

TYSON FOODS INC
Form 10-Q
May 10, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended April 3, 2010

OR

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

For the transition period from _____ to _____

001-14704
(Commission File Number)

TYSON FOODS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or
organization)

71-0225165
(I.R.S. Employer Identification No.)

2200 Don Tyson Parkway, Springdale, Arkansas
(Address of principal executive offices)

72762-6999
(Zip Code)

(479) 290-4000
(Registrant's telephone number, including area code)

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 during the

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preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of April 3, 2010.

Class	Outstanding Shares
Class A Common Stock, \$0.10 Par Value (Class A stock)	306,947,285
Class B Common Stock, \$0.10 Par Value (Class B stock)	70,021,155

TYSON FOODS, INC.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TYSON FOODS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(In millions, except per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	April 3, 2010	March 28, 2009	April 3, 2010	March 28, 2009
Sales	\$ 6,916	\$ 6,307	\$ 13,551	\$ 12,828
Cost of Sales	6,352	6,054	12,458	12,557
	564	253	1,093	271
Selling, General and Administrative	220	209	435	425
Other Charges	-	15	-	15
Operating Income (Loss)	344	29	658	(169)
Other (Income) Expense:				
Interest income	(4)	(5)	(7)	(9)
Interest expense	100	78	180	145
Other, net	(1)	3	-	21
	95	76	173	157
Income (Loss) from Continuing Operations before Income Taxes	249	(47)	485	(326)
Income Tax Expense (Benefit)	93	58	170	(111)
Income (Loss) from Continuing Operations	156	(105)	315	(215)
Loss from Discontinued Operation, net of tax	-	(14)	-	(8)
Net Income (Loss)	156	(119)	315	(223)
Less: Net Loss Attributable to Noncontrolling Interest	(3)	-	(4)	(2)
Net Income (Loss) Attributable to Tyson	\$ 159	\$ (119)	\$ 319	\$ (221)
Weighted Average Shares Outstanding:				
Class A Basic	303	303	303	303
Class B Basic	70	70	70	70
Diluted	378	373	377	373
Earnings (Loss) Per Share from Continuing Operations Attributable to Tyson:				
Class A Basic	\$ 0.43	\$ (0.29)	\$ 0.87	\$ (0.58)
Class B Basic	\$ 0.39	\$ (0.26)	\$ 0.78	\$ (0.53)

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Diluted	\$ 0.42	\$ (0.28)	\$ 0.84	\$ (0.57)
Loss Per Share from Discontinued Operation Attributable to Tyson:				
Class A Basic	\$ -	\$ (0.04)	\$ -	\$ (0.02)
Class B Basic	\$ -	\$ (0.04)	\$ -	\$ (0.02)
Diluted	\$ -	\$ (0.04)	\$ -	\$ (0.02)
Net Income (Loss) Per Share Attributable to Tyson:				
Class A Basic	\$ 0.43	\$ (0.33)	\$ 0.87	\$ (0.60)
Class B Basic	\$ 0.39	\$ (0.30)	\$ 0.78	\$ (0.55)
Diluted	\$ 0.42	\$ (0.32)	\$ 0.84	\$ (0.59)
Cash Dividends Per Share:				
Class A	\$ 0.040	\$ 0.040	\$ 0.080	\$ 0.080
Class B	\$ 0.036	\$ 0.036	\$ 0.072	\$ 0.072

See accompanying Notes to Consolidated Condensed Financial Statements.

TYSON FOODS, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(In millions, except share and per share data)
(Unaudited)

	April 3, 2010	October 3, 2009
Assets		
Current Assets:		
Cash and cash equivalents	\$ 812	\$ 1,004
Restricted cash	-	140
Accounts receivable, net	1,125	1,100
Inventories, net	2,112	2,009
Other current assets	180	122
Total Current Assets	4,229	4,375
Restricted Cash	-	43
Net Property, Plant and Equipment	3,628	3,576
Goodwill	1,918	1,917
Intangible Assets	176	187
Other Assets	460	497
Total Assets	\$ 10,411	\$ 10,595
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current debt	\$ 90	\$ 219
Trade accounts payable	963	1,013
Other current liabilities	864	761
Total Current Liabilities	1,917	1,993
Long-Term Debt	2,889	3,258
Deferred Income Taxes	309	309
Other Liabilities	508	539
Redeemable Noncontrolling Interest	65	65
Shareholders' Equity:		
Common stock (\$0.10 par value):		
Class A-authorized 900 million shares, issued 322 million shares	32	32
Convertible Class B-authorized 900 million shares, issued 70 million shares	7	7
Capital in excess of par value	2,227	2,236
Retained earnings	2,685	2,399
Accumulated other comprehensive loss	(27)	(34)
	4,924	4,640
Less treasury stock, at cost – 15 million shares at April 3, 2010, and 16 million shares at October 3, 2009		
	231	242
Total Tyson Shareholders' Equity	4,693	4,398
Noncontrolling Interest	30	33
Total Shareholders' Equity	4,723	4,431
Total Liabilities and Shareholders' Equity	\$ 10,411	\$ 10,595

See accompanying Notes to Consolidated Condensed Financial Statements.

TYSON FOODS, INC.
 CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
 (In millions)
 (Unaudited)

	Six Months Ended	
	April 3, 2010	March 28, 2009
Cash Flows From Operating Activities:		
Net income (loss)	\$ 315	\$ (223)
Depreciation and amortization	247	253
Deferred income taxes	1	(78)
Other, net	47	88
Net changes in working capital	(111)	367
Cash Provided by Operating Activities	499	407
Cash Flows From Investing Activities:		
Additions to property, plant and equipment	(264)	(160)
Change in restricted cash to be used for investing activities	43	(76)
Proceeds from sale of marketable securities	22	25
Purchases of marketable securities	(26)	(13)
Proceeds from sale of discontinued operation	-	43
Acquisitions, net of cash acquired	-	(76)
Other, net	(2)	20
Cash Used for Investing Activities	(227)	(237)
Cash Flows From Financing Activities:		
Net payments on revolving credit facilities	-	(2)
Payments on debt	(555)	(51)
Proceeds from borrowings of debt	15	851
Debt issuance costs	-	(58)
Change in restricted cash to be used for financing activities	140	(234)
Purchases of treasury shares	(31)	(4)
Dividends	(30)	(30)
Change in negative book cash balances	(13)	(90)
Stock options exercised and other, net	15	4
Cash Provided by (Used for) Financing Activities	(459)	386
Effect of Exchange Rate Change on Cash	(5)	11
Increase (Decrease) in Cash and Cash Equivalents	(192)	567
Cash and Cash Equivalents at Beginning of Year	1,004	250
Cash and Cash Equivalents at End of Period	\$ 812	\$ 817

See accompanying Notes to Consolidated Condensed Financial Statements.

TYSON FOODS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1: ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated condensed financial statements have been prepared by Tyson Foods, Inc. (“Tyson,” “the Company,” “we,” “us” or “our”). Certain information and accounting policies and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. Although we believe the disclosures contained herein are adequate to make the information presented not misleading, these consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our annual report on Form 10-K for the fiscal year ended October 3, 2009. Preparation of consolidated condensed financial statements requires us to make estimates and assumptions. These estimates and assumptions affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated condensed financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

We believe the accompanying consolidated condensed financial statements contain all adjustments, which are of a normal recurring nature, necessary to state fairly our financial position as of April 3, 2010, the results of operations for the three and six months ended April 3, 2010, and March 28, 2009, and cash flows for the six months ended April 3, 2010, and March 28, 2009. Results of operations and cash flows for the periods presented are not necessarily indicative of results to be expected for the full year.

CONSOLIDATION

The consolidated condensed financial statements include the accounts of all wholly-owned subsidiaries, as well as majority-owned subsidiaries for which we have a controlling interest. All significant intercompany accounts and transactions have been eliminated in consolidation.

We have an investment in a joint venture, Dynamic Fuels LLC (Dynamic Fuels), in which we have a 50 percent ownership interest. Dynamic Fuels qualifies as a variable interest entity. We consolidate Dynamic Fuels since we are the primary beneficiary.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In September 2006, the Financial Accounting Standards Board (FASB) issued guidance for using fair value to measure assets and liabilities. This guidance also requires expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value and the effect of fair value measurements on earnings. This guidance applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. At the beginning of fiscal 2009, we partially adopted this standard, as allowed, which delayed the effective date for nonfinancial assets and liabilities. As of the beginning of fiscal 2009, we applied these provisions to our financial instruments and the impact was not material. We were required to apply fair value measurements to our nonfinancial assets and liabilities at the beginning of fiscal 2010. The adoption did not have a significant impact on our consolidated condensed financial statements.

In December 2007, the FASB issued guidance establishing principles and requirements for how an acquirer in a business combination: 1) recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree; 2) recognizes and measures goodwill acquired in a business

combination or a gain from a bargain purchase; and 3) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of a business combination. This guidance is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008; therefore, we adopted this guidance at the beginning of fiscal 2010. The initial adoption did not have a significant impact on our consolidated condensed financial statements.

In December 2007, the FASB issued guidance to establish accounting and reporting standards for a noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This guidance clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity and may be reported as equity in the consolidated financial statements, rather than in the liability or mezzanine section between liabilities and equity. This guidance also requires consolidated net income be reported at amounts that include the net income attributable to both Tyson (the parent) and the noncontrolling interest. We adopted the presentation and disclosure requirements retrospectively at the beginning of fiscal 2010. Accordingly, "attributable to Tyson" refers to operating results exclusive of any noncontrolling interest. In conjunction with this adoption, we also adopted guidance applicable for all noncontrolling interests in which we are or may be required to repurchase an interest in a consolidated subsidiary from the noncontrolling interest holder under a put option or other contractual redemption requirement. Because we have certain redeemable noncontrolling interests, noncontrolling interests are presented in both the equity section and the mezzanine section of the balance sheet between liabilities and equity.

In May 2008, the FASB issued guidance which specifies issuers of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The amount allocated to the equity component represents a discount to the debt, which is amortized into interest expense using the effective interest method over the life of the debt. We adopted this guidance in the first quarter of fiscal 2010 and applied it retrospectively. Upon retrospective adoption, our effective interest rate on our 3.25% Convertible Senior Notes due 2013 was determined to be 8.26%, which resulted in the recognition of a \$92 million discount to these notes with the offsetting after tax amount of \$56 million recorded to capital in excess of par value. This discount will be accreted over the five-year term of the convertible notes at the effective interest rate. The impact to our previously reported fiscal 2008 interest expense was not significant, while the impact increased fiscal 2009 non-cash interest expense by \$17 million.

The following table presents the effects of the retrospective application of new accounting guidance on our consolidated condensed financial statements (in millions, except per share data):

	Previously Reported	Adjustments: Convertible Debt	Adjustments: Noncontrolling Interest	As Adjusted
October 3, 2009 Balance Sheet:				
Long-Term Debt	\$ 3,333	\$ (75)	\$ -	\$ 3,258
Deferred Income Taxes	280	29	-	309
Minority Interest	98	-	(98)	-
Redeemable Noncontrolling Interest	-	-	65	65
Capital in Excess of Par Value	2,180	56	-	2,236
Retained Earnings	2,409	(10)	-	2,399
Total Tyson Shareholders' Equity	4,352	46	-	4,398
Noncontrolling Interest	-	-	33	33
Total Shareholders' Equity	4,352	46	33	4,431

Three Months Ended March 28, 2009 – Income Statement:

Interest Expense	\$ 74	\$ 4	\$ -	\$ 78
Income (Loss) from Continuing Operations before Income Taxes	(43)	(4)	-	(47)
Income Tax Expense (Benefit)	47	11	-	58
Income (Loss) from Continuing Operations	(90)	(15)	-	(105)
Minority Interest	-	-	-	-
Net Income (Loss)	(104)	(15)	-	(119)
Less: Net Loss Attributable to Noncontrolling Interest	-	-	-	-
Net Income (Loss) Attributable to Tyson	-	-	-	(119)

Earnings (Loss) Per Share from Continuing Operations Attributable to Tyson:

Class A Basic	\$ (0.25)	\$ (0.04)	\$ -	\$ (0.29)
Class B Basic	\$ (0.22)	\$ (0.04)	\$ -	\$ (0.26)
Diluted	\$ (0.24)	\$ (0.04)	\$ -	\$ (0.28)
Net Income (Loss) Per Share Attributable to Tyson:				

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Class A Basic	\$ (0.29)	\$ (0.04)	\$ -	\$ (0.33)
Class B Basic	\$ (0.26)	\$ (0.04)	\$ -	\$ (0.30)
Diluted	\$ (0.28)	\$ (0.04)	\$ -	\$ (0.32)

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Previously Reported	Adjustments: Convertible Debt	Adjustments: Noncontrolling	As
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