

HORMEL FOODS CORP /DE/
Form 10-Q
September 08, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the Quarterly Period Ended July 30, 2006

Commission File
Number 1-2402

HORMEL FOODS CORPORATION

Incorporated Under the Laws
of the State of **Delaware**

I.R.S. Employer Identification No.
#41-0319970

1 Hormel Place

Austin, Minnesota 55912-3680

Telephone - (507) 437-5611

None

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

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

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Class	Outstanding at August 31, 2006	
Common Stock	\$.0586 par value	137,994,965
Common Stock Non-Voting	\$.01 par value	-0-

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

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

	July 30, 2006 (Unaudited)	October 30, 2005 Restated*
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 132,189	\$ 131,046
Short-term marketable securities	7,110	38,500
Accounts receivable	291,066	301,001
Inventories	579,900	534,572
Deferred income taxes	45,384	39,428
Prepaid expenses and other current assets	27,138	20,691
TOTAL CURRENT ASSETS	1,082,787	1,065,238
DEFERRED INCOME TAXES	2,460	1,253
GOODWILL	541,546	502,107
OTHER INTANGIBLES	152,511	139,579
NET PENSION ASSETS	57,953	30,676
INVESTMENTS IN AND RECEIVABLES FROM AFFILIATES	73,443	68,027
OTHER ASSETS	159,736	162,004
PROPERTY, PLANT AND EQUIPMENT		
Land	46,356	45,758
Buildings	561,390	551,567
Equipment	1,101,717	1,059,328
Construction in progress	112,680	66,326
	1,822,143	1,722,979
Less allowance for depreciation	(913,398)	(845,303)
	908,745	877,676
TOTAL ASSETS	\$ 2,979,181	\$ 2,846,560

* Retrospective application of FIFO inventory valuation (see Note A)

See notes to consolidated financial statements

	July 30, 2006 (Unaudited)	October 30, 2005 Restated*
LIABILITIES AND SHAREHOLDERS INVESTMENT		
CURRENT LIABILITIES		
Accounts payable	\$ 232,444	\$ 255,144
Notes payable/short-term debt	40,000	0
Accrued expenses	24,584	26,270
Accrued workers compensation	32,765	27,619
Accrued marketing expenses	79,625	68,640
Employee compensation	94,939	114,518
Taxes, other than federal income taxes	4,871	11,993
Dividends payable	19,355	17,950
Federal income taxes	32,913	49,963
Current maturities of long-term debt	11,079	11,075
TOTAL CURRENT LIABILITIES	572,575	583,172
LONG-TERM DEBT less current maturities	350,073	350,430
ACCUMULATED POSTRETIREMENT BENEFIT OBLIGATION	263,896	263,663
OTHER LONG-TERM LIABILITIES	49,164	50,565
SHAREHOLDERS INVESTMENT		
Preferred stock, par value \$.01 a share authorized 80,000,000 shares; issued none		
Common stock, non-voting, par value \$.01 a share authorized 200,000,000 shares; issued none		
Common stock, par value \$.0586 a share authorized 400,000,000 shares; issued 137,970,171 shares July 30, 2006		
issued 137,843,090 shares October 30, 2005	8,085	8,078
Additional paid-in capital	12,750	3,260
Accumulated other comprehensive loss	(27,892)	(24,923)
Retained earnings	1,750,530	1,612,315
TOTAL SHAREHOLDERS INVESTMENT	1,743,473	1,598,730
TOTAL LIABILITIES AND SHAREHOLDERS INVESTMENT	\$ 2,979,181	\$ 2,846,560

* Retrospective application of FIFO inventory valuation (see Note A)

See notes to consolidated financial statements

HORMEL FOODS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	July 30, 2006	July 31, 2005 Restated*	July 30, 2006	July 31, 2005 Restated*
Net sales	\$ 1,406,894	\$ 1,355,021	\$ 4,188,172	\$ 3,936,089
Cost of products sold	1,084,740	1,053,748	3,181,544	3,019,802
GROSS PROFIT	322,154	301,273	1,006,628	916,287
Expenses:				
Selling and delivery	187,387	173,869	566,886	511,060
Administrative and general	40,028	41,817	138,062	123,675
TOTAL EXPENSES	227,415	215,686	704,948	634,735
Equity in earnings of affiliates	10	899	3,710	4,826
OPERATING INCOME	94,749	86,486	305,390	286,378
Other income and expense:				
Interest and investment income (loss)	(661)	2,898	3,232	8,389
Interest expense	(6,555)	(7,323)	(19,191)	(20,803)
EARNINGS BEFORE INCOME TAXES	87,533	82,061	289,431	273,964
Provision for income taxes	27,982	30,299	93,296	101,591
NET EARNINGS	\$ 59,551	\$ 51,762	\$ 196,135	\$ 172,373
NET EARNINGS PER SHARE:				
BASIC	\$ 0.43	\$ 0.38	\$ 1.42	\$ 1.25
DILUTED	\$ 0.43	\$ 0.37	\$ 1.41	\$ 1.23
WEIGHTED AVERAGE SHARES OUTSTANDING:				
BASIC	137,913	138,027	137,906	138,131
DILUTED	139,684	139,508	139,562	139,665
DIVIDENDS DECLARED PER SHARE:	\$ 0.14	\$ 0.13	\$ 0.42	\$ 0.39

* Retrospective application of FIFO inventory valuation (see Note A)

See notes to consolidated financial statements

HORMEL FOODS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of Dollars)
(Unaudited)

	Nine Months Ended	
	July 30, 2006	July 31, 2005 Restated*
OPERATING ACTIVITIES		
Net earnings	\$ 196,135	\$ 172,373
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	81,661	79,499
Amortization of intangibles	8,035	7,092
Equity in earnings of affiliates	(3,308)	(4,705)
Provision for deferred income taxes	(5,063)	(12,063)
(Gain) Loss on property/equipment sales and plant facilities	(741)	164
Changes in operating assets and liabilities, net of acquisitions:		
Decrease in accounts receivable	12,964	37,533
Increase in inventories, prepaid expenses, and other current assets	(47,568)	(24,245)
(Increase) Decrease in net pension assets	(27,277)	13,162
(Decrease) Increase in accounts payable and accrued expenses	(57,927)	2,341
Other	11,469	4,833
NET CASH PROVIDED BY OPERATING ACTIVITIES	168,380	