CAMPBELL SOUP CO
Form 10-Q
March 06, 2019

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	Commission File Number
January 27, 2019	1-3822

CAMPBELL SOUP COMPANY

New Jersey	21-0419870
State of Incorporation	I.R.S. Employer Identification No.

1 Campbell Place
Camden, New Jersey 08103-1799
Principal Executive Offices

Telephone Number: (856) 342-4800

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. þ Yes No
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). þ Yes No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes þ No

There were 301,118,002 shares of capital stock outstanding as of February 28, 2019.

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CAMPBELL SOUP COMPANY
Consolidated Statements of Earnings
(unaudited)
(millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	January 27, 2019	January 28, 2018	January 27, 2019	January 28, 2018
Net sales	$2,713	$ 2,180	$5,407	$ 4,341
Costs and expenses				
Cost of products sold	1,999	1,414	3,869	2,792
Marketing and selling expenses	264	228	512	447
Administrative expenses	180	165	356	314
Research and development expenses	23	27	50	57
Other expenses / (income)	226	70	230	41
Restructuring charges	2	33	21	35
Total costs and expenses	2,694	1,937	5,038	3,686
Earnings before interest and taxes	19	243	369	655
Interest expense	93	32	187	63
Interest income	1	—	2	1
Earnings (loss) before taxes	(73)	211	184	593
Taxes on earnings	(14)	(74)	49	33
Net earnings (loss)	(59)	285	135	560
Less: Net earnings (loss) attributable to noncontrolling interests	—	—	—	—
Net earnings (loss) attributable to Campbell Soup Company	$(59)	$ 285	$135	$ 560
Per Share — Basic				
Net earnings (loss) attributable to Campbell Soup Company	$(.20)	$ .95	$.45	$ 1.86
Weighted average shares outstanding — basic	301	301	301	301
Per Share — Assuming Dilution				
Net earnings attributable to Campbell Soup Company	$(.20)	$ .95	$.45	$ 1.85
Weighted average shares outstanding — assuming dilution	301	301	302	302

See accompanying Notes to Consolidated Financial Statements.

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CAMPBELL SOUP COMPANY
Consolidated Statements of Comprehensive Income
(unaudited)
(millions)

	Three Months Ended					
	January 27, 2019			January 28, 2018		
	Pre-tax amount	Tax (expense) benefit	After-tax amount	Pre-tax amount	Tax (expense) benefit	After-tax amount
Net earnings (loss)			$ (59)			$ 285
Other comprehensive income (loss):						
Foreign currency translation:						
Foreign currency translation adjustments	$20	$ —	20	$66	$ —	66
Cash-flow hedges:						
Unrealized gains (losses) arising during the period	(1)	—	(1)	2	(2)	—
Reclassification adjustment for (gains) losses included in net earnings	—	—	—	3	—	3
Pension and other postretirement benefits:						
Prior service cost arising during the period	—	—	—	(3)	1	(2)
Reclassification of prior service credit included in net earnings	(7)	1	(6)	(6)	2	(4)
Other comprehensive income (loss)	$12	$ 1	13	$62	$ 1	63
Total comprehensive income (loss)			$ (46)			$ 348
Total comprehensive income (loss) attributable to noncontrolling interests			—			(1)
Total comprehensive income (loss) attributable to Campbell Soup Company			$ (46)			$ 349

	Six Months Ended					
	January 27, 2019			January 28, 2018		
	Pre-tax amount	Tax (expense) benefit	After-tax amount	Pre-tax amount	Tax (expense) benefit	After-tax amount
Net earnings			$ 135			$ 560
Other comprehensive income (loss):						
Foreign currency translation:						
Foreign currency translation adjustments	$(23)	$ —	(23)	$34	$ —	34
Cash-flow hedges:						
Unrealized gains (losses) arising during the period	(1)	—	(1)	11	(4)	7
Reclassification adjustment for (gains) losses included in net earnings	1	—	1	1	—	1
Pension and other postretirement benefits:						
Prior service credit arising during the period	—	—	—	(3)	1	(2)
Reclassification of prior service credit included in net earnings	(14)	3	(11)	(13)	4	(9)
Other comprehensive income (loss)	$(37)	$ 3	(34)	$30	$ 1	31
Total comprehensive income (loss)			$ 101			$ 591
			—			(1)

Total comprehensive income (loss) attributable to noncontrolling interests		
Total comprehensive income (loss) attributable to Campbell Soup Company	$ 101	$ 592

See accompanying Notes to Consolidated Financial Statements.

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CAMPBELL SOUP COMPANY
Consolidated Balance Sheets
(unaudited)
(millions, except per share amounts)

	January 27, 2019	July 29, 2018
Current assets		
Cash and cash equivalents	$ 203	$ 226
Accounts receivable, net	927	785
Inventories	1,076	1,199
Other current assets	89	86
Total current assets	2,295	2,296
Plant assets, net of depreciation	3,036	3,233
Goodwill	4,721	4,580
Other intangible assets, net of amortization	3,752	4,196
Other assets ($70 as of 2019 and $77 as of 2018 attributable to variable interest entity)	220	224
Total assets	$ 14,024	$ 14,529
Current liabilities		
Short-term borrowings	$ 1,454	$ 1,896
Payable to suppliers and others	930	893
Accrued liabilities	784	676
Dividends payable	107	107
Accrued income taxes	24	22
Total current liabilities	3,299	3,594
Long-term debt	8,003	7,998
Deferred taxes	904	995
Other liabilities	540	569
Total liabilities	12,746	13,156
Commitments and contingencies		
Campbell Soup Company shareholders' equity		
Preferred stock; authorized 40 shares; none issued	—	—
Capital stock, $.0375 par value; authorized 560 shares; issued 323 shares	12	12
Additional paid-in capital	349	349
Earnings retained in the business	2,130	2,224
Capital stock in treasury, at cost	(1,079)	(1,103)
Accumulated other comprehensive loss	(143)	(118)
Total Campbell Soup Company shareholders' equity	1,269	1,364
Noncontrolling interests	9	9
Total equity	1,278	1,373
Total liabilities and equity	$ 14,024	$ 14,529

See accompanying Notes to Consolidated Financial Statements.

CAMPBELL SOUP COMPANY
Consolidated Statements of Cash Flows
(unaudited)
(millions)

	Six Months Ended	
	January 27, 2019	January 28, 2018
Cash flows from operating activities:		
Net earnings	$135	$ 560
Adjustments to reconcile net earnings to operating cash flow		
Impairment charges	360	75
Restructuring charges	21	35
Stock-based compensation	31	32
Noncurrent income taxes	—	52
Pension and postretirement benefit income	(29)	(32)
Depreciation and amortization	241	161
Deferred income taxes	(40)	(106)
Other, net	18	18
Changes in working capital, net of acquisition		
Accounts receivable	(150)	(113)
Inventories	122	84
Prepaid assets	(2)	(25)
Accounts payable and accrued liabilities	170	(10)
Net payments of hedging activities	(5)	(31)
Other	(26)	(40)
Net cash provided by operating activities	846	660
Cash flows from investing activities:		
Purchases of plant assets	(198)	(132)
Purchases of route businesses	(23)	—
Sales of route businesses	25	—
Businesses acquired, net of cash acquired	(18)	(682)
Other, net	11	(11)
Net cash used in investing activities	(203)	(825)
Cash flows from financing activities:		
Short-term borrowings	2,831	5,052
Short-term repayments	(3,274)	(4,673)
Long-term repayments	—	(16)
Dividends paid	(212)	(216)
Treasury stock purchases	—	(86)
Payments related to tax withholding for stock-based compensation	(7)	(23)
Payments of debt issuance costs	(1)	—
Net cash provided by (used in) financing activities	(663)	38
Effect of exchange rate changes on cash	(3)	4
Net change in cash and cash equivalents	(23)	(123)
Cash and cash equivalents — beginning of period	226	319
Cash and cash equivalents — end of period	$203	$ 196

See accompanying Notes to Consolidated Financial Statements.

CAMPBELL SOUP COMPANY
Consolidated Statements of Equity
(unaudited)
(millions, except per share amounts)

	Campbell Soup Company Shareholders' Equity								
	Capital Stock								
	Issued		In Treasury		Additional Paid-in Capital	Earnings Retained in the Business	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
	Shares	Amount	Shares	Amount					
Balance at October 29, 2017	323	$ 12	(22)	$(1,106)	$ 305	$2,555	$ (85)	$ 8	$1,689
Net earnings (loss)						285		—	285
Other comprehensive income (loss)							64	(1)	63
Dividends ($.35 per share)						(106)			(106)
Treasury stock purchased			—	—					—
Treasury stock issued under management incentive and stock option plans			—	2	16				18
Balance at January 28, 2018	323	$ 12	(22)	$(1,104)	$ 321	$2,734	$ (21)	$ 7	$1,949
Balance at July 30, 2017	323	$ 12	(22)	$(1,066)	$ 359	$2,385	$ (53)	$ 8	$1,645
Net earnings (loss)						560		—	560
Other comprehensive income (loss)							32	(1)	31
Dividends ($.70 per share)						(211)			(211)
Treasury stock purchased			(2)	(86)					(86)
Treasury stock issued under management incentive and stock option plans			2	48	(38)				10
Balance at January 28, 2018	323	$ 12	(22)	$(1,104)	$ 321	$2,734	$ (21)	$ 7	$1,949
Balance at October 28, 2018	323	$ 12	(22)	$(1,084)	$ 339	$2,295	$ (156)	$ 9	$1,415
Net earnings (loss)						(59)		—	(59)
Other comprehensive income (loss)							13	—	13
Dividends ($.35 per share)						(106)			(106)
Treasury stock purchased			—	—					—
Treasury stock issued under management incentive and stock option plans			—	5	10				15
Balance at January 27, 2019	323	$ 12	(22)	$(1,079)	$ 349	$2,130	$ (143)	$ 9	$1,278
Balance at July 29, 2018	323	$ 12	(22)	$(1,103)	$ 349	$2,224	$ (118)	$ 9	$1,373
Cumulative effect of changes in accounting principle:									
Revenue[1]						(8)			(8)
Stranded tax effects[1]						(9)	9		—
Net earnings (loss)						135		—	135

Other comprehensive income (loss)							(34)	—	(34)
Dividends ($.70 per share)						(212)			(212)
Treasury stock purchased			—	—					—
Treasury stock issued under management incentive and stock option plans			—	24	—				24
Balance at January 27, 2019	323	$ 12	(22)	$(1,079)	$ 349	$ 2,130	$ (143)	$ 9	$ 1,278

(1) See Note 2 for additional detail.

See accompanying Notes to Consolidated Financial Statements.

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Notes to Consolidated Financial Statements
(unaudited)
(currency in millions, except per share amounts)

1. Basis of Presentation and Significant Accounting Policies

In this Form 10-Q, unless otherwise stated, the terms "we," "us," "our" and the "company" refer to Campbell Soup Company and its consolidated subsidiaries.

The consolidated financial statements include our accounts and entities in which we maintain a controlling financial interest and a variable interest entity (VIE) for which we are the primary beneficiary. Intercompany transactions are eliminated in consolidation. Certain amounts in prior-year financial statements were reclassified to conform to the current-year presentation. See Note 6.

The financial statements reflect all adjustments which are, in our opinion, necessary for a fair statement of the results of operations, financial position, and cash flows for the indicated periods. The accounting policies we used in preparing these financial statements are substantially consistent with those we applied in our Annual Report on Form 10-K for the year ended July 29, 2018, except as described below and in Note 2.

The results for the period are not necessarily indicative of the results to be expected for other interim periods or the full year. Our fiscal year ends on the Sunday nearest July 31, which is July 28, 2019.

Revenue Recognition - Our revenues primarily consist of the sale of food and beverage products through our own sales force and/or third-party brokers and distribution partners. Revenues are recognized when our performance obligation has been satisfied and control of the product passes to our customers, which typically occurs when products are delivered or accepted by customers in accordance with terms of agreements. We make shipments promptly after acceptance of orders. Shipping and handling costs incurred to deliver the product are recorded within Cost of products sold. Amounts billed and due from our customers are classified as Accounts receivable in the Consolidated Balance Sheets and require payment on a short-term basis. Revenues are recognized net of provisions for returns, discounts and certain sales promotion expenses, such as feature price discounts, in-store display incentives, cooperative advertising programs, new product introduction fees and coupon redemption costs. These forms of variable consideration are recognized upon sale. The recognition of costs for promotion programs involves the use of judgment related to performance and redemption estimates. Estimates are made based on historical experience and other factors, including expected volume. Historically, the difference between actual experience compared to estimated redemptions and performance has not been significant to the quarterly or annual financial statements. Differences between estimates and actual costs are recognized as a change in estimate in a subsequent period. Revenues are presented on a net basis for arrangements under which suppliers perform certain additional services. See Note 6 for additional information on disaggregation of revenue. In 2019, we adopted revised guidance on the recognition of revenue from contracts with customers. See Note 2 for additional information.

2. Recent Accounting Pronouncements

Recently Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued revised guidance on the recognition of revenue from contracts with customers. The guidance is designed to create greater comparability for financial statement users across industries and jurisdictions. The guidance also requires enhanced disclosures. The guidance was originally effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. In July 2015, the FASB decided to delay the effective date of the new revenue guidance by one year to fiscal years, and interim periods within those years, beginning after December 15, 2017. Entities were permitted to adopt the new revenue standard early, but not before the original effective date. The guidance permits the use of either a full retrospective or modified retrospective transition method. We completed the review of our arrangements with customers across our businesses, including our practices of offering rebates, refunds, discounts and other price allowances, and trade and consumer promotion programs. As we evaluated our methods of estimating the amount and timing of these various forms of variable consideration, we determined we will accelerate the expense recognition of certain trade and consumer promotion programs under the new guidance. Based on our assessment, the impact is not expected to be material on an annual basis, but will impact quarterly results. We adopted the guidance in the first quarter of 2019 using the modified retrospective method and recorded a cumulative effect adjustment of $8, net of tax, to decrease the opening balance of Earnings retained in the business, an increase of $10 to Accrued liabilities, an increase of $1 to Accounts payable, a decrease of $2 to Deferred taxes and an increase of $1 to Other assets.

The impacts of the changes to our Consolidated Balance Sheet as of January 27, 2019, as a result of adoption are as follows:

	As Reported	Balances Without Adoption	Increase/(Decrease) Due to Adoption
Accounts receivable, net	$ 927	$ 926	$ 1
Total current assets	2,295	2,294	1
Total assets	14,024	14,023	1
Payable to suppliers and others	$ 930	$ 929	$ 1
Accrued liabilities	784	768	16
Accrued income taxes	24	28	(4)
Total current liabilities	3,299	3,286	13
Total liabilities	12,746	12,733	13
Campbell Soup Company shareholders' equity			
Earnings retained in the business	$ 2,130	$ 2,142	$ (12)
Total Campbell Soup Company shareholders' equity	1,269	1,281	(12)
Total equity	1,278	1,290	(12)
Total liabilities and equity	14,024	14,023	1

The impacts of the changes to our Consolidated Statement of Earnings as a result of adoption are as follows:

	Three Months Ended January 27, 2019			Six Months Ended January 27, 2019		
	As Reported	Balances Without Adoption	Increase/(Decrease) Due to Adoption	As Reported	Balances Without Adoption	Increase/(Decrease) Due to Adoption
Net sales	$2,713	$2,702	$ 11	$5,407	$ 5,412	$ (5)
Earnings before interest and taxes	$19	$8	$ 11	$369	$ 374	$ (5)
Earnings (loss) before taxes	$(73)	$(84)	$ 11	$184	$ 189	$ (5)
Taxes on earnings	(14)	(17)	3	49	50	(1)
Net earnings (loss) attributable to Campbell Soup Company	$(59)	$(67)	$ 8	$135	$ 139	$ (4)
Per Share — Basic						
Net earnings (loss) attributable to Campbell Soup Company[(1)]	$(.20)	$(.22)	$ .03	$.45	$ .46	$ (.01)
Per Share — Assuming Dilution						
Net earnings attributable to Campbell Soup Company[(1)]	$(.20)	$(.22)	$ .03	$.45	$ .46	$ (.01)

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(1) The sum of individual per share amounts may not add due to rounding.

In January 2016, the FASB issued guidance that amends the recognition and measurement of financial instruments. The changes primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. Under the new guidance, equity investments in unconsolidated entities that are not accounted for under the equity method will generally be measured at fair value through earnings. When the fair value option has been elected for financial liabilities, changes in fair value due to instrument-specific credit risk will be recognized separately in other comprehensive income. The guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those years. In 2019, we adopted the guidance. The adoption did not have an impact on our consolidated financial statements.

In August 2016, the FASB issued guidance on the classification of certain cash receipts and payments in the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those years. Early adoption is permitted. The guidance must be applied retrospectively to all periods presented but may be applied prospectively if retrospective application would be impracticable. In 2019, we adopted the guidance. The adoption did not have a material impact on our consolidated financial statements.

In October 2016, the FASB issued guidance on tax accounting for intra-entity asset transfers. Under current guidance, the tax effects of intra-entity asset transfers (intercompany sales) are deferred until the transferred asset is sold to a third party or otherwise recognized. The new guidance requires companies to account for the income tax effects on intercompany transfers of assets other than inventory when the transfer occurs. The new guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those years. Early adoption is permitted in the first interim period of a fiscal year. The modified retrospective approach is required upon adoption, with a cumulative-effect adjustment recorded in retained earnings as of the beginning of the period of adoption. In 2019, we adopted the guidance. The adoption did not have an impact on our consolidated financial statements.

In January 2017, the FASB issued guidance that revises the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. The guidance requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If this threshold is met, the set of transferred assets and activities is not a business. If it is not met, the entity then evaluates whether the set meets the requirement that a business include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those years. Early adoption is permitted. Beginning in 2019, we will prospectively apply the guidance to applicable transactions.

In May 2017, the FASB issued guidance that clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. Under the new guidance, modification accounting is required only if the value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. The guidance is effective prospectively for fiscal years beginning after December 15, 2017. Early adoption is permitted. We will apply the guidance in evaluating future changes to terms or conditions of share-based payment awards.

In February 2018, the FASB issued guidance that provides entities an option to reclassify the stranded tax effects of the Tax Cuts and Jobs Act of 2017 on items within accumulated other comprehensive income to retained earnings. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those years. Entities are able to early adopt the guidance in any interim or annual period for which financial statements have not yet been issued and apply it either in the period of adoption or retrospectively to each period in which the tax effects of the Tax Cuts and Jobs Act of 2017 related to items in accumulated other comprehensive income are recognized. We adopted the guidance in the first quarter of 2019, effective on July 30, 2018, and elected not to reclassify prior periods. The adoption resulted in a cumulative effect adjustment of $9 to decrease the opening balance of Earnings retained in the business and a corresponding net decrease to the components of Accumulated other comprehensive income (loss). See Note 4 for additional information.

Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued guidance that amends accounting for leases. Under the new guidance, a lessee will recognize assets and liabilities for most leases but will recognize expenses similar to current lease accounting. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. In July 2018, the FASB issued an adoption approach that allows entities to apply the new guidance at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption without restating prior periods. We are currently compiling an inventory of our lease arrangements in order to determine the impact that the new guidance will have on our consolidated financial statements. We have selected a lease software solution to facilitate the adoption of the new guidance.

In August 2017, the FASB issued guidance that amends hedge accounting. Under the new guidance, more hedging strategies will be eligible for hedge accounting and the application of hedge accounting is simplified. The new guidance amends presentation and disclosure requirements, and how effectiveness is assessed. In October 2018, the FASB issued guidance which permits an entity to designate the overnight index swap rate based on the Secured Overnight Financing Rate Fed Funds as a benchmark interest rate in a hedge accounting relationship. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those years. Early adoption is permitted. We are currently evaluating the impact that the new guidance will have on our consolidated financial statements.

In August 2018, the FASB issued guidance that changes the disclosure requirements related to defined benefit pension and postretirement plans. The guidance is effective for fiscal years beginning after December 15, 2020. The guidance is to be applied on a retrospective basis. Early adoption is permitted. We are currently evaluating the impact that the new guidance will have on our disclosures.

In August 2018, the FASB issued guidance that eliminates, adds, and modifies certain disclosure requirements for fair value measurements. The guidance is effective for fiscal years beginning after December 15, 2019, and interim periods within those years. Early adoption is permitted. Certain disclosures in the guidance must be applied on a retrospective basis, while others must be applied on a prospective basis. We are currently evaluating the impact that the new guidance will have on our disclosures.

In August 2018, the FASB issued guidance on accounting for implementation costs incurred in a cloud computing arrangement that is a service contract. The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The guidance is effective for fiscal years beginning after December 15, 2019. Entities have the option to apply the guidance prospectively to all implementation costs incurred after the date of adoption or retrospectively. Early adoption is permitted. We are currently evaluating the impact that the new guidance will have on our consolidated financial statements.

3. Acquisitions

On March 26, 2018, we completed the acquisition of Snyder's-Lance, Inc. (Snyder's-Lance) for $50.00 per share. Total consideration was $6,112, which included the payoff of approximately $1,100 of Snyder's-Lance indebtedness. The acquisition was financed through a single draw 3-year senior unsecured term loan facility and the issuance of senior notes. Snyder's-Lance is a snack food company that manufactures, distributes, markets and sells snack food products in North America and Europe. Its primary brands include Snyder’s of Hanover and Lance, as well as Kettle Brand, KETTLE, Cape Cod, Snack Factory Pretzel Crisps, Pop Secret, Emerald and Late July.

The excess of the purchase price over the estimated fair values of identifiable net assets was recorded as $3,006 of goodwill. The goodwill is not deductible for tax purposes. The goodwill was primarily attributable to future growth opportunities, anticipated synergies, and intangible assets that did not qualify for separate recognition. The goodwill is included in the Global Biscuits and Snacks segment.

On December 12, 2017, we completed the acquisition of Pacific Foods of Oregon, LLC (Pacific Foods). The purchase price was $688. Pacific Foods produces broth, soups, non-dairy beverages and other simple meals. The excess of the purchase price over the estimated fair values of identifiable net assets was recorded as $202 of goodwill. The goodwill is deductible for tax purposes. The goodwill was primarily attributable to future growth opportunities, anticipated synergies, and intangible assets that did not qualify for separate recognition. The goodwill is included in the Meals and Beverages segment.

The table below presents the estimated fair value that was allocated to acquired assets and assumed liabilities of Snyder's-Lance. The final valuation process will be completed within the allowable measurement period. In the first quarter ended October 28, 2018, we made measurement period adjustments to reflect facts and circumstances in existence as of the date of acquisition. These adjustments included a $134 decrease to indefinite-lived trademarks, a $52 decrease to customer relationships, a $43 decrease to Deferred taxes and a $140 increase to Goodwill.

	Snyder's-Lance
Cash	$ 21
Accounts receivable	220
Inventories	219
Other current assets	32
Plant assets	696
Goodwill	3,006
Other intangible assets	2,761
Other assets	65
Short-term debt	(1)
Accounts payable	(124)
Accrued liabilities	(115)
Deferred taxes	(597)
Other liabilities	(24)

Noncontrolling interest	(47)
Total assets acquired and liabilities assumed	$ 6,112

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The identifiable intangible assets of Snyder's-Lance consist of:

	Type	Life in Years	Value
Trademarks	Non-amortizable	Indefinite	$1,997
Customer relationships	Amortizable	15 to 22	756
Other	Amortizable	1.5	8
Total identifiable intangible assets			$2,761

For the three- and six-month periods ended January 27, 2019, the acquisition of Snyder's-Lance contributed $529 and $1,083 to Net sales. The contribution to Net earnings (loss) were losses of $11 and $17 for the three- and six-month periods ended January 27, 2019, including expenses associated with restructuring charges and cost savings initiatives, as well as interest expense on the debt to finance the acquisition.

For the three- and six-month periods ended January 27, 2019, the acquisition of Pacific Foods contributed $58 and $127 to Net sales. The contribution to Net earnings (loss) were losses of $6 and $3 for the three- and six-month periods ended January 27, 2019, including interest expense on the debt to finance the acquisition. For the three-month period ended January 28, 2018, the contribution of the Pacific Foods acquisition to Net sales was $28. The contribution to Net earnings was not material.

The following unaudited summary information is presented on a consolidated pro forma basis as if the Snyder's-Lance and Pacific Foods acquisitions had occurred on August 1, 2016:

	Three Months Ended	Six Months Ended
	January 28, 2018	January 28, 2018
Net sales	$ 2,747	$ 5,555
Net earnings attributable to Campbell Soup Company	$ 451	$ 640
Net earnings per share attributable to Campbell Soup Company - basic	$ 1.50	$ 2.13
Net earnings per share attributable to Campbell Soup Company - assuming dilution	$ 1.50	$ 2.12

The pro forma amounts include additional interest expense on the debt issued to finance the purchases, amortization and depreciation expense based on the estimated fair value and useful lives of intangible assets and plant assets, and related tax effects. The pro forma results are not necessarily indicative of the combined results had the Snyder's-Lance and Pacific Foods acquisitions been completed on August 1, 2016, nor are they indicative of future combined results. The pro forma results for the three- and six-month periods ended January 28, 2018 do not include certain transaction costs, amortization of the acquisition date fair value adjustment to inventories, or a gain on treasury rate lock contracts, as all of these would be reflected in the six-month period ended January 29, 2017, had the acquisitions occurred on August 1, 2016.

With the acquisition of Snyder's-Lance, we acquired an investment in Yellow Chips Holdings B.V. (Yellow Chips), and accounted for the investment under the equity method of accounting. On October 30, 2018, we purchased the remaining ownership interest in Yellow Chips, and began consolidating the business. The purchase price was $18. The pro forma results for the three- and six-month periods ended January 27, 2019 and January 28, 2018 were not material.

4. Accumulated Other Comprehensive Income (Loss)

The components of Accumulated other comprehensive income (loss) consisted of the following:

	Foreign Currency Translation Adjustments[1]	Gains (Losses) on Cash Flow Hedges[2]	Pension and Postretirement Benefit Plan Adjustments[3]	Total Accumulated Comprehensive Income (Loss)
Balance at July 30, 2017	$ (84)	$ (22)	$ 53	$ (53)
Other comprehensive income (loss) before reclassifications	35	7	(2)	40
Amounts reclassified from accumulated other comprehensive income (loss)	—	1	(9)	(8)
Net current-period other comprehensive income (loss)	35	8	(11)	32
Balance at January 28, 2018	$ (49)	$ (14)	$ 42	$ (21)
Balance at July 29, 2018	$ (154)	$ (4)	$ 40	$ (118)
Cumulative effect of a change in accounting principle[4]	2	(3)	10	9
Other comprehensive income (loss) before reclassifications	(23)	(1)	—	(24)
Amounts reclassified from accumulated other comprehensive income (loss)	—	1	(11)	(10)
Net current-period other comprehensive income (loss)	(23)	—	(11)	(34)
Balance at January 27, 2019	$ (175)	$ (7)	$ 39	$ (143)

(1) Included a tax expense of $4 as of January 27, 2019, and $6 as of July 29, 2018, January 28, 2018, and July 30, 2017.

(2) Included a tax benefit of $1 as of January 27, 2019, $4 as of July 29, 2018, $8 as of January 28, 2018, and $12 as of July 30, 2017.

(3) Included a tax expense of $12 as of January 27, 2019, $25 as of July 29, 2018, and January 28, 2018, and $30 as of July 30, 2017.

(4) Reflects the adoption of the FASB guidance on stranded tax effects. See Note 2 for additional information.

Amounts related to noncontrolling interests were not material.

The amounts reclassified from Accumulated other comprehensive income (loss) consisted of the following:

Details about Accumulated Other Comprehensive Income (Loss) Components	Three Months Ended January 27, 2019	Three Months Ended January 28, 2018	Six Months Ended January 27, 2019	Six Months Ended January 28, 2018	Location of (Gain) Loss Recognized in Earnings
(Gains) losses on cash flow hedges:					
Foreign exchange forward contracts	$—	$ 2	$—	$ —	Cost of products sold
Forward starting interest rate swaps	—	1	1	1	Interest expense
Total before tax	—	3	1	1	
Tax expense (benefit)	—	—	—	—	
(Gain) loss, net of tax	$—	$ 3	$1	$ 1	
Pension and postretirement benefit adjustments:					
Prior service credit	$(7)	$ (6)	$(14)	$ (13)	Other expenses / (income)
Tax expense (benefit)	1	2	3	4	

(Gain) loss, net of tax	$ (6)	$ (4)	$ (11)	$ (9)

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5. Goodwill and Intangible Assets

Goodwill

The following table shows the changes in the carrying amount of goodwill by business segment:

	Meals and Beverages	Global Biscuits and Snacks	Campbell Fresh[1]	Total
Net balance at July 29, 2018	$ 978	$ 3,602	$ —	$ 4,580
Changes in preliminary purchase price allocation	—	140	—	140
Acquisition	—	21	—	21
Foreign currency translation adjustment	(1)	(19)	—	(20)
Net balance at January 27, 2019	$ 977	$ 3,744	$ —	$ 4,721

(1) The balance of goodwill is reflected net of accumulated impairment charges of $837 as of January 27, 2019 and July 29, 2018, respectively, related to the Bolthouse Farms carrot and carrot ingredients reporting unit, the deli reporting unit, and the Bolthouse Farms refrigerated beverages and salad dressings reporting unit.

During the three-month period ended October 28, 2018, we made changes in the preliminary allocation of the purchase price of the Snyder's-Lance acquisition which resulted in a change in goodwill of $140 in the Global Biscuits and Snacks segment. On October 30, 2018, we acquired the remaining ownership interest in Yellow Chips and began consolidating the business, which resulted in goodwill of $21. See Note 3 for additional information.

Intangible Assets

The following table sets forth balance sheet information for intangible assets, excluding goodwill, subject to amortization and intangible assets not subject to amortization:

Intangible Assets	January 27, 2019	July 29, 2018
Amortizable intangible assets		
Customer relationships	$ 917	$ 1,116
Technology	10	40
Other	41	43
Total gross amortizable intangible assets	$ 968	$ 1,199
Accumulated amortization	(87)	(126)
Total net amortizable intangible assets	$ 881	$ 1,073
Non-amortizable intangible assets		
Trademarks	2,871	3,123
Total net intangible assets	$ 3,752	$ 4,196

Non-amortizable intangible assets consist of trademarks, which include Snyder's of Hanover, Lance, Kettle Brand, Pace, Pacific Foods, Snack Factory, Cape Cod, Pop Secret, Kjeldsens, Plum, and Late July. Other amortizable intangible assets consist of recipes, non-compete agreements, trademarks, patents and distributor relationships.

Amortization of intangible assets was $30 and $8 for six-month periods ended January 27, 2019 and January 28, 2018, respectively. Amortization expense for the next 5 years is estimated to be $58 in 2019, $50 in 2020 and $49 in 2021 through 2023. Asset useful lives range from 2 to 22 years.

On August 30, 2018, we announced plans to pursue the divestiture of our international biscuits and snacks operating segment and the Campbell Fresh operating segment. As we continue to pursue the divestiture of these businesses, in the second quarter of 2019 we performed interim impairment assessments on the intangible assets within Campbell Fresh, which includes Bolthouse Farms carrot and carrot ingredients, Bolthouse Farms refrigerated beverages and salad dressings and Garden Fresh Gourmet. We revised our future outlook for earnings and cash flows for each of these businesses as the divestiture process progressed and we received initial indications of value. Within Bolthouse Farms carrot and carrot ingredients, we recorded impairment charges of $18 on the trademark, which reduced the carrying value to $30; $40 on customer relationships, which reduced the carrying value to $15; and $15 on technology, which reduced the carrying value to $10. Within Bolthouse Farms refrigerated beverages and salad dressings, we recorded impairment charges of $74 on the trademark, which reduced the carrying value to $76; and $22 on customer

relationships, which reduced the carrying value to $12. On Garden Fresh Gourmet, we recorded impairment charges of $23 on the trademark and $39 on customer relationships, which eliminated the carrying value of these assets. The impairment charges were recorded in Other expenses / (income) in the Consolidated Statements of Earnings.
The estimates of future cash flows used in determining the fair value of intangible assets involve significant management judgment and are based upon assumptions about expected future operating performance, economic conditions, market conditions, cost of capital and potential divestitures. Inherent in estimating the future cash flows are uncertainties beyond our control, such as changes in capital markets. The actual cash flows could differ materially from management's estimates due to changes in any of the assumptions.

6. Segment Information

Commencing in the third quarter of 2018 with the acquisition of Snyder's-Lance, we formed a new U.S. snacking unit, which combines Snyder's-Lance and Pepperidge Farm, and is an operating segment. As of the third quarter of 2018, we have four operating segments based primarily on product type, and three reportable segments. The U.S. snacking operating segment is aggregated with the international biscuits and snacks operating segment to form the Global Biscuits and Snacks reportable segment. The operating segments are aggregated based on similar economic characteristics, products, production processes, types or classes of customers, distribution methods, and regulatory environment. Our reportable segments are as follows:

- Meals and Beverages segment includes the retail and food service businesses in the U.S., Canada and Latin America. The segment includes the following products: Campbell's condensed and ready-to-serve soups; Swanson broth and stocks; Prego pasta sauces; Pace Mexican sauces; Campbell's gravies, pasta, beans and dinner sauces; Swanson canned poultry; Plum food and snacks; V8 juices and beverages; Campbell's tomato juice; and as of December 12, 2017, Pacific broth, soups, non-dairy beverages and other simple meals;
- Global Biscuits and Snacks segment represents an aggregation of the following operating segments: U.S. snacks operating segment, which includes Pepperidge Farm cookies, crackers, bakery and frozen products in U.S. retail, and Snyder's-Lance pretzels, sandwich crackers, potato chips, tortilla chips and other snacking products in the U.S. and Europe; and the international biscuits and snacks operating segment, which includes Arnott's biscuits in Australia and Asia Pacific, Kelsen cookies globally, and the simple meals and shelf-stable beverages business in Australia and Asia Pacific; and
- Campbell Fresh segment includes Bolthouse Farms fresh carrots, carrot ingredients, refrigerated beverages and refrigerated salad dressings; Garden Fresh Gourmet salsa, hummus, dips and tortilla chips; and the U.S. refrigerated soup business.

Through the fourth quarter of 2018, our simple meals and shelf-stable beverage business in Latin America was managed as part of the Global Biscuits and Snacks segment. Beginning in 2019, our business in Latin America is managed as part of the Meals and Beverages segment. Segment results have been adjusted retrospectively to reflect this change.
On August 30, 2018, we announced plans to pursue the divestiture of our international biscuits and snacks operating segment, and the Campbell Fresh segment. The international biscuits and snacks operating segment and the Campbell Fresh segment combined represent approximately $2,100 in net sales in 2018.
We evaluate segment performance before interest, taxes and costs associated with restructuring activities and impairment charges. Unrealized gains and losses on commodity hedging activities are excluded from segment operating earnings and are recorded in Corporate as these open positions represent hedges of future purchases. Upon closing of the contracts, the realized gain or loss is transferred to segment operating earnings, which allows the segments to reflect the economic effects of the hedge without exposure to quarterly volatility of unrealized gains and losses. Only the service cost component of pension and postretirement expense is allocated to segments. All other components of expense, including interest cost, expected return on assets, amortization of prior service credits and recognized actuarial gains and losses are reflected in Corporate and not included in segment operating results. Asset information by segment is not discretely maintained for internal reporting or used in evaluating performance.

	Three Months Ended		Six Months Ended	
	January 27, 2019	January 28, 2018	January 27, 2019	January 28, 2018
Net sales				
Meals and Beverages	$1,230	$ 1,214	$2,474	$ 2,453
Global Biscuits and Snacks	1,243	708	2,461	1,396
Campbell Fresh	239	257	471	491
Corporate	1	1	1	1
Total	$2,713	$ 2,180	$5,407	$ 4,341

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	Three Months Ended		Six Months Ended	
	January 27, 2019	January 28, 2018	January 27, 2019	January 28, 2018
Earnings before interest and taxes				
Meals and Beverages	$255	$ 284	$549	$ 615
Global Biscuits and Snacks	185	137	339	254
Campbell Fresh	(14)	(11)	(17)	(17)
Corporate[1]	(405)	(134)	(481)	(162)
Restructuring charges[2]	(2)	(33)	(21)	(35)
Total	$19	$ 243	$369	$ 655

(1) Represents unallocated items. Pension and postretirement benefit mark-to-market adjustments are included in Corporate. There were gains of $14 in the six-month period ended January 28, 2018. Costs related to cost savings initiatives were $22 and $27 for the three-month periods and $49 and $44 in the six-month periods ended January 27, 2019, and January 28, 2018, respectively. Costs of $10 and $12 associated with the planned divestitures were in the three- and six-month periods ended January 27, 2019. Impairment charges of plant assets and intangible assets were $346 and $360 in the three- and- six-month periods ended January 27, 2019, respectively. Impairment charges of intangible assets were $75 in the three- and- six-month periods ended January 28, 2018. See Notes 5 and 13 for additional information. Transaction costs of $24 associated with the acquisition of Snyder's-Lance were in the three- and six-month periods ended January 28, 2018.

(2) See Note 7 for additional information.

Our global net sales based on product categories are as follows:

	Three Months Ended		Six Months Ended	
	January 27, 2019	January 28, 2018	January 27, 2019	January 28, 2018
Net sales				
Soup	$815	$ 814	$1,604	$ 1,621
Snacks	1,225	690	2,434	1,367
Other simple meals	423	434	854	869
Beverages	249	241	514	483
Other	1	1	1	1
Total	$2,713	$ 2,180	$5,407	$ 4,341

Soup includes various soup, broths and stock products. Snacks include cookies, pretzels, crackers, biscuits, popcorn, nuts, potato chips, tortilla chips and other salty snacks and baked products. Other simple meals include sauces, carrot products, refrigerated salad dressings, refrigerated salsa, hummus, dips and Plum foods and snacks.

7. Restructuring Charges and Cost Savings Initiatives

2015 Initiatives and Snyder's-Lance Cost Transformation Program and Integration

In fiscal 2015, we implemented initiatives to reduce costs and to streamline our organizational structure. As part of these initiatives, we commenced a voluntary employee separation program available to certain U.S.-based salaried employees nearing retirement who met age, length-of-service and business unit/function criteria.

In February 2017, we announced that we were expanding these initiatives by further optimizing our supply chain network, primarily in North America, continuing to evolve our operating model to drive efficiencies, and more fully integrating our recent acquisitions. In January 2018, as part of the expanded initiatives, we authorized additional pre-tax costs to improve the operational efficiency of our thermal supply chain network in North America by closing our manufacturing facility in Toronto, Ontario, and to optimize our information technology infrastructure by migrating certain applications to the latest cloud technology platform. In August 2018, we announced that we will continue to streamline our organization, expand our zero-based budgeting efforts and optimize our manufacturing network.

On March 26, 2018, we completed the acquisition of Snyder's-Lance. Prior to the acquisition, in April 2017, Snyder's-Lance launched a cost transformation program following a comprehensive review of its operations with the goal of significantly improving its financial performance. We expect to continue to implement this program and to achieve a majority of the program's targeted savings. In addition, we have identified opportunities for additional cost synergies as we integrate Snyder's-Lance.

Cost estimates, as well as timing for certain activities, are continuing to be developed.
A summary of the restructuring charges and charges recorded in Administrative expenses, Cost of products sold, Marketing and selling expenses, and Research and development expenses related to both programs is as follows:

	Three Months Ended		Six Months Ended		
	January 27, 2019	January 28, 2018	January 27, 2019	January 28, 2018	Recognized as of January 27, 2019[1]
Restructuring charges	$ 2	$ 33	$ 21	$ 35	$ 238
Administrative expenses	10	26	23	38	228
Cost of products sold	9	1	21	6	70
Marketing and selling expenses	2	—	4	—	7
Research and development expenses	1	—	1	—	1
Total pre-tax charges	$ 24	$ 60	$ 70	$ 79	$ 544

(1) Includes $13 of Restructuring charges and $12 of Administrative expenses associated with the Snyder's-Lance cost transformation program and integration recognized in 2018.

A summary of the pre-tax costs associated with both programs is as follows:

	Recognized as of January 27, 2019
Severance pay and benefits[1]	$ 214
Asset impairment/accelerated depreciation	66
Implementation costs and other related costs[2]	264
Total	$ 544

(1) Includes $13 of charges associated with the Snyder's-Lance cost transformation program and integration recognized in 2018.

(2) Includes $12 of charges associated with the Snyder's-Lance cost transformation program and integration recognized in 2018.

The total estimated pre-tax costs for actions that have been identified under both programs are approximately $620 to $665 and we expect to incur substantially all of the costs through 2020. This estimate will be updated as costs for the expanded initiatives are developed.

We expect the costs for actions that have been identified to date under both programs to consist of the following: approximately $215 to $220 in severance pay and benefits; approximately $70 in asset impairment and accelerated depreciation; and approximately $335 to $375 in implementation costs and other related costs.We expect these pre-tax costs to be associated with our segments as follows: Meals and Beverages - approximately 37%; Global Biscuits and Snacks - approximately 39%; Campbell Fresh - approximately 2%; and Corporate - approximately 22%.

Of the aggregate $620 to $665 of pre-tax costs identified to date, we expect approximately $540 to $585 will be cash expenditures. In addition, we expect to invest approximately $325 in capital expenditures through 2021, of which we invested approximately $184 as of January 27, 2019. The capital expenditures primarily related to the U.S. warehouse optimization project, improvement of quality, safety and cost structure across the Snyder’s-Lance manufacturing network, transition of production of the Toronto manufacturing facility to our U.S. thermal plants, insourcing of manufacturing for certain simple meal products, optimization of information technology infrastructure and applications, and optimization of the Snyder's-Lance warehouse and distribution network.

A summary of the restructuring activity and related reserves associated with both programs at January 27, 2019, is as follows:

	Severance Pay and Benefits	Implementation Costs and Other Related Costs[3]	Asset Impairment/Accelerated Depreciation	Total Charges
Accrued balance at July 29, 2018[1]	$ 46			
2019 charges	21	28	21	$ 70
2019 cash payments	(17)			
Accrued balance at January 27, 2019[2]	$ 50			

(1) Includes $24 of severance pay and benefits recorded in Other liabilities in the Consolidated Balance Sheet, $1 of which is associated with the Snyder's-Lance cost transformation program and integration. Of total accrued balance, $9 is associated with the Snyder's-Lance cost transformation program and integration.

(2) Includes $15 of severance pay and benefits recorded in Other liabilities in the Consolidated Balance Sheet.

(3) Includes other costs recognized as incurred that are not reflected in the restructuring reserve in the Consolidated Balance Sheets. The costs are included in Administrative expenses, Cost of products sold, Marketing and selling expenses, and Research and development expenses in the Consolidated Statements of Earnings.

Segment operating results do not include restructuring charges, implementation costs and other related costs because we evaluate segment performance excluding such charges. A summary of the pre-tax costs associated with segments is as follows:

	January 27, 2019		
	Three Months Ended	Six Months Ended	Costs Incurred to Date[1]
Meals and Beverages	$12	$ 35	$ 213
Global Biscuits and Snacks	7	16	192
Campbell Fresh	—	3	14
Corporate	5	16	125
Total	$24	$ 70	$ 544

(1) Includes $25 of pre-tax costs associated with the Global Biscuits and Snacks segment recognized in 2018 related to the Snyder's-Lance cost transformation program and integration.

8. Earnings per Share (EPS)

For the periods presented in the Consolidated Statements of Earnings, the calculations of basic EPS and EPS assuming dilution vary in that the weighted average shares outstanding assuming dilution include the incremental effect of stock options and other share-based payment awards, except when such effect would be antidilutive. The per share calculation for the three-month period ended January 27, 2019, excludes approximately 2 million stock options and restricted stock units that would have been antidilutive. The earnings per share calculation for the six-month period ended January 27, 2019, excludes approximately 2 million stock options that would have been antidilutive. The earnings per share calculation for the three-month period ended January 28, 2018, excludes approximately 2 million stock options that would have been antidilutive. The earnings per share calculation for the six-month period ended January 28, 2018, excludes approximately 1 million stock options that would have been antidilutive.

9. Noncontrolling Interests

We own a 60% controlling interest in a joint venture formed with Swire Pacific Limited to support our soup and broth business in China and a 70% controlling interest in a Malaysian food products manufacturing company. We also own a 99.8% interest in Acre Venture Partners, L.P. (Acre), a limited partnership formed to make venture capital investments in innovative new companies in food and food-related industries. See Note 12 for additional information.
On March 26, 2018, we acquired Snyder's-Lance, including an 80% interest in one of its subsidiaries. In April 2018, we purchased the remaining 20% interest for $47.
The noncontrolling interests' share in the net earnings (loss) was included in Net earnings (loss) attributable to noncontrolling interests in the Consolidated Statements of Earnings. The noncontrolling interests in these entities were included in Total equity in the Consolidated Balance Sheets and Consolidated Statements of Equity.

10. Pension and Postretirement Benefits

Components of net benefit expense (income) were as follows:

	Three Months Ended				Six Months Ended			
	Pension		Postretirement		Pension		Postretirement	
	January 27, 2019	January 28, 2018	January 27, 2019	January 28, 2018	January 27, 2019	January 28, 2018	January 27, 2019	January 28, 2018
Service cost	$6	$ 6	$ —	$ —	$11	$ 12	$ —	$ —
Interest cost	20	18	2	2	41	37	4	4
Expected return on plan assets	(35)	(36)	—	—	(71)	(72)	—	—
Amortization of prior service credit	—	—	(7)	(6)	—	—	(14)	(13)
Special termination benefits	—	2	—	—	—	2	—	—
Net periodic benefit income	$(9)	$ (10)	$ (5)	$ (4)	$(19)	$ (21)	$ (10)	$ (9)

The special termination benefits of $2 related to the planned closure of the manufacturing facility in Toronto, Ontario, and were included in Restructuring charges. See Note 7.

The components of net periodic benefit expense (income) other than the service cost component are included in Other expenses / (income) in the Consolidated Statements of Earnings.

11. Financial Instruments

The principal market risks to which we are exposed are changes in foreign currency exchange rates, interest rates, and commodity prices. In addition, we are exposed to equity price changes related to certain deferred compensation obligations. In order to manage these exposures, we follow established risk management policies and procedures, including the use of derivative contracts such as swaps, rate locks, options, forwards and commodity futures. We enter into these derivative contracts for periods consistent with the related underlying exposures, and the contracts do not constitute positions independent of those exposures. We do not enter into derivative contracts for speculative purposes and do not use leveraged instruments. Our derivative programs include instruments that qualify and others that do not qualify for hedge accounting treatment.

Concentration of Credit Risk

We are exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. To mitigate counterparty credit risk, we enter into contracts only with carefully selected, leading, credit-worthy financial institutions, and distribute contracts among several financial institutions to reduce the concentration of credit risk. We did not have credit-risk-related contingent features in our derivative instruments as of January 27, 2019, or July 29, 2018.

We are also exposed to credit risk from our customers. During 2018, our largest customer accounted for approximately 18% of consolidated net sales. Our five largest customers accounted for approximately 38% of our consolidated net sales in 2018.

We closely monitor credit risk associated with counterparties and customers.

Foreign Currency Exchange Risk

We are exposed to foreign currency exchange risk related to our international operations, including non-functional currency intercompany debt and net investments in subsidiaries. We are also exposed to foreign exchange risk as a result of transactions in currencies other than the functional currency of certain subsidiaries. Principal currencies hedged include the Canadian dollar, Australian dollar and U.S. dollar. We utilize foreign exchange forward purchase and sale contracts, as well as cross-currency swaps, to hedge these exposures. The contracts are either designated as cash-flow hedging instruments or are undesignated. We hedge portions of our forecasted foreign currency transaction exposure with foreign exchange forward contracts for periods typically up to 18 months. To hedge currency exposures related to intercompany debt, we enter into foreign exchange forward purchase and sale contracts, as well as cross-currency swap contracts, for periods consistent with the underlying debt. The notional amount of foreign exchange forward contracts accounted for as cash-flow hedges was $79 at January 27, 2019, and $104 at July 29,

2018. The effective portion of the changes in fair value on these instruments is recorded in other comprehensive income (loss) and is reclassified into the Consolidated Statements of Earnings on the same line item and the same period in which the underlying hedged transaction affects earnings. The notional amount of foreign exchange forward contracts that are not designated as accounting hedges was $157 and $140 at January 27, 2019, and July 29, 2018, respectively. There were no cross-currency swap contracts outstanding as of January 27, 2019, or July 29, 2018.

Interest Rate Risk

We manage our exposure to changes in interest rates by optimizing the use of variable-rate and fixed-rate debt and by utilizing interest rate swaps in order to maintain our variable-to-total debt ratio within targeted guidelines. Receive fixed rate/pay variable rate interest rate swaps are accounted for as fair-value hedges. We manage our exposure to interest rate volatility on future debt issuances by entering into forward starting interest rate swaps or treasury rate lock contracts to lock in the rate on the interest payments related to the anticipated debt issuances. The contracts are either designated as cash-flow hedging instruments or are undesignated. The effective portion of the changes in fair value on designated instruments is recorded in other comprehensive income (loss) and reclassified into the Consolidated Statements of Earnings over the life of the debt. The change in fair value on undesignated instruments is recorded in interest expense. There were no forward starting interest rate swaps or treasury rate lock contracts outstanding as of January 27, 2019, or July 29, 2018.

Commodity Price Risk

We principally use a combination of purchase orders and various short- and long-term supply arrangements in connection with the purchase of raw materials, including certain commodities and agricultural products. We also enter into commodity futures, options and swap contracts to reduce the volatility of price fluctuations of diesel fuel, wheat, soybean oil, aluminum, natural gas, cocoa, soybean meal, corn, butter, and cheese, which impact the cost of raw materials. Commodity futures, options, and swap contracts are either designated as cash-flow hedging instruments or are undesignated. We hedge a portion of commodity requirements for periods typically up to 18 months. There were no commodity contracts accounted for as cash-flow hedges as of January 27, 2019, or July 29, 2018. The notional amount of commodity contracts not designated as accounting hedges was $165 at January 27, 2019, and $118 at July 29, 2018.

In 2017, we entered into a supply contract under which prices for certain raw materials are established based on anticipated volume requirements over a twelve-month period. Certain prices under the contract are based in part on certain component parts of the raw materials that are in excess of our needs or not required for our operations, thereby creating an embedded derivative requiring bifurcation. We net settle amounts due under the contract with our counterparty. The notional value was approximately $59 as of January 27, 2019, and $33 as of July 29, 2018. The fair value was not material as of January 27, 2019, and July 29, 2018. Unrealized gains (losses) and settlements are included in Cost of products sold in our Consolidated Statements of Earnings.

Equity Price Risk

We enter into swap contracts which hedge a portion of exposures relating to certain deferred compensation obligations linked to the total return of our capital stock, the total return of the Vanguard Institutional Index, and the total return of the Vanguard Total International Stock Index. Under these contracts, we pay variable interest rates and receive from the counterparty either: the total return on our capital stock; the total return of the Standard & Poor's 500 Index, which is expected to approximate the total return of the Vanguard Institutional Index; or the total return of the iShares MSCI EAFE Index, which is expected to approximate the total return of the Vanguard Total International Stock Index. These contracts were not designated as hedges for accounting purposes. We enter into these contracts for periods typically not exceeding 12 months. The notional amounts of the contracts were $41 as of January 27, 2019, and July 29, 2018.

The following table summarizes the fair value of derivative instruments on a gross basis as recorded in the Consolidated Balance Sheets as of January 27, 2019, and July 29, 2018:

	Balance Sheet Classification	January 27, 2019	July 29, 2018
Asset Derivatives			
Derivatives designated as hedges:			
Foreign exchange forward contracts	Other current assets	$ —	$ 1
Total derivatives designated as hedges		$ —	$ 1
Derivatives not designated as hedges:			
Commodity derivative contracts	Other current assets	$ 4	$ 5
Deferred compensation derivative contracts	Other current assets	2	1
Foreign exchange forward contracts	Other current assets	3	3
Total derivatives not designated as hedges		$ 9	$ 9
Total asset derivatives		$ 9	$ 10

	Balance Sheet Classification	January 27, 2019	July 29, 2018
Liability Derivatives			
Derivatives designated as hedges:			
Foreign exchange forward contracts	Accrued liabilities	$ 2	$ 2
Total derivatives designated as hedges		$ 2	$ 2
Derivatives not designated as hedges:			
Commodity derivative contracts	Accrued liabilities	$ 4	$ 3
Foreign exchange forward contracts	Accrued liabilities	1	—
Commodity derivative contracts	Other liabilities	—	1
Total derivatives not designated as hedges		$ 5	$ 4
Total liability derivatives		$ 7	$ 6

We do not offset the fair values of derivative assets and liabilities executed with the same counterparty that are generally subject to enforceable netting agreements. However, if we were to offset and record the asset and liability balances of derivatives on a net basis, the amounts presented in the Consolidated Balance Sheets as of January 27, 2019, and July 29, 2018, would be adjusted as detailed in the following table:

	January 27, 2019			July 29, 2018		
Derivative Instrument	Gross Amounts Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet Subject to Netting Agreements	Net Amount	Gross Amounts Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet Subject to Netting Agreements	Net Amount
Total asset derivatives	$ 9	$ (5)	$ 4	$ 10	$ (3)	$ 7
Total liability derivatives	$ 7	$ (5)	$ 2	$ 6	$ (3)	$ 3

We are required to maintain cash margin accounts in connection with funding the settlement of open positions for exchange-traded commodity derivative instruments. At January 27, 2019, and July 29, 2018, a cash margin account balance of $7 and $2, respectively, was included in Other current assets in the Consolidated Balance Sheets.

The following tables show the effect of our derivative instruments designated as cash-flow hedges for the three- and six- month periods ended January 27, 2019, and January 28, 2018, in other comprehensive income (loss) (OCI) and the Consolidated Statements of Earnings:

Derivatives Designated as Cash-Flow Hedges		Total Cash-Flow Hedge OCI Activity January 27, 2019	Total Cash-Flow Hedge OCI Activity January 28, 2018
Three Months Ended			
OCI derivative gain (loss) at beginning of quarter		$(7)	$ (27)
Effective portion of changes in fair value recognized in OCI:			
Foreign exchange forward contracts		(1)	(5)
Forward starting interest rate swaps		—	7
Amount of (gain) loss reclassified from OCI to earnings:	Location in Earnings		
Foreign exchange forward contracts	Cost of products sold	—	2
Forward starting interest rate swaps	Interest expense	—	1
OCI derivative gain (loss) at end of quarter		$(8)	$ (22)
Six Months Ended			
OCI derivative gain (loss) at beginning of year		$(8)	$ (34)
Effective portion of changes in fair value recognized in OCI:			
Foreign exchange forward contracts		(1)	1
Forward starting interest rate swaps		—	10
Amount of (gain) loss reclassified from OCI to earnings:	Location in Earnings		
Forward starting interest rate swaps	Interest expense	1	1
OCI derivative gain (loss) at end of quarter		$(8)	$ (22)

Based on current valuations, the amount expected to be reclassified from OCI into earnings within the next 12 months is a gain of $1. The ineffective portion and amount excluded from effectiveness testing were not material.

The following table shows the effects of our derivative instruments not designated as hedges for the three- and six-month periods ended January 27, 2019, and January 28, 2018, in the Consolidated Statements of Earnings:

Derivatives not Designated as Hedges	Location of (Gain) Loss Recognized in Earnings	Amount of (Gain) Loss Recognized in Earnings on Derivatives Three Months Ended January 27, 2019	Three Months Ended January 28, 2018	Six Months Ended January 27, 2019	Six Months Ended January 28, 2018
Foreign exchange forward contracts	Other expenses / (income)	$ —	$ —	$ —	$ (1)
Commodity derivative contracts	Cost of products sold	—	(2)	1	—
Deferred compensation derivative contracts	Administrative expenses	—	(4)	3	(5)
Treasury rate lock contracts	Interest expense	—	(1)	—	(1)
Total (gain) loss at end of quarter		$ —	$ (7)	$ 4	$ (7)

12. Variable Interest Entity

In February 2016, we agreed to make a capital commitment subject to certain qualifications of up to $125 to Acre, a limited partnership formed to make venture capital investments in innovative new companies in food and food-related industries. Acre is managed by its general partner, Acre Ventures GP, LLC, which is independent of us. We are the sole limited partner of Acre and own a 99.8% interest. Our share of earnings (loss) is calculated according to the terms of the partnership agreement. Acre is a VIE. We have determined that we are the primary beneficiary. Therefore, we consolidate Acre and account for the third-party ownership as a noncontrolling interest. Through January 27, 2019, we funded $82 of the capital commitment. On August 29, 2018, we provided notice of termination of the investment period and have no obligation to make any further capital contributions to Acre for new investments, but are required to pay obligations made prior to the notice of termination, the management fee and permitted partnership expenses.

Acre elected the fair value option to account for qualifying investments to more appropriately reflect the value of the investments in the financial statements. The investments were $70 and $77 as of January 27, 2019, and July 29, 2018, respectively, and are included in Other assets on the Consolidated Balance Sheets. Changes in the fair values of investments for which the fair value option was elected are included in Other expenses / (income) on the Consolidated Statements of Earnings. Current assets and liabilities of Acre were not material as of January 27, 2019, or July 29, 2018.

13. Fair Value Measurements

We categorize financial assets and liabilities based on the following fair value hierarchy:

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with observable market data.
- Level 3: Unobservable inputs, which are valued based on our estimates of assumptions that market participants would use in pricing the asset or liability.

Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. When available, we use unadjusted quoted market prices to measure the fair value and classify such items as Level 1. If quoted market prices are not available, we base fair value upon internally developed models that use current market-based or independently sourced market parameters such as interest rates and currency rates. Included in the fair value of derivative instruments is an adjustment for credit and nonperformance risk.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents our financial assets and liabilities that are measured at fair value on a recurring basis as of January 27, 2019, and July 29, 2018, consistent with the fair value hierarchy:

	Fair Value as of January 27, 2019	Fair Value Measurements at January 27, 2019 Using Fair Value Hierarchy			Fair Value as of July 29, 2018	Fair Value Measurements at July 29, 2018 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Assets								
Foreign exchange forward contracts[1]	$ 3	$ —	$ 3	$ —	$ 4	$ —	$ 4	$ —
Commodity derivative contracts[2]	4	2	2	—	5	5	—	—
Deferred compensation derivative contracts[3]	2	—	2	—	1	—	1	—
Deferred compensation investments[4]	4	4	—	—	6	6	—	—
Fair value option investments[5]	70	—	—	70	77	—	—	77
Total assets at fair value	$ 83	$ 6	$ 7	$ 70	$ 93	$ 11	$ 5	$ 77

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	Fair Value as of January 27, 2019	Fair Value Measurements at January 27, 2019 Using Fair Value Hierarchy			Fair Value as of July 29, 2018	Fair Value Measurements at July 29, 2018 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Liabilities								
Foreign exchange forward contracts[(1)]	$ 3	$ —	$ 3	$ —	$ 2	$ —	$ 2	$ —
Commodity derivative contracts[(2)]	4	3	1	—	4	3	1	—
Deferred compensation obligation[(4)]	105	105	—	—	108	108	—	—
Total liabilities at fair value	$ 112	$ 108	$ 4	$ —	$ 114	$ 111	$ 3	$ —

(1) Based on observable market transactions of spot currency rates and forward rates.
(2) Based on quoted futures exchanges and on observable prices of transactions in the marketplace.
(3) Based on LIBOR and equity index swap rates.
(4) Based on the fair value of the participants' investments.
(5) Primarily represents investments in equity securities that are not readily marketable and are accounted for under the fair value option. The investments were funded by Acre. See Note 12 for additional information. Fair value is based on analyzing recent transactions and transactions of comparable companies, and the discounted cash flow method. In addition, allocation methods, including the option pricing method, are used in distributing fair value among various equity holders according to rights and preferences.

The following table summarizes the changes in fair value of Level 3 investments for the six-month periods ended January 27, 2019 and January 28, 2018:

	Six Months Ended	
	January 27, 2019	January 28, 2018
Fair value at beginning of year	$ 77	$ 49
Gains / (losses)	(7)	9
Purchases	—	12
Fair value at end of quarter	$ 70	$ 70

Items Measured at Fair Value on a Nonrecurring Basis

In addition to assets and liabilities that are measured at fair value on a recurring basis, we are also required to measure certain items at fair value on a nonrecurring basis.

In 2019, we recognized impairment charges on trademarks, plant assets, customer relationships and technology in connection with interim assessments of fair value on intangible and tangible assets in Campbell Fresh. See also Note 5 for additional information on the impairment charges.

In the fourth quarter of 2018, as part of our annual review of intangible assets, we recognized an impairment charge of $54 on the Plum trademark, which reduced the carrying value to fair value of $61.

Fair value was determined based on unobservable Level 3 inputs. The fair value of plant assets was determined based on cash flows associated with the asset group that include significant management assumptions, including expected proceeds. The fair values of trademarks, customer relationships and technology were determined based on discounted cash flow analyses that include significant management assumptions such as revenue growth rates, weighted average cost of capital, assumed royalty rates and attrition.

The following table presents 2019 fair value measurements:

	Impairment Charges				Fair Value			
January 27, 2019	Plant Assets	Trademarks	Customer Relationships	Technology	Plant Assets	Trademarks	Customer Relationships	Technology
Bolthouse Farms carrot and carrot ingredients	$104	$ 18	$ 40	$ 15	$102	$ 30	$ 15	$ 10
Bolthouse Farms refrigerated beverages and salad dressings	$9	$ 74	$ 22		$100	$ 76	$ 12	
Garden Fresh Gourmet	$2	$ 23	$ 39		$25	$ —	$ —	
October 28, 2018								
Refrigerated soup	$14				$38			

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings, excluding the current portion of long-term debt, approximate fair value.

Cash equivalents of $19 at January 27, 2019, and $14 at July 29, 2018, represent fair value as these highly liquid investments have an original maturity of three months or less. Fair value of cash equivalents is based on Level 2 inputs.

The fair value of long-term debt, including the current portion of long-term debt in Short-term borrowings, was $8,028 at January 27, 2019, and $8,347 at July 29, 2018. The carrying value was $8,325 at January 27, 2019, and $8,595 at July 29, 2018. The fair value of long-term debt is principally estimated using Level 2 inputs based on quoted market prices or pricing models using current market rates.

14. Share Repurchases

In March 2017, the Board authorized a share repurchase program to purchase up to $1,500. The program has no expiration date, but it may be suspended or discontinued at any time. In addition to this publicly announced program, we have a separate Board authorization to purchase shares to offset the impact of dilution from shares issued under our stock compensation plans. We suspended our share repurchases as of the second quarter of 2018. Approximately $1,296 remained available under the March 2017 program as of January 27, 2019. During the six-month period ended January 28, 2018, we repurchased 2 million shares at a cost of $86.

15. Stock-based Compensation

We provide compensation benefits by issuing stock options, unrestricted stock and restricted stock units (including time-lapse restricted stock units, EPS performance restricted stock units, total shareholder return (TSR) performance restricted stock units, and free cash flow (FCF) performance restricted stock units). In 2019, we issued stock options, time-lapse restricted stock units, unrestricted stock, TSR performance restricted stock units and FCF performance restricted stock units. We have not issued EPS performance restricted stock units in 2019.

Total pre-tax stock-based compensation expense and tax-related benefits recognized in the Consolidated Statements of Earnings were as follows:

	Three Months Ended		Six Months Ended	
	January 27, 2019	January 28, 2018	January 27, 2019	January 28, 2018
Total pre-tax stock-based compensation expense	$ 17	$ 18	$ 31	$ 32
Tax-related benefits	3	$ 2	$ 6	$ 7

The following table summarizes stock option activity as of January 27, 2019:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
	(Options in thousands)		(In years)	
Outstanding at July 29, 2018	1,537	$ 50.36		
Granted	596	$ 35.74		
Exercised	—	$ —		
Terminated	(74)	$ 49.05		
Outstanding at January 27, 2019	2,059	$ 46.17	7.8	$ —
Exercisable at January 27, 2019	1,035	$ 50.88	6.4	$ —

No options were exercised during the six-month period ended January 28, 2018. We measure the fair value of stock options using the Black-Scholes option pricing model. The expected term of options granted was based on the weighted average time of vesting and the end of the contractual term. We utilized this simplified method as we do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term.

The weighted-average assumptions and grant-date fair values for grants in 2019 and 2018 were as follows:

	2019	2018
Risk-free interest rate	2.79%	2.06%
Expected dividend yield	3.84%	2.95%
Expected volatility	25.28%	19.60%
Expected term	6.1 years	6 years
Grant-date fair value	$6.27	$6.67

We expense stock options on a straight-line basis over the vesting period, except for awards issued to retirement eligible participants, which we expense on an accelerated basis. As of January 27, 2019, total remaining unearned compensation related to nonvested stock options was $3, which will be amortized over the weighted-average remaining service period of 2.4 years.

The following table summarizes time-lapse restricted stock units and EPS performance restricted stock units as of January 27, 2019:

	Units	Weighted-Average Grant-Date Fair Value
	(Restricted stock units in thousands)	
Nonvested at July 29, 2018	1,652	$ 47.01
Granted	1,171	$ 36.35
Vested	(641)	$ 47.90
Forfeited	(188)	