-specific advertising and public relations efforts focused toward key consumer targets with specific needs. These efforts are designed to present key Tyson products as everyday solutions to relevant consumer problems thereby becoming part of regular eating routines.

We have the ability to produce and ship fresh, frozen and refrigerated products worldwide. Domestically, our distribution system extends to a broad network of food distributors and is supported by our owned or leased cold storage warehouses, public cold storage facilities and our transportation system. Our distribution centers accumulate fresh and frozen products so we can fill and consolidate less-than-truckload orders into full truckloads, thereby decreasing shipping costs while increasing customer service. In addition, we provide our customers a wide selection of products that do not require large volume orders. Our distribution system enables us to supply large or small quantities of products to meet customer requirements anywhere in the continental United States. Internationally, we utilize both rail and truck refrigerated transportation to domestic ports, where consolidations take place to transport to foreign destinations.

PATENTS AND TRADEMARKS

We have filed a number of patents and trademarks relating to our processes and products that either have been approved or are in the process of application. Because we do a significant amount of brand name and product line advertising to promote our products, we consider the protection of our trademarks to be important to our marketing efforts. We also have developed non-public proprietary information regarding our production processes and other product-related matters. We utilize internal procedures and safeguards to protect the confidentiality of such information and, where appropriate, seek patent and/or trademark protection for the technology we utilize.

INDUSTRY PRACTICES

Our agreements with customers are generally short-term, primarily due to the nature of our products, industry practices and fluctuations in supply, demand and price for such products. In certain instances where we are selling further processed products to large customers, we may enter into written agreements whereby we will act as the exclusive or preferred supplier to the customer, with pricing terms that are either fixed or variable.

AVAILABILITY OF SEC FILINGS AND CORPORATE GOVERNANCE DOCUMENTS ON INTERNET WEBSITE

We maintain an internet website for investors at http://ir.tyson.com. On this website, we make available, free of charge, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to any of those reports, as soon as reasonably practicable after we electronically file such reports with, or furnish to, the Securities and Exchange Commission. Also available on the website for investors are the Corporate Governance Principles, Audit Committee charter, Compensation Committee charter, Governance Committee charter, Nominating Committee charter, Code of Conduct and Whistleblower Policy. Our corporate governance documents are available in print, free of charge to any shareholder who requests them.

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CAUTIONARY STATEMENTS RELEVANT TO FORWARD-LOOKING INFORMATION FOR THE PURPOSE OF SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain information in this report constitutes forward-looking statements. Such forward-looking statements include, but are not limited to, current views and estimates of our outlook for fiscal 2012, other future economic circumstances, industry conditions in domestic and international markets, our performance and financial results (e.g., debt levels, return on invested capital, value-added product growth, capital expenditures, tax rates, access to foreign markets and dividend policy). These forward-looking statements are subject to a number of factors and uncertainties that could cause our actual results and experiences to differ materially from anticipated results and expectations expressed in such forward-looking statements. We wish to caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Among the factors that may cause actual results and experiences to differ from anticipated results and expectations expressed in such forward-looking statements are the following: (i) the effect of, or changes in, general economic conditions; (ii) fluctuations in the cost and availability of inputs and raw materials, such as live cattle, live swine, feed grains (including corn and soybean meal) and energy; (iii) market conditions for finished products, including competition from other global and domestic food processors, supply and pricing of competing products and alternative proteins and demand for alternative proteins; (iv) successful rationalization of existing facilities and operating efficiencies of the facilities; (v) risks associated with our commodity purchasing activities; (vi) access to foreign markets together with foreign economic conditions, including currency fluctuations, import/export restrictions and foreign politics; (vii) outbreak of a livestock disease (such as avian influenza (AI) or bovine spongiform encephalopathy (BSE)), which could have an adverse effect on livestock we own, the availability of livestock we purchase, consumer perception of certain protein products or our ability to access certain domestic and foreign markets; (viii) changes in availability and relative costs of labor and contract growers and our ability to maintain good relationships with employees, labor unions, contract growers and independent producers providing us livestock; (ix) issues related to food safety, including costs resulting from product recalls, regulatory compliance and any related claims or litigation; (x) changes in consumer preference and diets and our ability to identify and react to consumer trends; (xi) significant marketing plan changes by large customers or loss of one or more large customers; (xii) adverse results from litigation; (xiii) risks associated with leverage, including cost increases due to rising interest rates or changes in debt ratings or outlook; (xiv) compliance with and changes to regulations and laws (both domestic and foreign), including changes in accounting standards, tax laws, environmental laws, agricultural laws and occupational, health and safety laws; (xv) our ability to make effective acquisitions or joint ventures and successfully integrate newly acquired businesses into existing operations; (xvi) effectiveness of advertising and marketing programs; and (xvii) those factors listed under Item 1A. Risk Factors.

ITEM 1A. RISK FACTORS

These risks, which should be considered carefully with the information provided elsewhere in this report, could materially adversely affect our business, financial condition or results of operations. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or results of operations.

Fluctuations in commodity prices and in the availability of raw materials, especially feed grains, live cattle, live swine and other inputs could negatively impact our earnings.

Our results of operations and financial condition are dependent upon the cost and supply of raw materials such as feed grains, live cattle, live swine, energy and ingredients, as well as the selling prices for our products, many of which are determined by constantly changing market forces of supply and demand over which we have limited or no control. Corn, soybean meal and other feed ingredients are major production costs for vertically-integrated poultry processors such as us, representing roughly 69% of our cost of growing a live chicken in fiscal 2011. As a result, fluctuations in prices for these feed ingredients, which include competing demand for corn and soybean meal for use in the manufacture of renewable energy, can adversely affect our earnings. Production of feed ingredients is affected by, among other things, weather patterns throughout the world, the global level of supply inventories and demand for grains and other feed ingredients, as well as agricultural and energy policies of domestic and foreign governments.

We have cattle under contract at feed yards owned by third parties; however, most of the cattle we process are purchased from independent producers. We have cattle buyers located throughout cattle producing areas who visit feed yards and buy live cattle on the open spot market. We also enter into various risk-sharing and procurement arrangements with producers who help secure a supply of livestock for daily start-up operations at our facilities. The majority of our live swine supply is obtained through procurement arrangements with independent producers. We also employ buyers who purchase hogs on a daily basis, generally a few days before the animals are required for processing. In addition, we raise live swine and sell feeder pigs to independent producers for feeding to processing weight and have contract growers feed a minimal amount of company-owned live swine for our own processing needs. Any decrease in the supply of cattle or swine on the spot market could increase the price of these raw materials and further increase per head cost of production due to lower capacity utilization, which could adversely affect our financial results.

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Market supply and demand and the prices we receive for our products may fluctuate due to competition from other food producers and processors.

We face competition from other food producers and processors. Some of the factors on which we compete and which may drive demand for our products include:

- price;
- product safety and quality;
- brand identification;
- breadth and depth of product offerings;
- availability of our products and competing products;
- customer service; and
- credit terms.

Demand for our products also is affected by competitors promotional spending, the effectiveness of our advertising and marketing programs, and the availability or price of competing proteins.

We attempt to obtain prices for our products that reflect, in part, the price we must pay for the raw materials that go into our products. If we are not able to obtain higher prices for our products when the price we pay for raw materials increases, we may be unable to maintain positive margins.

Outbreaks of livestock diseases can adversely impact our ability to conduct our operations and demand for our products.

Demand for our products can be adversely impacted by outbreaks of livestock diseases, which can have a significant impact on our financial results. Efforts are taken to control disease risks by adherence to good production practices and extensive precautionary measures designed to ensure the health of livestock. However, outbreaks of disease and other events, which may be beyond our control, either in our own livestock or cattle and hogs owned by independent producers who sell livestock to us, could significantly affect demand for our products, consumer perceptions of certain protein products, the availability of livestock for purchase by us and our ability to conduct our operations. Moreover, the outbreak of livestock diseases, particularly in our Chicken segment, could have a significant effect on the livestock we own by requiring us to, among other things, destroy any affected livestock. Furthermore, an outbreak of disease could result in governmental restrictions on the import and export of our products to or from our suppliers, facilities or customers. This could also result in negative publicity that may have an adverse effect on our ability to market our products successfully and on our financial results.

We are subject to risks associated with our international operations, which could negatively affect our sales to customers in foreign countries, as well as our operations and assets in such countries.

In fiscal 2011, we sold products to more than 130 countries. Major sales markets include Canada, Central America, China, the European Union, Japan, Mexico, the Middle East, Russia, South Korea, Taiwan and Vietnam. Our sales to customers in foreign countries for fiscal 2011 totaled $5.5 billion, of which $4.1 billion related to export sales from the United States. In addition, we had approximately $539 million of long-lived assets located in foreign countries, primarily Brazil, China, Mexico and India, at the end of fiscal 2011.

As a result, we are subject to various risks and uncertainties relating to international sales and operations, including:

- imposition of tariffs, quotas, trade barriers and other trade protection measures imposed by foreign countries regarding the importation of poultry, beef and pork products, in addition to import or export licensing requirements imposed by various foreign countries;
- closing of borders by foreign countries to the import of poultry, beef and pork products due to animal disease or other perceived health or safety issues;
- impact of currency exchange rate fluctuations between the U.S. dollar and foreign currencies, particularly the Brazilian real, the British pound sterling, the Canadian dollar, the Chinese renminbi, the European euro, and the Mexican peso;
- political and economic conditions;
- difficulties and costs associated in complying with, and enforcement of remedies under, a wide variety of complex domestic and international laws, treaties and regulations, including, without limitation, the United States Foreign Corrupt Practices Act and economic and trade sanctions enforced by the United States Department of the Treasury s Office of Foreign Assets Control;

different regulatory structures and unexpected changes in regulatory environments;
tax rates that may exceed those in the United States and earnings that may be subject to withholding requirements and incremental taxes upon repatriation;
potentially negative consequences from changes in tax laws; and
distribution costs, disruptions in shipping or reduced availability of freight transportation.

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Negative consequences relating to these risks and uncertainties could jeopardize or limit our ability to transact business in one or more of those markets where we operate or in other developing markets and could adversely affect our financial results.

We depend on the availability of, and good relations with, our employees.

We have approximately 115,000 employees, approximately 36,000 of whom are covered by collective bargaining agreements or are members of labor unions. Our operations depend on the availability and relative costs of labor and maintaining good relations with employees and the labor unions. If we fail to maintain good relations with our employees or with the labor unions, we may experience labor strikes or work stoppages, which could adversely affect our financial results.

We depend on contract growers and independent producers to supply us with livestock.

We contract primarily with independent contract growers to raise the live chickens processed in our poultry operations. A majority of our cattle and hogs are purchased from independent producers who sell livestock to us under marketing contracts or on the open market. If we do not attract and maintain contracts with growers or maintain marketing and purchasing relationships with independent producers, our production operations could be negatively affected.

If our products become contaminated, we may be subject to product liability claims and product recalls.

Our products may be subject to contamination by disease-producing organisms or pathogens, such as Listeria monocytogenes, Salmonella and E. coli. These organisms and pathogens are found generally in the environment; therefore, there is a risk that one or more, as a result of food processing, could be present in our products. These organisms and pathogens also can be introduced to our products as a result of improper handling at the further processing, foodservice or consumer level. These risks may be controlled, but may not be eliminated, by adherence to good manufacturing practices and finished product testing. We have little, if any, control over handling procedures once our products have been shipped for distribution. Even an inadvertent shipment of contaminated products may be a violation of law and may lead to increased risk of exposure to product liability claims, product recalls (which may not entirely mitigate the risk of product liability claims), increased scrutiny and penalties, including injunctive relief and plant closings, by federal and state regulatory agencies, and adverse publicity, which could exacerbate the associated negative consumer reaction. Any of these occurrences may have an adverse effect on our financial results.

Our operations are subject to general risks of litigation.

We are involved on an on-going basis in litigation arising in the ordinary course of business or otherwise. Trends in litigation may include class actions involving consumers, shareholders, employees or injured persons, and claims relating to commercial, labor, employment, antitrust, securities or environmental matters. Litigation trends and the outcome of litigation cannot be predicted with certainty and adverse litigation trends and outcomes could adversely affect our financial results.

Our level of indebtedness and the terms of our indebtedness could negatively impact our business and liquidity position.

Our indebtedness, including borrowings under our revolving credit facility, may increase from time to time for various reasons, including fluctuations in operating results, working capital needs, capital expenditures and possible acquisitions, joint ventures or other significant initiatives. Our consolidated indebtedness level could adversely affect our business because:

- it may limit or impair our ability to obtain financing in the future;
- our credit rating could restrict or impede our ability to access capital markets at desired interest rates and increase our borrowing costs;
- it may reduce our flexibility to respond to changing business and economic conditions or to take advantage of business opportunities that may arise;
- a portion of our cash flow from operations must be dedicated to interest payments on our indebtedness and is not available for other purposes; and
- it may restrict our ability to pay dividends.

Our revolving credit facility contains affirmative and negative covenants that, among other things, may limit or restrict our ability to: create liens and encumbrances; incur debt; merge, dissolve, liquidate or consolidate; make acquisitions and investments; dispose of or transfer assets; pay dividends or make other payments in respect of our capital stock; amend material documents; change the nature of our business; make certain payments of debt; engage in certain transactions with affiliates; and enter into sale/leaseback or hedging transactions, in each case, subject to certain qualifications and exceptions. In addition, we are required to maintain minimum interest expense coverage and maximum leverage ratios.

Our 10.50% Senior notes due March 2014 also contain affirmative and negative covenants that, among other things, may limit or restrict our ability to: incur additional debt and issue preferred stock; make certain investments and restricted payments; create liens; create restrictions on distributions from subsidiaries; engage in specified sales of assets and subsidiary stock; enter into transactions with affiliates; enter new lines of business; engage in consolidation, mergers and acquisitions; and engage in certain sale/leaseback transactions.

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An impairment in the carrying value of goodwill could negatively impact our consolidated results of operations and net worth.

Goodwill is initially recorded at fair value and is not amortized, but is reviewed for impairment at least annually or more frequently if impairment indicators are present. In assessing the carrying value of goodwill, we make estimates and assumptions about sales, operating margins, growth rates and discount rates based on budgets, business plans, economic projections, anticipated future cash flows and marketplace data. There are inherent uncertainties related to these factors and management s judgment in applying these factors. Goodwill valuations have been calculated using an income approach based on the present value of future cash flows of each reporting unit and are believed to reflect market participant views which would exist in an exit transaction. Under the income approach, we are required to make various judgmental assumptions about appropriate discount rates. Disruptions in global credit and other financial markets and deterioration of economic conditions, could, among other things, cause us to increase the discount rate used in the goodwill valuations. We could be required to evaluate the recoverability of goodwill prior to the annual assessment if we experience disruptions to the business, unexpected significant declines in operating results, divestiture of a significant component of our business or sustained market capitalization declines. These types of events and the resulting analyses could result in goodwill impairment charges in the future, which could be substantial. As of October 1, 2011, we had $1.9 billion of goodwill, which represented approximately 17.1% of total assets.

Domestic and international government regulations could impose material costs.

Our operations are subject to extensive federal, state and foreign laws and regulations by authorities that oversee food safety standards and processing, packaging, storage, distribution, advertising, labeling and export of our products. Our facilities for processing chicken, beef, pork, prepared foods and milling feed and for housing live chickens and swine are subject to a variety of international, federal, state and local laws relating to the protection of the environment, including provisions relating to the discharge of materials into the environment, and to the health and safety of our employees. Our chicken, beef and pork processing facilities are participants in the HACCP program and are subject to the Public Health Security and Bioterrorism Preparedness and Response Act of 2002. In addition, our products are subject to inspection prior to distribution, primarily by the USDA and the FDA. Also, our livestock procurement and poultry growout activities are regulated by the Grain Inspection, Packers and Stockyards Administration, which is part of USDA s Marketing and Regulatory Programs. Loss of or failure to obtain necessary permits and registrations could delay or prevent us from meeting current product demand, introducing new products, building new facilities or acquiring new businesses and could adversely affect operating results. Additionally, we are routinely subject to new or modified laws, regulations and accounting standards. If we are found to be out of compliance with applicable laws and regulations in these or other areas, we could be subject to civil remedies, including fines, injunctions, recalls or asset seizures, as well as potential criminal sanctions, any of which could have an adverse effect on our financial results.

A material acquisition, joint venture or other significant initiative could affect our operations and financial condition.

We periodically evaluate potential acquisitions, joint ventures and other initiatives (collectively, transactions), and we may seek to expand our business through the acquisition of companies, processing plants, technologies, products and services, which could include material transactions. A material transaction may involve a number of risks, including:

- failure to realize the anticipated benefits of the transaction;
- difficulty integrating acquired businesses, technologies, operations and personnel with our existing business;
- diversion of management attention in connection with negotiating transactions and integrating the businesses acquired;
- exposure to unforeseen or undisclosed liabilities of acquired companies; and
- the need to obtain additional debt or equity financing for any transaction.

We may not be able to address these risks and successfully develop these acquired companies or businesses into profitable units. If we are unable to do this, such expansion could adversely affect our financial results.

Market fluctuations could negatively impact our operating results as we hedge certain transactions.

Our business is exposed to fluctuating market conditions. We use derivative financial instruments to reduce our exposure to various market risks including changes in commodity prices, interest rates and foreign exchange rates. We hold certain positions, primarily in grain and livestock futures, that do not qualify as hedges for financial reporting purposes. These positions are marked to fair value, and the unrealized gains and losses are reported in earnings at each reporting date. Therefore, losses on these contracts will adversely affect our reported operating results. While these contracts reduce our exposure to changes in prices for commodity products, the use of such instruments may ultimately limit our ability to benefit from favorable commodity prices.

Deterioration of economic conditions could negatively impact our business.

Our business may be adversely affected by changes in economic conditions, including inflation, interest rates, access to capital markets, consumer spending rates, energy availability and costs (including fuel surcharges) and the effects of governmental initiatives to manage economic conditions. Any such changes could adversely affect the demand for our products, or the cost and availability of our needed raw materials, cooking ingredients and packaging materials, thereby negatively affecting our financial results.

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Disruptions in global credit and other financial markets and deterioration of economic conditions, could, among other things:

- make it more difficult or costly for us to obtain financing for our operations or investments or to refinance our debt in the future;
- cause our lenders to depart from prior credit industry practice and make more difficult or expensive the granting of any amendment of, or waivers under, our credit agreement to the extent we may seek them in the future;
- impair the financial condition of some of our customers and suppliers thereby increasing customer bad debts or non-performance by suppliers;
- negatively impact global demand for protein products, which could result in a reduction of sales, operating income and cash flows;
- decrease the value of our investments in equity and debt securities, including our marketable debt securities, company-owned life insurance and pension and other postretirement plan assets;
- negatively impact our commodity purchasing activities if we are required to record losses related to derivative financial instruments; or
- impair the financial viability of our insurers.

Changes in consumer preference could negatively impact our business.

The food industry in general is subject to changing consumer trends, demands and preferences. Trends within the food industry change often, and failure to identify and react to changes in these trends could lead to, among other things, reduced demand and price reductions for our products, and could have an adverse effect on our financial results.

The loss of one or more of our largest customers could negatively impact our business.

Our business could suffer significant setbacks in sales and operating income if our customers plans and/or markets change significantly or if we lost one or more of our largest customers, including, for example, Wal-Mart Stores, Inc., which accounted for 13.3% of our sales in fiscal 2011. Many of our agreements with our customers are short-term, primarily due to the nature of our products, industry practice and the fluctuation in demand and price for our products.

The consolidation of customers could negatively impact our business.

Our customers, such as supermarkets, warehouse clubs and food distributors, have consolidated in recent years, and consolidation is expected to continue throughout the United States and in other major markets. These consolidations have produced large, sophisticated customers with increased buying power who are more capable of operating with reduced inventories, opposing price increases, and demanding lower pricing, increased promotional programs and specifically tailored products. These customers also may use shelf space currently used for our products for their own private label products. Because of these trends, our volume growth could slow or we may need to lower prices or increase promotional spending for our products, any of which would adversely affect our financial results.

Extreme factors or forces beyond our control could negatively impact our business.

Natural disasters, fire, bioterrorism, pandemic or extreme weather, including droughts, floods, excessive cold or heat, hurricanes or other storms, could impair the health or growth of livestock or interfere with our operations due to power outages, fuel shortages, damage to our production and processing facilities or disruption of transportation channels, among other things. Any of these factors, as well as disruptions in our information systems, could have an adverse effect on our financial results.

Our renewable energy ventures and other initiatives might not be successful.

We have been exploring ways to convert animal fats and other by-products from our operations into value-added products. For example, in fiscal 2007, we announced the formation of Dynamic Fuels, a joint venture with Syntroleum Corporation. We will continue to explore other ways to commercialize opportunities outside our core business, such as renewable energy and other technologically-advanced platforms. These initiatives might not be as financially successful as we initially announced or might expect due to factors that include, but are not limited to, possible discontinuance of tax credits, competing energy prices, failure to operate at the volumes anticipated, abilities of our joint venture partners and our limited experience in some of these new areas.

Tyson Limited Partnership can exercise significant control.

As of October 1, 2011, Tyson Limited Partnership (the TLP) owns 99.97% of the outstanding shares of Class B Common Stock, $0.10 par value (Class B stock) and the TLP and members of the Tyson family own, in the aggregate, 2.45% of the outstanding shares of Class A Common Stock, $0.10 par value (Class A stock), giving them, collectively, control of approximately 70.74% of the total voting power of the outstanding voting stock. At this time, the TLP does not have a managing general partner, and, as such, the management rights of the managing general partner may be exercised by a majority of the percentage interests of the general partners. As of October 1, 2011, Mr. John Tyson, Chairman of the Board of Directors, has 33.33% of the general partner percentage interests, and Ms. Barbara Tyson, a director of the Company, has 11.115% general partner percentage interests (the remaining general partnership interests are held by the Tyson Partnership Interest Trust (44.44%) and Harry C. Erwin, III (11.115%)). As a result of these holdings, positions and directorships, the partners in the TLP have the ability to exert substantial influence or actual control over our management and affairs and over substantially all matters requiring action by our stockholders, including amendments to our restated

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certificate of incorporation and by-laws, the election and removal of directors, any proposed merger, consolidation or sale of all or substantially all of our assets and other corporate transactions. This concentration of ownership may also delay or prevent a change in control otherwise favored by our other stockholders and could depress our stock price. Additionally, as a result of the Tyson family s significant ownership of our outstanding voting stock, we rely on the controlled company exemption from certain corporate governance requirements of the New York Stock Exchange.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

We have production and distribution operations in the following states: Alabama, Arkansas, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Nebraska, New Mexico, New York, North Carolina, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, Washington and Wisconsin. We also have sales offices throughout the United States. Additionally, we, either directly or through our subsidiaries, have sales offices, facilities or participate in joint venture operations in Argentina, Brazil, China, the Dominican Republic, Hong Kong, India, Ireland, Japan, Mexico, the Netherlands, Peru, the Philippines, Russia, South Korea, Spain, Sri Lanka, Taiwan, Thailand, the United Arab Emirates, the United Kingdom and Venezuela.

	Number of Facilities		
	Owned	Leased	Total
Chicken Segment:			
Processing plants	60	1	61
Rendering plants	15	-	15
Blending mills	2	-	2
Feed mills	41	2	43
Broiler hatcheries	62	10	72
Breeder houses	508	783	1,291
Broiler farm houses	809	926	1,735
Beef Segment Production Facilities	12	-	12
Pork Segment Production Facilities	9	-	9
Prepared Foods Segment Processing Plants	22	1	23
Distribution Centers	11	5	16
Cold Storage Facilities	65	12	77

	Capacity(1) per week at October 1, 2011	Fiscal 2011 Average Capacity Utilization
Chicken Processing Plants	46 million head	92%
Beef Production Facilities	175,000 head	81%
Pork Production Facilities	448,000 head	89%
Prepared Foods Processing Plants	45 million pounds	85%

(1) Capacity based on a five day week for Chicken and Prepared Foods, while Beef and Pork are based on a six day week.

Chicken: Chicken processing plants include various phases of slaughtering, dressing, cutting, packaging, deboning and further-processing. We also have 17 pet food operations, which are part of the Chicken processing plants. The blending mills, feed mills and broiler hatcheries have sufficient capacity to meet the needs of the chicken growout operations.

Beef: Beef plants include various phases of slaughtering live cattle and fabricating beef products. Some also treat and tan hides. The Beef segment includes three case-ready operations that share facilities with the Pork segment. One of the beef facilities contains a tallow refinery. Carcass facilities reduce live cattle to dressed carcass form. Processing facilities conduct fabricating operations to produce boxed beef and allied products.

Pork: Pork plants include various phases of slaughtering live hogs and fabricating pork products and allied products. The Pork segment includes three case-ready operations that share facilities with the Beef segment.

Prepared Foods: Prepared Foods plants process fresh and frozen chicken, beef, pork and other raw materials into pizza toppings, branded and processed meats, appetizers, prepared meals, ethnic foods, soups, sauces, side dishes, pizza crusts, flour and corn tortilla products and meat dishes.

Our Dynamic Fuels joint venture produces renewable synthetic fuels targeting the renewable diesel and jet fuel markets. Construction of production facilities was completed in late fiscal 2010, and initial production began in October 2010. Dynamic Fuels operates one plant with designed annual capacity of 75 million gallons.

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We believe our present facilities are generally adequate and suitable for our current purposes; however, seasonal fluctuations in inventories and production may occur as a reaction to market demands for certain products. We regularly engage in construction and other capital improvement projects intended to expand capacity and improve the efficiency of our processing and support facilities. We also consider the efficiencies of our operations and may from time to time consider changing the number or type of plants we operate to align with our capacity needs.

ITEM 3. LEGAL PROCEEDINGS

Refer to the description of certain legal proceedings pending against us under Part II, Item 8, Notes to Consolidated Financial Statements, Note 19: Commitments and Contingencies, which discussion is incorporated herein by reference. Listed below are certain additional legal proceedings involving the Company and/or its subsidiaries.

On October 23, 2001, a putative class action lawsuit styled R. Lynn Thompson, et al. vs. Tyson Foods, Inc. was filed in the District Court for Mayes County, Oklahoma by three property owners on behalf of all owners of lakefront property on Grand Lake O the Cherokees. Simmons Foods, Inc. and Peterson Farms, Inc. also are defendants. The plaintiffs allege the defendants operations diminished the water quality in the lake thereby interfering with the plaintiffs use and enjoyment of their properties. The plaintiffs sought injunctive relief and an unspecified amount of compensatory damages, punitive damages, attorneys fees and costs. While the District Court certified a class, on October 4, 2005, the Court of Civil Appeals of the State of Oklahoma reversed, holding the plaintiffs claims were not suitable for disposition as a class action. This decision was upheld by the Oklahoma Supreme Court and the case was remanded to the District Court with instructions that the matter proceed only on behalf of the three named plaintiffs. Plaintiffs seek injunctive relief, restitution and compensatory and punitive damages in an unspecified amount in excess of $10,000. We and the other defendants have denied liability and asserted various defenses. The defendants have requested a trial date, but the court has not yet scheduled the matter for trial.

Since 2003, nine lawsuits have been brought against us and several other poultry companies by approximately 150 plaintiffs in Washington County, Arkansas Circuit Court (Green v. Tyson Foods, Inc., et al., Bible v. Tyson Foods, Inc., Beal v. Tyson Foods, Inc., et al., McWhorter v. Tyson Foods, Inc., et al., McConnell v. Tyson Foods, Inc., et al., Carroll v. Tyson Foods, Inc., et al., Belew v. Tyson Foods, Inc., et al., Gonzalez v. Tyson Foods, Inc., et al., and Rasco v. Tyson Foods, Inc., et al.) alleging that the land application of poultry litter caused arsenic and pathogenic mold and fungi contamination of the air, soil and water in and around Prairie Grove, Arkansas and seeking recovery for several types of personal injuries, including several forms of cancer. On August 2, 2006, the Court granted summary judgment in favor of Tyson and the other poultry company defendants in the first case to go to trial, which the plaintiffs appealed, and the trial court stayed the remaining eight lawsuits pending the appeal. On May 8, 2008, the Arkansas Supreme Court reversed the summary judgment and remanded for a new trial. The remanded trial was held and the jury returned a verdict in our favor. The plaintiffs appealed this verdict to the Arkansas Supreme Court, which affirmed the verdict and denied the plaintiffs petition for rehearing. The trial court has scheduled the second trial for October 22, 2012.

In 2010 our Mexican subsidiary, Tyson de Mexico (TdM), provided the National Water Commission (CONAGUA), an agency of the Mexican government s Ministry of the Environment and Natural Resources, with information on TdM s water usage for 2008 and 2009 at certain water wells that are part of TdM s poultry production operations. In February 2011, the regional CONAGUA office informed TdM that it was the regional CONAGUA office s opinion that TdM s permits for water usage from certain wells lapsed between the period of January 1, 2009 through May 5, 2009, and it estimated TdM owed approximately 6.5 million pesos (approximately $560,000) for water usage during this period. TdM has had ongoing discussions with the regional CONAGUA office on this matter and is awaiting the regional office s final determination.

In late 2010, the United States Environmental Protection Agency (EPA) Region 7 began a Clean Air Act investigation of the company related to operation and maintenance of ammonia refrigeration equipment at multiple facilities. The EPA subsequently referred the matter, which involves allegations of potential non-compliance with the Clean Air Act s Risk Management Plan requirements at 15 Tyson facilities in Kansas, Missouri, Iowa and Nebraska, to the United States Department of Justice (DOJ). The EPA and DOJ have indicated they will seek monetary penalties (but the EPA and DOJ have not yet indicated an amount) and injunctive relief requiring equipment and infrastructure changes at several facilities.

Other Matters: We currently have approximately 115,000 employees and, at any time, have various employment practices matters outstanding. In the aggregate, these matters are significant to the Company, and we devote significant resources to managing employment issues. Additionally, we are subject to other lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of our business. While the ultimate results of these matters cannot be determined, they are not expected to have a material adverse effect on our consolidated results of operations or financial position.

ITEM 4. REMOVED AND RESERVED

Not applicable.

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EXECUTIVE OFFICERS OF THE COMPANY

Our officers serve one year terms from the date of their election, or until their successors are appointed and qualified. No family relationships exist among these officers. The name, title, age and year of initial election to executive office of our executive officers are listed below:

Name	Title	Age	Year Elected Executive Officer
Craig J. Hart	Senior Vice President, Controller and Chief Accounting Officer	55	2004
Kenneth J. Kimbro	Senior Vice President, Chief Human Resources Officer	58	2009
Donnie King	Senior Group Vice President, Poultry and Prepared Foods	49	2009
Dennis Leatherby	Executive Vice President and Chief Financial Officer	51	1994
James V. Lochner	Chief Operating Officer	59	2005
Donnie Smith	President and Chief Executive Officer	52	2008
John Tyson	Chairman of the Board of Directors	58	2011(1)
David L. Van Bebber	Executive Vice President and General Counsel	55	2008
Noel White	Senior Group Vice President, Fresh Meats	53	2009

(1) Mr. Tyson was first elected an executive officer in 1989. In 2007, the Company s Board determined that the Chairman of the Board would no longer be considered an executive officer. On November 17, 2011, as part of its annual determination of executive officers, the Board designated Mr. Tyson in his capacity as Chairman of the Board as an executive officer.

Craig J. Hart was appointed Senior Vice President, Controller and Chief Accounting Officer in 2004. Mr. Hart was initially employed by IBP, inc. in 1978.

Kenneth J. Kimbro was appointed Senior Vice President, Chief Human Resources Officer in 2007, after serving as Senior Vice President, Human Resources since 2001. Mr. Kimbro was initially employed by IBP, inc. in 1995.

Donnie King was appointed Senior Group Vice President, Poultry and Prepared Foods in December 2009, after serving as Group Vice President, Refrigerated and Deli since 2008, Group Vice President, Operations since 2007, Senior Vice President, Consumer Products Operations since 2006 and Senior Vice President, Poultry Operations since 2003. Mr. King was initially employed by Valmac Industries, Inc. in 1982. Valmac Industries, Inc. was acquired by the Company in 1984.

Dennis Leatherby was appointed Executive Vice President and Chief Financial Officer in 2008 after serving as Senior Vice President, Finance and Treasurer since 1998. He also served as Interim Chief Financial Officer from 2004 to 2006. Mr. Leatherby was initially employed by the Company in 1990.

James V. Lochner was appointed Chief Operating Officer in November 2009, after serving as Senior Group Vice President, Fresh Meats since 2007, Senior Group Vice President, Fresh Meats and Margin Optimization since 2006 and Senior Group Vice President, Margin Optimization, Purchasing and Logistics since 2005. Mr. Lochner was initially employed by IBP, inc. in 1983.

Donnie Smith was appointed President and Chief Executive Officer in November 2009, after serving as Senior Group Vice President, Poultry and Prepared Foods since January 2009, Group Vice President of Consumer Products since 2008, Group Vice President of Logistics and Operations Services since 2007, Group Vice President Information Systems, Purchasing and Distribution since 2006 and Senior Vice President and Chief Information Officer since 2005. Mr. Smith was initially employed by the Company in 1980.

John Tyson has served as Chairman of the Board of Directors since 1998 and was previously Chief Executive Officer of the Company from 2001 until 2006.

David L. Van Bebber was appointed Executive Vice President and General Counsel in 2008, after serving as Senior Vice President and Deputy General Counsel since 2004. Mr. Van Bebber was initially employed by Lane Processing in 1982. Lane Processing was acquired by the Company in 1986.

Noel White was appointed Senior Group Vice President, Fresh Meats in December 2009, after serving as Senior Vice President, Pork Margin Management since 2007 and Group Vice President, Fresh Meats Operations/Commodity Sales since 2005. Mr. White was initially employed by IBP, inc. in 1983.

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

We have issued and outstanding two classes of capital stock, Class A stock and Class B stock. Holders of Class B stock may convert such stock into Class A stock on a share-for-share basis. Holders of Class B stock are entitled to 10 votes per share while holders of Class A stock are entitled to one vote per share on matters submitted to shareholders for approval. As of October 29, 2011, there were approximately 29,000 holders of record of our Class A stock and 9 holders of record of our Class B stock, excluding holders in the security position listings held by nominees.

DIVIDENDS

Cash dividends cannot be paid to holders of Class B stock unless they are simultaneously paid to holders of Class A stock. The per share amount of the cash dividend paid to holders of Class B stock cannot exceed 90% of the cash dividend simultaneously paid to holders of Class A stock. We have paid uninterrupted quarterly dividends on common stock each year since 1977 and expect to continue our cash dividend policy during fiscal 2012. In both fiscal 2011 and 2010, the annual dividend rate for Class A stock was $0.16 per share and the annual dividend rate for Class B stock was $0.144 per share.

MARKET INFORMATION

Our Class A stock is traded on the New York Stock Exchange under the symbol TSN. No public trading market currently exists for our Class B stock. The high and low closing sales prices of our Class A stock for each quarter of fiscal 2011 and 2010 are represented in the table below.

	Fiscal 2011		Fiscal 2010	
	High	Low	High	Low
First Quarter	$ 17.74	$ 14.84	$ 13.19	$ 12.02
Second Quarter	19.82	16.25	19.50	12.24
Third Quarter	19.92	17.12	20.40	16.25
Fourth Quarter	19.24	15.68	18.06	15.22

ISSUER PURCHASES OF EQUITY SECURITIES

The table below provides information regarding our purchases of Class A stock during the periods indicated.

Period		Total Number of Shares Purchased	Average Price Paid per Share		Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
July 3 to July 30, 2011		191,102	$ 18.98		-	18,071,095
July 31 to Sept. 3, 2011		2,919,607	16.97		2,807,479	15,263,616
Sept. 4 to Oct. 1, 2011		2,524,152	17.16		2,469,800	12,793,816
Total	(2)	5,634,861	$ 17.12	(3)	5,277,279	12,793,816

(1) On February 7, 2003, we announced our Board of Directors approved a plan to repurchase up to 25 million shares of Class A common stock from time to time in open market or privately negotiated transactions. The plan has no fixed or scheduled termination date. On May 11, 2011, the Board of Directors reactivated the program, effective immediately, to repurchase up to the remaining 22.5 million shares of the Company s Class A common stock.

(2) We purchased 357,582 shares during the period that were not made pursuant to our previously announced stock repurchase plan, but were purchased to fund certain Company obligations under our equity compensation plans. These transactions included 325,835 shares purchased in open market transactions and 31,747 shares withheld to cover required tax withholdings on the vesting of restricted stock.

(3) We purchased 5,277,279 shares during the period pursuant to our previously announced stock repurchase plan of approximately 25 million shares.

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PERFORMANCE GRAPH

The following graph shows a five-year comparison of cumulative total returns for our Class A stock, the Standard & Poor s (S&P) 500 Index and a group of peer companies described below.

	Base Period	Years Ending				
	9/30/06	9/29/07	9/27/08	10/3/09	10/2/10	10/1/11
Tyson Foods, Inc.	100	113.35	81.41	80.40	107.22	115.51
S&P 500 Index	100	116.44	90.85	84.58	93.17	94.24
Peer Group	100	106.89	106.09	96.68	114.50	126.61

The total cumulative return on investment (change in the year-end stock price plus reinvested dividends), which is based on the stock price or composite index at the end of fiscal 2006, is presented for each of the periods for the Company, the S&P 500 Index and a peer group. The peer group includes: Campbell Soup Company, ConAgra Foods, Inc., General Mills, Inc., H.J. Heinz Co., Hershey Foods Corp., Hormel Foods Corp., Kellogg Co., McCormick & Co., Pilgrim s Pride Corporation, Sara Lee Corp. and Smithfield Foods, Inc. The graph compares the performance of the Company with that of the S&P 500 Index and peer group, with the investment weighted on market capitalization.

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ITEM 6. SELECTED FINANCIAL DATA

FIVE-YEAR FINANCIAL SUMMARY

	in millions, except per share and ratio data				
	2011	2010	2009	2008	2007
Summary of Operations					
Sales	$ 32,266	$ 28,430	$ 26,704	$ 26,862	$ 25,729
Goodwill impairment	-	29	560	-	-
Operating income (loss)	1,285	1,556	(215)	331	613
Net interest expense	231	333	310	206	224
Income (loss) from continuing operations	733	765	(550)	86	268
Loss from discontinued operation	-	-	(1)	-	-
Net income (loss)	733	765	(551)	86	268
Net income (loss) attributable to Tyson	750	780	(547)	86	268
Diluted net income (loss) per share attributable to Tyson:					
Income (loss) from continuing operations	1.97	2.06	(1.47)	0.24	0.75
Loss from discontinued operation	-	-	-	-	-
Net income (loss)	1.97	2.06	(1.47)	0.24	0.75
Dividends per share:					
Class A	0.160	0.160	0.160	0.160	0.160
Class B	0.144	0.144	0.144	0.144	0.144
Balance Sheet Data					
Cash and cash equivalents	$ 716	$ 978	$ 1,004	$ 250	$ 42
Total assets	11,071	10,752	10,595	10,850	10,227
Total debt	2,182	2,536	3,477	2,804	2,779
Shareholders equity	5,685	5,201	4,431	5,099	4,735
Other Key Financial Measures					
Depreciation and amortization	$ 506	$ 497	$ 513	$ 493	$ 514
Capital expenditures	643	550	368	425	285
Return on invested capital	18.5%	22.8%	(3.0)%	4.4%	7.7%
Effective tax rate	31.8%	36.4%	(1.5)%	44.6%	34.6%
Total debt to capitalization	27.7%	32.8%	44.0%	35.5%	37.0%
Book value per share	$ 15.38	$ 13.78	$ 11.77	$ 13.51	$ 13.32
Closing stock price high	19.92	20.40	13.88	19.44	24.08
Closing stock price low	14.84	12.02	4.40	12.14	14.20

Notes to Five-Year Financial Summary

a. Fiscal 2011 included an $11 million non-operating gain related to the sale of interest in an equity method investment and a $21 million reduction to income tax expense related to a reversal of reserves for foreign uncertain tax positions.
b. Fiscal 2010 included $61 million of interest expense related to losses on notes repurchased/redeemed during fiscal 2010, a $29 million non-tax deductible charge related to a full goodwill impairment related to an immaterial Chicken segment reporting unit and a $12 million non-operating charge related to the partial impairment of an equity method investment. Additionally, fiscal 2010 included insurance proceeds received of $38 million related to Hurricane Katrina.
c. Fiscal 2009 was a 53-week year, while the other years presented were 52-week years.
d. Fiscal 2009 included a $560 million non-tax deductible charge related to Beef segment goodwill impairment and a $15 million pretax charge related to closing a prepared foods plant.
e. Fiscal 2008 included $76 million of pretax charges related to: restructuring a beef operation; closing a poultry plant; asset impairments for packaging equipment, intangible assets, unimproved real property and software; flood damage; and severance charges. Additionally, fiscal 2008 included an $18 million non-operating gain related to the sale of an investment.
f. Fiscal 2007 included tax expense of $17 million related to a fixed asset tax cost correction, primarily related to a fixed asset system conversion in 1999.
g. Return on invested capital is calculated by dividing operating income (loss) by the sum of the average of beginning and ending total debt and shareholders equity less cash and cash equivalents.
h. For the total debt to capitalization calculation, capitalization is defined as total debt plus total shareholders equity.
i. In March 2009, we completed the sale of the beef processing, cattle feed yard and fertilizer assets of three of our Alberta, Canada subsidiaries (collectively, Lakeside). Lakeside was reported as a discontinued operation for all periods presented.

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

DESCRIPTION OF THE COMPANY

We are one of the world s largest meat protein companies and the second-largest food production company in the *Fortune* 500 with one of the most recognized brand names in the food industry. We produce, distribute and market chicken, beef, pork, prepared foods and related allied products. Our operations are conducted in four segments: Chicken, Beef, Pork and Prepared Foods. Some of the key factors influencing our business are customer demand for our products; the ability to maintain and grow relationships with customers and introduce new and innovative products to the marketplace; accessibility of international markets; market prices for our products; the cost of live cattle and hogs, raw materials, grain and feed ingredients; and operating efficiencies of our facilities.

OVERVIEW

General As a result of improved internal performance, strong exports and favorable market conditions in our Beef and Pork segments, our operating results remained strong in fiscal 2011 despite a $3.7 billion increase in input costs. The following are a few of the key drivers:

- We continued to focus on maximizing our margins through margin management and operational efficiency improvements. Margin management improvements occurred in the areas of mix, export sales, price optimization and value-added products initiatives. The operational efficiencies occurred in the areas of yields, cost reduction, labor management and logistics cost optimization.
- Strong demand and exports in the Beef and Pork segments created a favorable pricing environment. While our Chicken segment remained profitable in fiscal 2011, we were challenged by $675 million in increased grain and other feed ingredients costs, as well as excess industry supplies, which made it difficult to pass along the increased input costs. As a result of balancing our supply with customer demand, we cut production after customer demand fell short of expectations. Recent USDA data indicates decreased egg sets, broiler chick placements and slaughter pounds. However, the impact of these production cuts, and the associated impact on market prices, did not begin to materialize until late fourth quarter and into fiscal 2012.

With an operating margin of 4.0% in fiscal 2011, we have achieved operating margins of 4.0% or better in consecutive years for the first time since the acquisition of IBP, inc. in 2001. The following is a summary of operating margins by segment:

- Chicken 1.5%
- Beef 3.5%
- Pork 10.3%
- Prepared Foods 3.6%

Debt and Liquidity During fiscal 2011, we generated $1.0 billion of operating cash flows. Total debt declined $350 million in fiscal 2011 to $2.2 billion, the lowest level since the acquisition of IBP, inc. Additionally, we repurchased, as part of our previously announced share repurchase program, 9.7 million shares of our stock for $170 million in fiscal 2011. At October 1, 2011, we had $1.6 billion of liquidity, which includes the availability under our credit facility and $716 million of cash and cash equivalents.

Our accounting cycle resulted in a 52-week year for both fiscal 2011 and 2010 and a 53-week year for fiscal 2009.

	in millions, except per share data		
	2011	2010	2009
Net income (loss) attributable to Tyson	$ 750	$ 780	$ (547)
Net income (loss) attributable to Tyson per diluted share	1.97	2.06	(1.47)

2011 Net income included the following items:

- $11 million gain related to a sale of interests in an equity method investment; and
- $21 million reduction to income tax expense related to a reversal of reserves for foreign uncertain tax positions.

2010 Net income included the following items:

- $61 million in charges related to losses on notes repurchased during fiscal 2010;
- $29 million non-cash, non-tax deductible charge related to a full goodwill impairment in an immaterial Chicken segment reporting unit;
- $12 million non-cash, non-tax deductible charge related to the impairment of an equity method investment; and
- $38 million gain from insurance proceeds.

2009 Net loss included the following items:

- $560 million non-cash, non-tax deductible charge related to a goodwill impairment in our Beef segment; and
- $15 million charge related to the closing of our Ponca City, Oklahoma, processed meats plant.

FISCAL 2012 OUTLOOK

USDA data indicates overall domestic protein (chicken, beef, pork and turkey) production is expected to decrease in fiscal 2012. Because exports are likely to remain strong, we forecast total domestic availability of protein to be down 2-3% compared to fiscal 2011, which should continue to support improved pricing. The following is a summary of the fiscal 2012 outlook for each of our segments, as well as an outlook on sales, capital expenditures, net interest expense, debt and liquidity and share repurchases:

- Chicken – For fiscal 2012, we expect industry production will decrease approximately 4% from fiscal 2011, which should gradually improve market pricing conditions. Current futures prices indicate higher grain costs in fiscal 2012 compared to fiscal 2011. We expect to offset the increased grain costs with operational, pricing and mix improvements. Our Chicken segment is currently profitable and we expect it to strengthen throughout the year.
- Beef – We expect to see a gradual reduction in fed cattle supplies of 1-2% in fiscal 2012 as well as exports to remain strong as compared to fiscal 2011. Despite reduced domestic availability, we expect adequate supplies in the regions we operate our plants. Although current weak industry fundamentals are challenging our Beef business, we expect it to be profitable in the first quarter. We anticipate the fundamentals will strengthen throughout the year and our Beef segment will be in our normalized range for fiscal 2012.
- Pork – We expect hog supplies in fiscal 2012 to be comparable to fiscal 2011 and to be adequate in the regions in which we operate. Additionally, we expect pork exports to remain strong in fiscal 2012. Based on these factors, we expect strong fundamentals in our Pork business to continue in fiscal 2012.
- Prepared Foods – We expect operational improvements and increased pricing to offset an anticipated increase in raw material costs. Because many of our sales contracts are formula based or shorter-term in nature, we are typically able to offset rising input costs through increased pricing. However, there is a lag time for price increases to take effect. We expect improved Prepared Foods profitability for fiscal 2012 primarily due to improvements in our lunchmeats business.
- Sales – We expect 2012 sales to exceed $34 billion mostly resulting from price increases related to decreases in domestic availability of protein and rising raw material costs.
- Capital Expenditures – Our preliminary capital expenditures plan for fiscal 2012 is approximately $800-$850 million. We will continue to make significant investments in our production facilities for high return operational efficiencies, other profit improvement projects and development of our foreign operations.
- Net Interest Expense – We expect fiscal 2012 net interest expense will be approximately $185 million, down $46 million compared to fiscal 2011.
- Debt and Liquidity – We do not have any significant maturities of debt coming due over the next two fiscal years and will continue to use our available cash to repurchase notes when available at attractive rates. We plan to maintain total liquidity in excess of $1.2 billion.
- Share Repurchases – We expect to continue repurchasing shares under our previously announced share repurchase plan. In fiscal 2011, we repurchased 9.7 million shares for approximately $170 million. As of October 1, 2011, 12.8 million shares remain authorized for repurchases. The timing and extent to which we repurchase shares will depend upon, among other things, market conditions, liquidity targets, our debt obligations and regulatory requirements.

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SUMMARY OF RESULTS CONTINUING OPERATIONS

Sales			in millions
	2011	2010	2009
Sales	$ 32,266	$ 28,430	$ 26,704
Change in sales volume	1.7%	(0.6)%	
Change in average sales price	11.8%	7.1%	
Sales growth	13.5%	6.5%	

2011 vs. 2010

Average Sales Price The increase in sales was largely due to an increase in average sales prices, which accounted for an increase of approximately $3.4 billion. While all segments had an increase in average sales prices mostly due to price increases associated with rising raw material costs, the majority of the increase was driven by the Beef and Pork segments.

Sales Volume Sales were positively impacted by an increase in sales volume, which accounted for an increase of $484 million. This was primarily due to increases in the Chicken and Pork segments, partially offset by decreases in the Beef and Prepared Foods segments.

2010 vs. 2009

Average Sales Price The increase in sales was largely due to an increase in average sales prices, which accounted for an increase of approximately $1.9 billion. While all segments had an increase in average sales prices, the majority of the increase was driven by the Beef and Pork segments.

Sales Volume Sales were negatively impacted by a decrease in sales volume, which accounted for a decrease of $150 million. This was primarily due to an extra week in fiscal 2009 and the decrease in Pork segment sales volume, partially offset by an increase from a fiscal 2009 acquisition in the Chicken segment.

Cost of Sales			in millions
	2011	2010	2009
Cost of sales	$ 30,067	$ 25,916	$ 25,501
Gross profit	$ 2,199	$ 2,514	$ 1,203
Cost of sales as a percentage of sales	93.2%	91.2%	95.5%

2011 vs. 2010

Cost of sales increased by approximately $4.1 billion. Higher input cost per pound increased cost of sales by approximately $3.7 billion, while higher sales volume increased cost of sales $445 million.

- The $3.7 billion impact of higher input costs per pound was primarily driven by:
  - Increase in average live cattle and hog costs of approximately $2.4 billion.
  - Increase in grain and feed ingredients of $675 million and increase in other growout operating costs of $74 million in our Chicken segment, which were partially offset by approximately $200 million of operational improvements.
  - Increase in raw material costs of $273 million in our Prepared Foods segment.
- The $0.4 billion impact of higher sales volumes was primarily driven by:
  - Increases in sales volume in our Chicken and Pork segments partially offset by decreases in our Beef and Prepared Foods segments.
  - Increase of $145 million of costs of sales associated with Dynamic Fuels, which commenced production activities in fiscal 2011.

2010 vs. 2009

Cost of sales increased $415 million. Higher cost per pound increased cost of sales by $558 million, partially offset by lower sales volume which decreased cost of sales by $143 million.

- Increase in average live cattle and hog costs of approximately $1.0 billion.
- Increase due to net losses of $78 million in fiscal 2010, as compared to net gains of $191 million in fiscal 2009, from our commodity risk management activities related to forward futures contracts for live cattle and hogs, and excludes the impact from related physical purchase transactions which impact current and future period operating results.
- Increase in raw material costs of approximately $218 million in our Prepared Foods segment.
- Increase in incentive-based compensation of approximately $97 million.

Decrease due to net losses of $6 million in fiscal 2010, as compared to net losses of $257 million in fiscal 2009, from our commodity risk management activities related to grain and energy purchases, and excludes the impact from related physical purchase transactions which impact current and future period operating results.
Decrease in grain costs in the Chicken segment of approximately $158 million.
Decrease in the Chicken segment costs resulting from operational improvements.

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Selling, General and Administrative			in millions
	2011	2010	2009
Selling, general and administrative	$ 914	$ 929	$ 841
As a percentage of sales	2.8%	3.3%	3.1%

2011 vs. 2010

Decrease of $13 million related to incentive-based compensation.

2010 vs. 2009

Increase of $118 million related to incentive-based compensation.

Reductions include decreases resulting from one less week in fiscal 2010 compared to fiscal 2009, as well as a $16 million reduction in professional fees, advertising and sales promotions.

Goodwill Impairment			in millions
	2011	2010	2009
	$ 0	$ 29	$ 560

We perform our annual goodwill impairment test on the first day of the fourth quarter. We estimate the fair value of our reporting units using a discounted cash flow analysis. As further discussed in Critical Accounting Estimates, this analysis requires us to make various judgmental estimates and assumptions about sales, operating margins, growth rates and discount factors.

2010 Includes the full impairment of an immaterial Chicken segment reporting unit.

2009 Includes the partial impairment of our Beef segment reporting unit.

Other Charges			in millions
	2011	2010	2009
	$ 0	$ 0	$ 17

2009 Included $15 million charge related to closing our Ponca City, Oklahoma, processed meats plant.

Interest Income			in millions
	2011	2010	2009
	$ 11	$ 14	$ 17

2011/2010/2009 Declines in interest income are primarily due to declines in cash balances and interest rates. The declines in cash balances are primarily due to repurchases, retirement and redemption of senior notes, repurchases of Class A common stock under the reactivated share repurchase program and additions to property, plant and equipment.

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Interest Expense			in millions
	2011	2010	2009
Cash interest expense	$ 195	$ 245	$ 270
Losses on notes repurchased	7	61	3
Non-cash interest expense	40	41	54
Total Interest Expense	$ 242	$ 347	$ 327

2011 vs. 2010

Cash interest expense included interest expense related to the coupon rates for senior notes and commitment/letter of credit fees incurred on our revolving credit facilities. The decrease is due primarily to lower average weekly indebtedness of approximately 15%.

Losses on notes repurchased during fiscal 2011 and 2010 included the amount paid exceeding the carrying value of the notes repurchased, which primarily included the repurchases of the 8.25% Notes due October 2011 (2011 Notes) and the 6.85% Senior notes due April 2016 (2016 Notes).

Non-cash interest expense primarily included interest related to the amortization of debt issuance costs and discounts/premiums on note issuances. This included debt issuance costs incurred on our revolving credit facility, the 10.50% Senior Notes due 2014 (2014 Notes) issued in March 2009, as well as the accretion of the debt discount on the 3.25% Convertible Senior Notes due 2013 (2013 Notes) and 2014 Notes.

2010 vs. 2009

Cash interest expense included interest expense related to the coupon rates for senior notes and commitment/letter of credit fees incurred on our revolving credit facilities. The decrease is due to lower average weekly indebtedness of approximately 11%, partially offset by an increase in the overall average borrowing rates.

Losses on notes repurchased during fiscal 2010 included the amount paid exceeding the carrying value of the notes repurchased, which primarily included the repurchases of the 2011 Notes and the 2016 Notes.

Non-cash interest expense primarily included interest related to the amortization of debt issuance costs and discounts/premiums on note issuances. This included debt issuance costs incurred on our revolving credit facility, the 2014 Notes, as well as the accretion of the debt discount on the 2013 Notes and 2014 Notes. Fiscal 2009 also includes expenses related to amendment fees paid in December 2008 on our then existing credit agreements.

Other (Income) Expense, net			in millions
	2011	2010	2009
	$ (20)	$ 20	$ 18

2011 Included $11 million gain related to a sale of interests in an equity method investment.

2010 Included $12 million charge related to the impairment of an equity method investment.

2009 Included $24 million in foreign currency exchange loss.

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Effective Tax Rate

2011	2010	2009
31.8%	36.4%	(1.5)%

The effective tax rate on continuing operations was impacted by a number of items which result in a difference between our effective tax rate and the U.S. statutory rate of 35%. The table below reflects significant items impacting the rate as indicated.

2011

Domestic production activity deduction reduced the rate 2.3%.
Net decrease in unrecognized tax benefits reduced the rate 1.7%.
State income taxes increased the rate 1.6%.
General business credits decreased the rate 0.9%

2010

Domestic production activity deduction reduced the rate 2.0%.
Decrease in unrecognized tax benefits reduced the rate 1.4%.
Decrease in state valuation allowances reduced the rate 1.0%.
State income taxes increased the rate 3.4%.

2009

Impairment of goodwill, which is not deductible for income tax purposes, reduced the rate 36.1%.
Increase in foreign valuation allowances reduced the rate 3.8%.
General business credits increased the rate 2.2%.
Tax planning in foreign jurisdictions increased the rate 1.7%.

SEGMENT RESULTS

We operate in four segments: Chicken, Beef, Pork and Prepared Foods. The following table is a summary of sales and operating income (loss), which is how we measure segment income (loss). Segment results exclude the results of our discontinued operation, Lakeside.

in millions

	Sales			Operating Income (Loss)		
	2011	2010	2009	2011	2010	2009
Chicken	$ 11,017	$ 10,062	$ 9,660	$ 164	$ 519	$ (157)
Beef	13,549	11,707	10,937	468	542	(346)
Pork	5,460	4,552	3,875	560	381	160
Prepared Foods	3,215	2,999	2,836	117	124	133
Other	127	0	0	(24)	(10)	(5)
Intersegment Sales	(1,102)	(890)	(604)	0	0	0
Total	$ 32,266	$ 28,430	$ 26,704	$ 1,285	$ 1,556	$ (215)

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Chicken Segment Results in millions

	2011	2010	Change 2011 vs. 2010	2009	Change 2010 vs. 2009
Sales	$ 11,017	$ 10,062	$ 955	$ 9,660	$ 402
Sales Volume Change			4.6%		2.0%
Average Sales Price Change			4.7%		2.1%
Operating Income (Loss)	$ 164	$ 519	$ (355)	$ (157)	$ 676
Operating Margin	1.5%	5.2%		(1.6)%	

2010 Operating income included a $38 million gain from insurance proceeds and a $29 million non-cash, non-tax deductible charge related to a full goodwill impairment of an immaterial Chicken segment reporting unit.

2011 vs. 2010

Sales Volume A 2.1% increase in slaughter pounds that mostly occurred in the first three quarters of fiscal 2011 and a reduction of volumes in ending inventory in fiscal 2011 as compared to fiscal 2010, primarily drove the 4.6% increase in sales volume for fiscal 2011.

Average Sales Price The increase in average sales prices is primarily due to mix changes and price increases associated with increased input costs.

Operating Income

Grain, Feed Ingredients and Growout Costs Operating results were negatively impacted in fiscal 2011 by an increase in grain and feed ingredients costs of $675 million and an increase in other growout operating costs of $74 million.

Operational Improvements Operating results were positively impacted by approximately $200 million of operational improvements, primarily attributed to improvements in yield, mix and processing optimization. These operational improvements were partially offset by an increase in operating costs, mostly from cooking ingredients and employee related costs.

Derivative Activities Operating results included the following amounts for commodity risk management activities related to grain and energy purchases. These amounts exclude the impact from related physical purchase transactions, which impact current and future period operating results.

Income/(Loss)	in millions	
	2011	$ 41
	2010	(6)
Improvement in operating results		$ 47

2010 vs. 2009

Sales Volume The increase in sales volume for fiscal 2010 was due to sales volume related to a fiscal 2009 acquisition, partially offset by a decrease due to the extra week in fiscal 2009.

Average Sales Price The increase in average sales prices is primarily due to sales mix changes associated with the reduced sales volume of lower price per pound rendered products.

Operating Income (Loss)

Operational Improvements Operating results were positively impacted by operational improvements, which included: yield, mix and live production performance improvements; additional processing flexibility; and reduced interplant product movement.

Derivative Activities Operating results included the following amounts for commodity risk management activities related to grain and energy purchases. These amounts exclude the impact from related physical purchase transactions, which impact current and future period operating results.

Income/(Loss)	in millions	
	2010	$ (6)
	2009	(257)
Improvement in operating results		$ 251

Grain Costs Operating results were positively impacted in fiscal 2010 by a decrease in grain costs of $158 million. Operating results included an increase in incentive-based compensation.

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Beef Segment Results					in millions
			Change 2011		Change 2010
	2011	2010	vs. 2010	2009	vs. 2009
Sales	$ 13,549	$ 11,707	$ 1,842	$ 10,937	$ 770
Sales Volume Change			(1.0)%		(1.9)%
Average Sales Price Change			16.9%		9.1%
Operating Income (Loss)	$ 468	$ 542	$ (74)	$ (346)	$ 888
Operating Margin	3.5%	4.6%		(3.2)%	

2009 Operating loss included a $560 million non-cash charge related to the partial impairment of goodwill.

2011 vs. 2010

Sales and Operating Income

Average sales price increased due to price increases associated with increased livestock costs. We have maintained strong operating income by maximizing our revenues relative to the rising live cattle markets, partially attributable to strong export sales. This was offset by an increase in operating costs, primarily attributable to employee related costs.

Derivative Activities Operating results included the following amounts for commodity risk management activities related to forward futures contracts for live cattle. These amounts exclude the impact from related physical sale and purchase transactions, which impact current and future period operating results.

Income/(Loss)	in millions
2011	$ (41)
2010	(15)
Decline in operating results	$ (26)

2010 vs. 2009

Sales and Operating Income (Loss)

We increased our operating margins by maximizing our revenues relative to the rising live cattle markets, as well as improved our operating costs. In addition, we had an improvement in our export sales. Operating results included an increase in incentive-based compensation.

Derivative Activities Operating results included the following amounts for commodity risk management activities related to forward futures contracts for live cattle. These amounts exclude the impact from related physical sale and purchase transactions, which impact current and future period operating results.

Income/(Loss)	in millions
2010	$ (15)
2009	102
Decline in operating results	$ (117)

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Pork Segment Results					in millions
	2011	2010	Change 2011 vs. 2010	2009	Change 2010 vs. 2009
Sales	$ 5,460	$ 4,552	$ 908	$ 3,875	$ 677
Sales Volume Change			4.1%		(3.3)%
Average Sales Price Change			15.2%		21.4%
Operating Income	$ 560	$ 381	$ 179	$ 160	$ 221
Operating Margin	10.3%	8.4%		4.1%	

2011 vs. 2010

Sales and Operating Income

Average sales price increased due to price increases associated with increased livestock costs. We have maintained strong operating income by maximizing our revenues relative to the rising live hog markets, partially attributable to strong export sales and operational and mix performance.

Derivative Activities Operating results included the following amounts for commodity risk management activities related to forward futures contracts for live hogs. These amounts exclude the impact from related physical sale and purchase transactions, which impact current and future period operating results.

Income/(Loss)	in millions
2011	$ (32)
2010	(36)
Improvement in operating results	$ 4

2010 vs. 2009

Sales and Operating Income

We increased our operating margins by maximizing our revenues relative to the rising live hog markets. In addition, we had an improvement in our export sales. Operating results included an increase in incentive-based compensation.

Derivative Activities Operating results included the following amounts for commodity risk management activities related to forward futures contracts for live hogs. These amounts exclude the impact from related physical sale and purchase transactions, which impact current and future period operating results.

Income/(Loss)	in millions
2010	$ (36)
2009	55
Decline in operating results	$ (91)

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Prepared Foods Segment Results					in millions
	2011	2010	Change 2011 vs. 2010	2009	Change 2010 vs. 2009
Sales	$ 3,215	$ 2,999	$ 216	$ 2,836	$ 163
Sales Volume Change			(2.2)%		0.3%
Average Sales Price Change			9.6%		5.5%
Operating Income	$ 117	$ 124	$ (7)	$ 133	$ (9)
Operating Margin	3.6%	4.1%		4.7%	

2009 Operating income included a $15 million charge related to closing our Ponca City, Oklahoma, processed meats plant.

2011 vs. 2010

Sales and Operating Income Despite the increase in average sales prices, operating income remained flat, excluding $8 million in insurance proceeds in fiscal 2010 related to flood damage at our Jefferson, Wisconsin plant. The increase in average sales prices were offset by lower volumes, increased raw material costs of $273 million and increased operational costs of $50 million, primarily attributable to employee related costs and plant variances mostly due to lower volumes.

2010 vs. 2009

Sales and Operating Income Despite the increase in average sales prices and sales volume, operating income declined in fiscal 2010 as compared to fiscal 2009 due to an increase in raw material costs. However, we made several operational improvements in late fiscal 2009 that allow us to run our plants more efficiently. Operating results included an increase in incentive-based compensation.

LIQUIDITY AND CAPITAL RESOURCES

Our cash needs for working capital, capital expenditures, growth opportunities, the repurchases of senior notes and share repurchases are expected to be met with current cash on hand, cash flows provided by operating activities, or short-term borrowings. Based on our current expectations, we believe our liquidity and capital resources will be sufficient to operate our business. However, we may take advantage of opportunities to generate additional liquidity or refinance existing debt through capital market transactions. The amount, nature and timing of any capital market transactions will depend on: our operating performance and other circumstances; our then-current commitments and obligations; the amount, nature and timing of our capital requirements; any limitations imposed by our current credit arrangements; and overall market conditions.

Cash Flows from Operating Activities			in millions
	2011	2010	2009
Net income (loss)	$ 733	$ 765	$ (551)
Non-cash items in net income (loss):			
Depreciation and amortization	506	497	513
Deferred income taxes	86	18	(33)
Impairment of goodwill	0	29	560
Impairment of assets	18	36	32
Other, net	49	76	72
Net changes in working capital	(346)	11	367
Net cash provided by operating activities	$ 1,046	$ 1,432	$ 960

Cash flows associated with changes in working capital:

2011 Decreased due to the increase in inventory and accounts receivable balances, partially offset by the increase in accounts payable. The higher inventory and accounts receivable balances were driven by significant increases in input costs and price increases associated with the increased input costs.

2010 Increased due to the increase in accrued salaries, wages and benefits and accounts payable balances, almost entirely offset by the increase in inventory and accounts receivable balances. The increase in accrued salaries, wages and benefits is primarily due to the accruals for incentive-based compensation.

2009 Increased primarily due to a reduction in inventory and accounts receivable balances, partially offset by a reduction in accounts payable. The lower inventory balance was primarily due to the reduction of inventory volumes, as well as a decrease in raw material costs.

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Cash Flows from Investing Activities			in millions
	2011	2010	2009
Additions to property, plant and equipment	$ (643)	$ (550)	$ (368)
Proceeds from sale (purchases) of marketable securities, net	(80)	(4)	19
Proceeds from notes receivable	51	0	0
Proceeds from sale of discontinued operation	0	0	75
Change in restricted cash to be used for investing activities	0	43	(43)
Acquisitions, net of cash acquired	0	0	(93)
Other, net	28	11	(17)
Net cash used for investing activities	$ (644)	$ (500)	$ (427)

Additions to property, plant and equipment include acquiring new equipment and upgrading our facilities to maintain competitive standing and position us for future opportunities. In fiscal 2011, our capital spending was primarily for production efficiencies in our operations and for ongoing development of foreign operations. In fiscal 2010, our capital spending was primarily related to production efficiencies in our operations, construction of Dynamic Fuels facility and development of our foreign operations. In fiscal 2009, our capital spending was for improvements made in our prepared foods operations to increase efficiencies, construction of Dynamic Fuels facility and development of our foreign operations.

Capital spending for fiscal 2012 is expected to be approximately $800-$850 million, and includes spending on our operations for production and labor efficiencies, yield improvements and sales channel flexibility, as well as expansion of our foreign operations.

Purchases of marketable securities included funding for our deferred compensation plans.

Proceeds from notes receivable totaling $51 million in fiscal 2011 related to the collection of notes receivable received in conjunction with the sale of a business operation in fiscal 2009.

Change in restricted cash In fiscal 2009, Dynamic Fuels received $100 million in proceeds from the sale of Gulf Opportunity Zone tax-exempt bonds made available by the federal government to the regions affected by Hurricanes Katrina and Rita in 2005. The cash received from these bonds was restricted and could only be used towards the construction of the Dynamic Fuels facility.

Acquisitions In fiscal 2009, we acquired three vertically integrated poultry companies in southern Brazil. The aggregate purchase price was $67 million. In addition, we had $15 million of contingent purchase price based on production volumes. The joint ventures in China called Shandong Tyson Xinchang Foods received the necessary government approvals during fiscal 2009. The aggregate purchase price for our 60% equity interest was $21 million, which excludes $93 million of cash transferred to the joint venture for future capital needs.

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Cash Flows from Financing Activities			in millions
	2011	2010	2009
Net borrowings (payments) on revolving credit facilities	$ 0	$ 0	$ 15
Payments on debt	(500)	(1,034)	(380)
Net proceeds from borrowings	115	0	852
Debt issuance costs	(9)	0	(59)
Purchase of redeemable noncontrolling interest	(66)	0	0
Purchases of Tyson Class A common stock	(207)	(48)	(19)
Dividends	(59)	(59)	(60)
Change in restricted cash to be used for financing activities	0	140	(140)
Other, net	68	42	6
Net cash provided by (used for) financing activities	$ (658)	$ (959)	$ 215

Net borrowings (payments) on revolving credit facilities primarily include activity related to the accounts receivable securitization facility. With the entry into a new revolving credit facility and issuance of the 2014 Notes in March 2009, we repaid all outstanding borrowings under our accounts receivable securitization facility and terminated the facility.

Payments on debt include

2011 $315 million of 2011 Notes; $63 million of 2016 Notes; $2 million of 7.0% Notes due May 2018; and $103 million related to borrowings at our foreign operations.

2010 $524 million of 2011 Notes; $222 million of 2016 Notes; $140 million of 7.95% Notes due February 2010 (2010 Notes) (using the restricted cash held in a blocked cash collateral account for the retirement of these notes); $52 million of 7.0% Notes due May 2018; and $61 million related to the premiums on notes repurchased during the year.

2009 $161 million of 2011 Notes; $94 million of 2010 Notes (using the restricted cash held in a blocked cash collateral account for the repurchase of these notes); and $38 million of 2016 Notes.

Net proceeds from borrowings include

In fiscal 2011, our foreign operations received proceeds of $106 million from borrowings. Total debt related to our foreign operations was $98 million at October 1, 2011 ($58 million current, $40 million long-term). Additionally, Dynamic Fuels received $9 million in proceeds from short term notes in fiscal 2011.

In fiscal 2009, we issued $810 million of 2014 Notes. After the original issue discount of $59 million, based on an issue price of 92.756% of face value, we received net proceeds of $751 million. We used the net proceeds towards the repayment of our borrowings under our accounts receivable securitization facility and for other general corporate purposes.

In fiscal 2009, Dynamic Fuels received $100 million in proceeds from the sale of Gulf Opportunity Zone tax-exempt bonds made available by the Federal government to the regions affected by Hurricanes Katrina and Rita in 2005. These floating rate bonds are due October 1, 2033.

In conjunction with the entry into our credit facility and the issuance of the 2014 Notes during fiscal 2009, we paid $48 million for debt issuance costs.

In fiscal 2011, the minority interest partner in our 60%-owned Shandong Tyson Xinchang Foods joint ventures in China exercised put options requiring us to purchase its entire 40% equity interest. The transaction closed in fiscal 2011 for cash consideration totaling $66 million.

In fiscal 2011, we announced our Board of Directors reactivated a share repurchase program, which had no activity since fiscal 2005, to repurchase up to the remaining available 22.5 million shares of Class A common stock under the program. The share repurchase program has no fixed or scheduled termination date. During fiscal 2011, we repurchased 9.7 million shares for approximately $170 million under this plan. As of October 1, 2011, 12.8 million shares remain authorized for repurchase. The timing and extent to which we repurchase shares will depend upon, among other things, market conditions, liquidity targets, limitations under our debt obligations and regulatory requirements. In addition to the share repurchase program, we purchase shares on the open market to fund certain obligations under our equity compensation plans. These repurchases totaled $37 million, $48 million and $19 million in fiscal 2011, 2010 and 2009, respectively.

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Liquidity					in millions
	Commitments Expiration Date	Facility Amount	Outstanding Letters of Credit under Revolving Credit Facility (no draw downs)	Amount Borrowed	Amount Available
Cash and cash equivalents					$ 716
Revolving credit facility	February 2016	$ 1,000	$ 158	$ 0	$ 842
Total liquidity					$ 1,558

The revolving credit facility supports our short-term funding needs and letters of credit. Letters of credit are issued primarily in support of workers compensation insurance programs, derivative activities and Dynamic Fuels Gulf Opportunity Zone tax-exempt bonds.

Our 2013 Notes may be converted early during any fiscal quarter in the event our Class A stock trades at or above $21.96 for at least 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter. In this event, the note holders may require us to pay outstanding principal in cash, which totaled $458 million at October 1, 2011. Any conversion premium would be paid in shares of Class A stock. The conditions for early conversion were not met in our fourth fiscal quarter of fiscal 2011, and thus, the notes may not be converted in our first quarter of fiscal 2012. Should the conditions for early conversion be satisfied in future quarters, and should the holders exercise their early conversion option, we would use current cash on hand and cash flow from operations for principal payments.

We do not have any significant maturities of debt coming due over the next two fiscal years.

Our current ratio was 2.01 to 1 and 1.81 to 1 at October 1, 2011, and October 2, 2010, respectively.

Capital Resources

Credit Facility

Cash flows from operating activities and current cash on hand are our primary source of liquidity for funding debt service, capital expenditures, dividends and share repurchases. We also have a revolving credit facility, with a committed maximum capacity of $1.0 billion, to provide additional liquidity for working capital needs, letters of credit and a source of financing for growth opportunities. As of October 1, 2011, we had outstanding letters of credit totaling $158 million, none of which were drawn upon, which left $842 million available for borrowing. Our revolving credit facility is funded by a syndicate of 38 banks, with commitments ranging from $3 million to $90 million per bank. The syndicate includes bank holding companies that are required to be adequately capitalized under federal bank regulatory agency requirements.

Capitalization

To monitor our credit ratings and our capacity for long-term financing, we consider various qualitative and quantitative factors. We monitor the ratio of our debt to our total capitalization as support for our long-term financing decisions. At October 1, 2011 and October 2, 2010, the ratio of our debt-to-total capitalization was 27.7% and 32.8%, respectively. For the purpose of this calculation, debt is defined as the sum of current and long-term debt. Total capitalization is defined as debt plus Total Shareholders Equity. Our ratio of debt to our total capitalization decreased in fiscal 2011 primarily resulting from reduced debt balances and increased retained earnings associated with strong earnings in fiscal 2011.

Credit Ratings

2016 Notes

On September 4, 2008, Standard & Poor s (S&P) downgraded the credit rating from BBB- to BB. This downgrade increased the interest rate on the 2016 Notes from 6.85% to 7.35%, effective beginning with the six-month interest payment due October 1, 2008.

On November 13, 2008, Moody s Investors Services, Inc. (Moody s) downgraded the credit rating from Ba1 to Ba3. This downgrade increased the interest rate on the 2016 Notes from 7.35% to 7.85%, effective beginning with the six-month interest payment due April 1, 2009.

On August 19, 2010, S&P upgraded the credit rating from BB to BB+. On September 2, 2010, Moody s upgraded the credit rating from Ba3 to Ba2. These upgrades decreased the interest rate on the 2016 Notes from 7.85% to 7.35%, effective beginning with the six-month interest payment due October 1, 2010.

On February 24, 2011, S&P upgraded the credit rating of these notes from BB+ to BBB-. On March 29, 2011, Moody s upgraded our credit rating from Ba2 to Ba1 . These upgrades decreased the interest rate on the 2016 Notes from 7.35% to 6.85%, effective beginning with the six-month interest payment due April 1, 2011.

A further one-notch upgrade by Moody s would decrease the interest rates on the 2016 Notes by 0.25%, while a one-notch downgrade by either ratings agency would increase the interest rates on the 2016 Notes by 0.25%.

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Revolving Credit Facility

S&P s corporate credit rating for Tyson Foods, Inc. is BBB-. Moody s corporate credit rating for Tyson Foods, Inc. is Ba1. If Moody s were to upgrade our credit rating to Baa2 or higher while our S&P credit rating remained at BBB- , or S&P were to upgrade our credit rating to BBB or higher while Moody s upgraded our credit rating to Baa3 or higher, our letter of credit fees would decrease by 0.25% and fees paid on the unused portion of the facility would decrease by 0.075%.

If S&P were to downgrade our corporate credit rating to BB+ or Moody s were to downgrade our corporate credit rating to Ba2 , our letter of credit fees would increase by 0.25% and fees paid on the unused portion of the facility would increase by 0.025%.

Debt Covenants

Our revolving credit facility contains affirmative and negative covenants that, among other things, may limit or restrict our ability to: create liens and encumbrances; incur debt; merge, dissolve, liquidate or consolidate; make acquisitions and investments; dispose of or transfer assets; pay dividends or make other payments in respect of our capital stock; amend material documents; change the nature of our business; make certain payments of debt; engage in certain transactions with affiliates; and enter into sale/leaseback or hedging transactions, in each case, subject to certain qualifications and exceptions. In addition, we are required to maintain minimum interest expense coverage and maximum leverage ratios.

Our 2014 Notes also contain affirmative and negative covenants that, among other things, may limit or restrict our ability to: incur additional debt and issue preferred stock; make certain investments and restricted payments; create liens; create restrictions on distributions from subsidiaries; engage in specified sales of assets and subsidiary stock; enter into transactions with affiliates; enter new lines of business; engage in consolidation, mergers and acquisitions; and engage in certain sale/leaseback transactions.

We were in compliance with all debt covenants at October 1, 2011.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements material to our financial position or results of operations. The off-balance sheet arrangements we have are guarantees of debt of outside third parties, including a lease and grower loans, and residual value guarantees covering certain operating leases for various types of equipment. See Note 19: Commitments and Contingencies of the Notes to Consolidated Financial Statements for further discussion.

CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations as of October 1, 2011:

in millions

	Payments Due by Period				
	2012	2013-2014	2015-2016	2017 and thereafter	Total
Debt and capital lease obligations:					
Principal payments (1)	$ 70	$ 1,296	$ 650	$ 242	$ 2,258
Interest payments (2)	165	272	116	46	599
Guarantees (3)	26	61	22	17	126
Operating lease obligations (4)	95	102	31	54	282
Purchase obligations (5)	886	81	31	61	1,059
Capital expenditures (6)	412	15	0	0	427
Other long-term liabilities (7)	12	5	4	29	50
Total contractual commitments	$ 1,666	$ 1,832	$ 854	$ 449	$ 4,801

(1) In the event of a default on payment, acceleration of the principal payments could occur.
(2) Interest payments include interest on all outstanding debt. Payments are estimated for variable rate and variable term debt based on effective rates at October 1, 2011, and expected payment dates.
(3) Amounts include guarantees of debt of outside third parties, which consist of a lease and grower loans, all of which are substantially collateralized by the underlying assets, as well as residual value guarantees covering certain operating leases for various types of equipment. The amounts included are the maximum potential amount of future payments.
(4) Amounts include minimum lease payments under lease agreements.
(5) Amounts include agreements to purchase goods or services that are enforceable and legally binding and specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. The purchase obligations amount included items, such as future purchase commitments for grains, livestock contracts and fixed grower fees that provide terms that meet the above criteria. We have excluded future purchase commitments for contracts that do not meet these criteria. Purchase orders have not been included in the table, as a purchase order is an authorization to purchase and may not be considered an enforceable and legally binding contract. Contracts for goods or services that contain termination clauses without penalty have also been excluded.
(6) Amounts include estimated amounts to complete buildings and equipment under construction as of October 1, 2011.
(7) Amounts include items that meet the definition of a purchase obligation and are recorded in the Consolidated Balance Sheets.

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In addition to the amounts shown above in the table, we have unrecognized tax benefits of $174 million and related interest and penalties of $58 million at October 1, 2011, recorded as liabilities. During fiscal 2012, tax audit resolutions could potentially reduce these amounts by approximately $10 million, either because tax positions are sustained on audit or because we agree to their disallowance.

The maximum contractual obligation associated with our cash flow assistance programs at October 1, 2011, based on the estimated fair values of the livestock supplier s net tangible assets on that date, aggregated to approximately $220 million, or approximately $192 million remaining maximum commitment after netting the cash flow assistance related receivables.

RECENTLY ISSUED/ADOPTED ACCOUNTING PRONOUNCEMENTS

Refer to the discussion under Part II, Item 8, Notes to Consolidated Financial Statements, Note 1: Business and Summary of Significant Accounting Policies for recently issued accounting pronouncements and Note 2: Change in Accounting Principles for recently adopted accounting pronouncements.

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CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements requires us to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of certain accounting estimates we consider critical.

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Contingent liabilities		
We are subject to lawsuits, investigations and other claims related to wage and hour/labor, environmental, product, taxing authorities and other matters, and are required to assess the likelihood of any adverse judgments or outcomes to these matters, as well as potential ranges of probable losses.	Our contingent liabilities contain uncertainties because the eventual outcome will result from future events, and determination of current reserves requires estimates and judgments related to future changes in facts and circumstances, differing interpretations of the law and assessments of the amount of damages, and the effectiveness of strategies or other factors beyond our control.	We have not made any material changes in the accounting methodology used to establish our contingent liabilities during the past three fiscal years.
A determination of the amount of reserves and disclosures required, if any, for these contingencies are made after considerable analysis of each individual issue. We accrue for contingent liabilities when an assessment of the risk of loss is probable and can be reasonably estimated. We disclose contingent liabilities when the risk of loss is reasonably possible or probable.		We do not believe there is a reasonable likelihood there will be a material change in the estimates or assumptions used to calculate our contingent liabilities. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to gains or losses that could be material.
Marketing and advertising costs		
We incur advertising, retailer incentive and consumer incentive costs to promote products through marketing programs. These programs include cooperative advertising, volume discounts, in-store display incentives, coupons and other programs.	Recognition of the costs related to these programs contains uncertainties due to judgment required in estimating the potential performance and redemption of each program.	We have not made any material changes in the accounting methodology used to establish our marketing accruals during the past three fiscal years.
Marketing and advertising costs are charged in the period incurred. We accrue costs based on the estimated performance, historical utilization and redemption of each program.	These estimates are based on many factors, including experience of similar promotional programs.	We do not believe there is a reasonable likelihood there will be a material change in the estimates or assumptions used to calculate our marketing accruals. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to gains or losses that could be material.
Cash consideration given to customers is considered a reduction in the price of our products, thus recorded as a reduction to sales. The remainder of marketing and advertising costs is recorded as a selling, general and		A 10% change in our marketing accruals at October 1, 2011, would impact pretax earnings by approximately $15 million.

administrative expense.

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Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Accrued self insurance		
We are self insured for certain losses related to health and welfare, workers compensation, auto liability and general liability claims.	Our self-insurance liability contains uncertainties due to assumptions required and judgment used.	We have not made any material changes in the accounting methodology used to establish our self-insurance liability during the past three fiscal years.
We use an independent third-party actuary to assist in determining our self-insurance liability. We and the actuary consider a number of factors when estimating our self-insurance liability, including claims experience, demographic factors, severity factors and other actuarial assumptions.	Costs to settle our obligations, including legal and healthcare costs, could increase or decrease causing estimates of our self-insurance liability to change.	We do not believe there is a reasonable likelihood there will be a material change in the estimates or assumptions used to calculate our self-insurance liability. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to gains or losses that could be material.
We periodically review our estimates and assumptions with our third-party actuary to assist us in determining the adequacy of our self-insurance liability. Our policy is to maintain an accrual within the central to high point of the actuarial range.	Incident rates, including frequency and severity, could increase or decrease causing estimates in our self-insurance liability to change.	A 10% increase in the actuarial estimate at October 1, 2011, would not result in a material change in the amount we recorded for our self-insurance liability. A 10% decrease in the actuarial estimate at October 1, 2011, would result in a decrease in the amount we recorded for our self-insurance liability of approximately $23 million.
Impairment of long-lived assets		
Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Examples include a significant adverse change in the extent or manner in which we use a long-lived asset or a change in its physical condition.	Our impairment analysis contains uncertainties due to judgment in assumptions and estimates surrounding undiscounted future cash flows of the long-lived asset, including forecasting useful lives of assets and selecting the discount rate that reflects the risk inherent in future cash flows to determine fair value.	We have not made any material changes in the accounting methodology used to evaluate the impairment of long-lived assets during the last three fiscal years.
When evaluating long-lived assets for impairment, we compare the carrying value of the asset to the asset s estimated undiscounted future cash flows. An impairment is indicated if the estimated future cash flows are less than the carrying value of the asset. The impairment is the excess of the carrying value over the fair value of the long-lived asset.		We do not believe there is a reasonable likelihood there will be a material change in the estimates or assumptions used to calculate impairments of long-lived assets. However, if actual results are not consistent with our estimates and assumptions used to calculate estimated future cash flows, we may be exposed to impairment losses that could be material. Additionally, we continue to evaluate our future international business strategies, which may expose us to future impairment losses.
We recorded impairment charges related to long-lived assets of $15 million, $19 million and $25 million, respectively, in fiscal 2011, 2010		

and 2009.

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Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Income taxes		
We estimate total income tax expense based on statutory tax rates and tax planning opportunities available to us in various jurisdictions in which we earn income.	Changes in tax laws and rates could affect recorded deferred tax assets and liabilities in the future.	We do not believe there is a reasonable likelihood there will be a material change in the tax related balances or valuation allowances. However, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the current estimate of the tax liabilities.
Federal income tax includes an estimate for taxes on earnings of foreign subsidiaries expected to be remitted to the United States and be taxable, but not for earnings considered indefinitely invested in the foreign subsidiary.	Changes in projected future earnings could affect the recorded valuation allowances in the future.	
Deferred income taxes are recognized for the future tax effects of temporary differences between financial and income tax reporting using tax rates in effect for the years in which the differences are expected to reverse.	Our calculations related to income taxes contain uncertainties due to judgment used to calculate tax liabilities in the application of complex tax regulations across the tax jurisdictions where we operate.	To the extent we prevail in matters for which unrecognized tax benefit liabilities have been established, or are required to pay amounts in excess of our recorded unrecognized tax benefit liabilities, our effective tax rate in a given financial statement period could be materially affected. An unfavorable tax settlement would require use of our cash and generally result in an increase in our effective tax rate in the period of resolution. A favorable tax settlement would generally be recognized as a reduction in our effective tax rate in the period of resolution.
Valuation allowances are recorded when it is likely a tax benefit will not be realized for a deferred tax asset.	Our analysis of unrecognized tax benefits contains uncertainties based on judgment used to apply the more likely than not recognition and measurement thresholds.	
We record unrecognized tax benefit liabilities for known or anticipated tax issues based on our analysis of whether, and the extent to which, additional taxes will be due.		

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Impairment of goodwill and other intangible assets

Description: Goodwill impairment is determined using a two-step process. The first step is to identify if a potential impairment exists by comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to have a potential impairment and the second step of the impairment test is not necessary. However, if the carrying amount of a reporting unit exceeds its fair value, the second step is performed to determine if goodwill is impaired and to measure the amount of impairment loss to recognize, if any.

The second step compares the implied fair value of goodwill with the carrying amount of goodwill. If the implied fair value of goodwill exceeds the carrying amount, then goodwill is not considered impaired. However, if the carrying amount of goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess.

The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination (i.e., the fair value of the reporting unit is allocated to all the assets and liabilities, including any unrecognized intangible assets, as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was determined as the exit price a market participant would pay for the same business).

For other indefinite life intangible assets, if the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

We have elected to make the first day of the fourth quarter the annual impairment assessment date for goodwill and other indefinite life intangible assets. However, we could be required to evaluate the recoverability of goodwill and other indefinite life intangible assets prior to the required annual assessment if, among other things, we experience disruptions to the business, unexpected significant declines in operating results, divestiture of a significant component of the business or a sustained decline in market capitalization.

Judgments and Uncertainties: We estimate the fair value of our reporting units, generally our operating segments, using various valuation techniques, with the primary technique being a discounted cash flow analysis, which uses significant unobservable inputs, or Level 3 inputs, as defined by the fair value hierarchy. A discounted cash flow analysis requires us to make various judgmental assumptions about sales, operating margins, growth rates and discount rates.

We include assumptions about sales, operating margins and growth rates which consider our budgets, business plans and economic projections, and are believed to reflect market participant views which would exist in an exit transaction. Assumptions are also made for varying perpetual growth rates for periods beyond the long-term business plan period. Generally, we utilize normalized operating margin assumptions based on future expectations and operating margins historically realized in the reporting units industries. For the fiscal 2011 impairment test of material reporting units, only our Domestic Chicken reporting unit utilized operating margins in future years in excess of the operating margin realized in the most recent year.

Our Domestic Chicken reporting unit had goodwill at October 1, 2011, totaling $900 million or 95% of our Chicken segment s goodwill. We assumed operating margins in future years would return to our normalized range of 5.0% to 7.0%, as we believe this is consistent with market participant views in an exit transaction. Had we assumed future operating margins consistent with those realized in the current fiscal year, we would have failed the first step of the annual impairment test, which would have required the second step to be performed and may have resulted in a material goodwill impairment loss. The current year Domestic Chicken reporting unit results were not indicative of future market participant expectations in an exit transaction. In assessing the appropriate operating margins to be utilized in estimating the fair value of the Domestic Chicken segment, we considered many factors, including the following:

- The Domestic Chicken segment has realized significant operational improvements, including yield, mix, live production, processing flexibility, and interplant product movements, over the past three years as compared to both historical results and the industry.

- The operational improvements were offset in the current year due to historically high grain and feed ingredient costs coupled with excess supplies, which made it difficult to pass along the increased input costs.

Recent USDA data indicates eggs sets, broiler chick placements and slaughter pounds are down significantly, which are all strong indicators that supply relative to demand should return to more normalized levels by the end of fiscal 2012, allowing financial results to return to normalized ranges.

Other indefinite life intangible asset fair values have been calculated for trademarks using a royalty rate method. Assumptions about royalty rates are based on the rates at which similar brands and trademarks are licensed in the marketplace.

Our impairment analysis contains uncertainties due to uncontrollable events that could positively or negatively impact the anticipated future economic and operating conditions.

Effect if Actual Results Differ From Assumptions: We have not made any material changes in the accounting methodology used to evaluate impairment of goodwill and other intangible assets during the last three years.

The discount rate used in our annual goodwill impairment test increased to an average of 8.8% in fiscal 2011 from 8.4% in fiscal 2010. There were no significant changes in the other key estimates and assumptions.

Other than the Beef reporting unit in 2009, no material reporting units failed the first step of the annual goodwill impairment analysis in fiscal 2011, 2010 or 2009 and therefore, the second step was not necessary. In fiscal 2009, we recorded a $560 million partial impairment of our Beef reporting unit s goodwill, which was driven by an increase in our discount rate used in the 2009 annual goodwill impairment analysis as a result of disruptions in global credit and other financial markets and deterioration of economic conditions. In fiscal 2010, we recorded a $29 million full impairment of an immaterial Chicken segment reporting unit s goodwill.

Some of the inherent estimates and assumptions used in determining fair value of the reporting units are outside the control of management, including interest rates, cost of capital, tax rates, and our credit ratings. While we believe we have made reasonable estimates and assumptions to calculate the fair value of the reporting units and other indefinite life intangible assets, it is possible a material change could occur. If our actual results are not consistent with our estimates and assumptions used to calculate fair value, we may be required to perform the second step, which could result in additional material impairments of our goodwill.

If the Domestic Chicken reporting unit experienced a 15% or more decline in fair value at July 1, 2011, it would have caused the carrying value of the reporting unit to be in excess of fair value, which would have required the second step to be performed. Additionally, valuing the Domestic Chicken reporting unit utilizing projected operating margins averaging less than 4.0%, or a 0.9% increase in the discount rate used in fiscal 2011, would have caused the carrying value of the Domestic Chicken reporting unit to be in excess of fair value, which would have required the second step to be performed. The second step may have resulted in a material goodwill impairment loss. All other material reporting units estimated fair value exceeded their carrying value by more than 20%. Consequently, we do not consider any of our other material reporting units at significant risk of failing the first step of the annual goodwill impairment test.

Our fiscal 2011 other indefinite life intangible asset impairment analysis did not result in a material impairment charge. A hypothetical 20% decrease in the fair value of intangible assets would not result in a material impairment.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET RISK

Market risk relating to our operations results primarily from changes in commodity prices, interest rates and foreign exchange rates, as well as credit risk concentrations. To address certain of these risks, we enter into various derivative transactions as described below. If a derivative instrument is accounted for as a hedge, depending on the nature of the hedge, changes in the fair value of the instrument either will be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings, or be recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of an instrument s change in fair value is recognized immediately. Additionally, we hold certain positions, primarily in grain and livestock futures that either do not meet the criteria for hedge accounting or are not designated as hedges. With the exception of normal purchases and normal sales that are expected to result in physical delivery, we record these positions at fair value, and the unrealized gains and losses are reported in earnings at each reporting date. Changes in market value of derivatives used in our risk management activities relating to forward sales contracts are recorded in sales. Changes in market value of derivatives used in our risk management activities surrounding inventories on hand or anticipated purchases of inventories are recorded in cost of sales.

The sensitivity analyses presented below are the measures of potential losses of fair value resulting from hypothetical changes in market prices related to commodities. Sensitivity analyses do not consider the actions we may take to mitigate our exposure to changes, nor do they consider the effects such hypothetical adverse changes may have on overall economic activity. Actual changes in market prices may differ from hypothetical changes.

Commodities Risk: We purchase certain commodities, such as grains and livestock, in the course of normal operations. As part of our commodity risk management activities, we use derivative financial instruments, primarily futures and options, to reduce the effect of changing prices and as a mechanism to procure the underlying commodity. However, as the commodities underlying our derivative financial instruments can experience significant price fluctuations, any requirement to mark-to-market the positions that have not been designated or do not qualify as hedges could result in volatility in our results of operations. Contract terms of a hedge instrument closely mirror those of the hedged item providing a high degree of risk reduction and correlation. Contracts designated and highly effective at meeting this risk reduction and correlation criteria are recorded using hedge accounting. The following table presents a sensitivity analysis resulting from a hypothetical change of 10% in market prices as of October 1, 2011, and October 2, 2010, on the fair value of open positions. The fair value of such positions is a summation of the fair values calculated for each commodity by valuing each net position at quoted futures prices. The market risk exposure analysis includes hedge and non-hedge derivative financial instruments.

Effect of 10% change in fair value	in millions	
	2011	2010
Livestock:		
Cattle	$ 34	$ 39
Hogs	57	42