HORMEL FOODS CORP /DE/
Form 10-K
December 07, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended October 28, 2018
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____________________________________ to ____

Commission File Number: 1-2402
HORMEL FOODS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	41-0319970
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 Hormel Place Austin, Minnesota	55912-3680
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (507) 437-5611
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01465 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes X No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No X
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulations S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes X No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (X)
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 X	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 Act). Yes No X

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of April 29, 2018, was $9,908,981,177 based on the closing price of $36.47 on the last business day of the registrant's most recently completed second fiscal quarter.

As of November 30, 2018, the number of shares outstanding of each of the registrant's classes of common stock was as follows:

Common Stock, $0.01465 – Par Value 534,595,685 shares

Common Stock Non-Voting, $0.01 Par Value – 0 shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Annual Meeting of Stockholders to be held January 29, 2019, are incorporated by reference into Part III, Items 10-14. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

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PART I
Item 1. BUSINESS

(a) General Development of Business

Hormel Foods Corporation, a Delaware corporation (the Company), was founded by George A. Hormel in 1891 in Austin, Minnesota, as Geo. A. Hormel & Company. The Company started as a processor of meat and food products and continues in this line of business. The Company's name was changed to Hormel Foods Corporation on January 31, 1995. The Company is primarily engaged in the production of a variety of meat and food products and the marketing of those products throughout the United States and internationally. Although pork and turkey remain the major raw materials for its products, the Company has emphasized for several years the manufacturing and distribution of branded, value-added consumer items rather than the commodity fresh meat business. The Company has continually expanded its product portfolio through organic growth, new product development, and acquisitions.

Internationally, the Company markets its products through Hormel Foods International Corporation (HFIC), a wholly owned subsidiary. HFIC has a global presence in the international marketplace through joint ventures and placement of personnel in strategic foreign locations such as Australia, Brazil, Canada, China, Japan, and the Philippines. HFIC has a minority position in a food company in the Philippines (The Purefoods-Hormel Company, Inc., 40% holding).

On August 16, 2018, the Company entered into a definitive agreement to sell its Fremont, Nebraska, processing facility to WholeStone Farms, LLC. The transaction is subject to customary closing conditions and is expected to be completed in December 2018.

On November 27, 2017, the Company acquired Columbus Manufacturing, Inc. (Columbus), an authentic premium deli meat and salami company, from Chicago-based Arbor Investments, for $857.4 million. The transaction was funded with cash on hand along with borrowing $375.0 million under a term loan facility and $375.0 million under a revolving credit facility. Columbus specializes in authentic premium deli meat and salami and allows the Company to enhance its scale in the deli by broadening its portfolio of products, customers, and consumers.

On August 22, 2017, the Company acquired Cidade do Sol (Ceratti) for a purchase price of $103.3 million. The transaction was funded by the Company with cash on hand. The acquisition of the Ceratti® brand allows the Company to establish a full in-country presence in the fast-growing Brazilian market with a premium brand.

On August 16, 2017, the Company acquired Fontanini Italian Meats and Sausages (Fontanini), a branded foodservice business, from Capitol Wholesale Meats, Inc. for a purchase price of $425.7 million. The transaction was funded by the Company with cash on hand and by utilizing short-term financing. Fontanini specializes in authentic Italian meats and sausages, as well as a variety of other premium meat products including pizza toppings and meatballs and allows the Company to expand its foodservice business.

On January 3, 2017, the Company completed the sale of Clougherty Packing, LLC, parent company of Farmer John and Saag's Specialty Meats, along with PFFJ, LLC, farm operations in California, Arizona, and Wyoming. The closing price was $145.0 million in cash.

On May 26, 2016, the Company acquired Justin's, LLC (Justin's) of Boulder, Colorado, for a purchase price of $280.9 million. The purchase price was funded by the Company with cash on hand and by utilizing short-term financing. This acquisition allowed the Company to enhance its presence in the specialty natural and organic nut butter category.

On May 9, 2016, the Company completed the sale of Diamond Crystal Brands resulting in proceeds of $110.1 million, net of selling costs.

On July 13, 2015, the Company acquired Applegate Farms, LLC (Applegate) of Bridgewater, New Jersey, for a final purchase price of $774.1 million in cash. The purchase price was funded by the Company with cash on hand and by utilizing short-term financing. This acquisition allows the Company to expand the breadth of its protein offerings to provide consumers more choice in this fast growing category.

The Company has not been involved in any bankruptcy, receivership, or similar proceedings during its history. Substantially all the assets of the Company have been acquired in the ordinary course of business. The Company had no other significant change in the type of products produced or services rendered, or in the markets or methods of distribution, since the beginning of the 2018 fiscal year.

(b) Segments

The Company's business is reported in four segments: Grocery Products, Refrigerated Foods, Jennie-O Turkey Store (JOTS), and International & Other. Net sales to unaffiliated customers, operating profit, total assets, and the presentation of certain other financial information by segment, are reported in Note P of the Notes to Consolidated Financial Statements and in the Management's Discussion and Analysis of Financial Condition and Results of Operations.

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(c) Description of Business

Products and Distribution

The Company's products primarily consist of meat and other food products. The meat products are sold fresh, frozen, cooked, and canned. The percentages of total revenues contributed by classes of similar products for the last three fiscal years are as follows:

	Fiscal Year Ended		
	October 28, 2018	October 29, 2017	October 30, 2016
Perishable	55.9 %	53.7 %	53.1 %
Poultry	19.3 %	19.1 %	20.5 %
Shelf-stable	18.5 %	20.2 %	18.2 %
Miscellaneous	6.3 %	7.0 %	8.2 %
Total	100.0%	100.0%	100.0%

Reporting of revenues from external customers is based on similarity of products, as the same or similar products are sold across multiple distribution channels such as retail, foodservice, or international. Revenues reported are based on financial information used to produce the Company's general-purpose financial statements.

The Perishable category includes fresh meats, frozen items, refrigerated meal solutions, sausages, hams, guacamole, and bacon (excluding Jennie-O Turkey Store) products. Shelf-stable includes canned luncheon meats, peanut butter, chilies, shelf-stable microwaveable meals, hash, stews, flour and corn tortillas, salsas, tortilla chips, and other items that do not require refrigeration. The Poultry category is composed primarily of JOTS products. The Miscellaneous category primarily consists of nutritional food products and supplements, dessert and drink mixes, and industrial gelatin products.

Domestically, the Company sells its products in all 50 states. The Company's products are sold through its sales personnel, operating in assigned territories or as dedicated teams serving major customers, coordinated from sales offices located in most of the larger U.S. cities. The Company also utilizes independent brokers and distributors. As of October 28, 2018, the Company had approximately 1,030 sales personnel engaged in selling its products. Distribution of products to customers is primarily by common carrier.

Through HFIC, the Company markets its products in various locations throughout the world. Some of the larger markets include Australia, Brazil, Canada, China, England, Japan, Mexico, Micronesia, the Philippines, Singapore, and South Korea. The distribution of export sales to customers is by common carrier, while the China and Brazil operations own and operate their own delivery system. The Company, through HFIC, has licensed companies to manufacture various Company products internationally on a royalty basis, with the primary licensees being Tulip International of Denmark and CJ CheilJedang Corporation of South Korea.

Raw Materials

The Company has, for the past several years, been concentrating on branded products for consumers with year-round demand to minimize the seasonal variation experienced with commodity-type products. Pork continues to be the primary raw material for Company products. The Company's expanding line of branded products has reduced, but not eliminated, the sensitivity of Company results to raw material supply and price fluctuations.

The majority of the hogs harvested by the Company are purchased under supply contracts from producers located principally in Minnesota, Iowa, Nebraska, and Kansas. The cost of hogs and the utilization of the Company's facilities are affected by both the level and the methods of pork production in the United States. The Company uses supply contracts to ensure a stable supply of raw materials. The Company's contracts are based on market-based formulas and/or markets of certain swine production inputs, to better balance input costs with customer pricing, and all contract costs are fully reflected in the Company's reported financial statements. In fiscal 2018, the Company purchased 96 percent of its hogs under supply contracts. The Company also procures a portion of its hogs through farms it either owns or operates in Colorado.

In fiscal 2018, JOTS raised turkeys representing approximately 76 percent of the volume needed to meet its raw material requirements for branded turkey products and whole birds. Turkeys not sourced within the Company are contracted with independent turkey growers. JOTS' turkey-raising farms are located throughout Minnesota and Wisconsin.

Production costs in raising hogs and turkeys are subject primarily to fluctuations in feed grain prices and fuel costs. To manage this risk, the Company hedges a portion of its anticipated purchases of grain using futures contracts.

Additionally, the cost and supply of avocados, peanuts, whey, and natural and organic protein are impacted by the changing market forces of supply and demand, which can impact the cost of the Company's products. The Company uses long-term supply contracts and forward buying in an attempt to manage these risks.

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Manufacturing
The Company has one plant that harvests hogs for processing. Quality Pork Processors, Inc. of Dallas, Texas, operates the harvesting facility in Austin, Minnesota, under a custom harvesting arrangement. The Company currently has seven turkey harvest and processing operations, and 30 facilities that produce and distribute other manufactured items. Albert Lea Select Foods, Inc. operates the processing facility in Albert Lea, Minnesota, under a custom manufacturing agreement. Company products are also custom manufactured by several other companies. The following are the Company's larger custom manufacturers: Abbyland Foods, Inc., Abbotsford, Wisconsin; Agropur Division Natrel USA, Maplewood, Minnesota; Algood Food Company, Louisville, Kentucky; Cargill Meat Solutions, Minneapolis, MN; Cooper Farms, Van Wert, Ohio: Deitz & Watson, Inc., Philadelphia, Pennsylvania; Harris Ranch Beef Company, Gilroy, California; HP Hood LLC, Lynnfield, Massachusetts; OSI Industries LLC, Chicago, Illinois; Reichel Foods, Inc., Rochester, Minnesota; Reser's Fine Foods, Topeka, Kansas; and Steuben Foods, Jamaica, New York. Exel, Inc., based in Westerville, Ohio, operates distribution centers for the Company in Dayton, Ohio, and Osceola, Iowa.

Patents and Trademarks
There are numerous patents and trademarks important to the Company's business. The Company holds 45 U.S. issued and 9 foreign patents. Most of the trademarks are registered. Some of the more significant owned or licensed trademarks used by the Company or its affiliates are:

HORMEL, ALWAYS TENDER, APPLEGATE, AUSTIN BLUES, BACON 1, BLACK LABEL, BREAD READY, BURKE, CAFÉ H, CERATTI, CHI-CHI'S, COLUMBUS, COMPLEATS, CURE 81, CYTOSPORT, DAN'S PRIZE, DI LUSSO, DINTY MOORE, DON MIGUEL, DOÑA MARIA, EMBASA, EVOLVE, FAST 'N EASY, FIRE BRAISED, FONTANINI, HERDEZ, HORMEL GATHERINGS, HORMEL VITAL CUISINE, HOUSE OF TSANG, JENNIE-O, JUSTIN'S, LA VICTORIA, LAYOUT, LLOYD'S, MARY KITCHEN, MUSCLE MILK, NATURAL CHOICE, OLD SMOKEHOUSE, OVEN READY, PILLOW PACK, RANGE BRAND, ROSA GRANDE, SKIPPY, SPAM, SPECIAL RECIPE, THICK & EASY, VALLEY FRESH, and WHOLLY GUACAMOLE.

The Company's patents expire after a term that is typically 20 years from the date of filing, with earlier expiration possible based on the Company's decision to pay required maintenance fees. As long as the Company intends to continue using its trademarks, they are renewed indefinitely.

Customers and Backlog Orders
During fiscal 2018, sales to Walmart Inc. (Walmart) represented approximately 13.6 percent of the Company's revenues (measured as gross sales less returns and allowances), compared to 14.4 percent in fiscal 2017. Walmart is a customer for all four segments of the Company. The five largest customers in each segment make up approximately the following percentage of segment sales: 42 percent of Grocery Products, 38 percent of Refrigerated Foods, 42 percent of JOTS, and 18 percent of International & Other. The loss of one or more of the top customers in any of these segments could have a material adverse effect on the results of such segment. Backlog orders are not significant due to the perishable nature of a large portion of the products. Orders are accepted and shipped on a current basis.

Competition
The production and sale of meat and food products in the United States and internationally are highly competitive. The Company competes with manufacturers of pork and turkey products, as well as national and regional producers of other meat and protein sources, such as beef, chicken, fish, peanut butter, and whey. The Company believes its largest domestic competitors for its Refrigerated Foods segment in 2018 were Tyson Foods, Inc. and Smithfield Foods, Inc.; for its Grocery Products segment, Conagra Brands, Inc., General Mills, Inc., Campbell Soup Co., J. M. Smucker Co., and Treehouse Foods Inc.; and for JOTS, Cargill, Inc. and Butterball, LLC.

All segments compete on the basis of price, product quality and attributes, brand identification, breadth of product line, and customer service. Through aggressive marketing and strong quality assurance programs, the Company's strategy is to provide higher quality products that possess strong brand recognition, which would then support higher value perceptions from customers.

Employees

As of October 28, 2018, the Company had approximately 20,100 active domestic and foreign employees.

(e) Available Information

The Company makes available, free of charge on its Web site at www.hormelfoods.com, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. These reports are accessible under the caption, "Investors – Filings & Reports – SEC Filings" on the Company's Web site and are available as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission. The documents are also available in print, free of charge, to any stockholder who requests them.

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(f) Executive Officers of the Registrant

NAME	AGE	CURRENT OFFICE AND PREVIOUS FIVE YEARS EXPERIENCE	DATES
James P. Snee	51	Chairman of the Board, President and Chief Executive Officer	11/20/17 to Present
		President and Chief Executive Officer	10/31/16 to 11/19/17
		President and Chief Operating Officer	10/26/15 to 10/30/16
		Group Vice President/President Hormel Foods International Corporation	10/29/12 to 10/25/15
James N. Sheehan	63	Senior Vice President and Chief Financial Officer	10/31/16 to Present
		Vice President and Chief Accounting Officer	05/30/16 to 10/30/16
		Vice President and Controller	05/01/00 to 05/29/16
Thomas R. Day	60	Executive Vice President (Refrigerated Foods)	2/12/18 to Present
		Group Vice President (Refrigerated Foods)	10/28/13 to 2/11/18
Glenn R. Leitch	58	Executive Vice President (Supply Chain)	12/04/17 to Present
		Group Vice President/President Jennie-O Turkey Store, Inc.	10/31/11 to 12/03/17
Deanna T. Brady	53	Group Vice President/President Consumer Product Sales	10/26/15 to Present
		Group Vice President (Foodservice)	10/28/13 to 10/25/15
Luis G. Marconi	52	Group Vice President (Grocery Products)	10/31/16 to Present
		Vice President (Grocery Products Marketing)	03/05/12/to 10/30/16
James M. Splinter	56	Group Vice President (Corporate Strategy)	10/31/16 to Present
		Group Vice President (Grocery Products)	11/01/10 to 10/30/16
Larry L. Vorpahl	55	Group Vice President/President Hormel Foods International Corporation	10/26/15 to Present
		Group Vice President/President Consumer Products Sales	10/31/05 to 10/25/15
Mark A. Coffey	56	Senior Vice President (Supply Chain and Manufacturing)	03/28/17 to Present
		Vice President (Supply Chain)	02/06/17 to 03/27/17
		Vice President (Affiliated Businesses)	10/31/11 to 02/05/17
Janet L. Hogan	54	Senior Vice President (Human Resources)	03/28/17 to Present
		Vice President (Human Resources)	

			01/18/17 to 03/27/17
		Senior Vice President (Human Resources), ProQuest LLC	02/02/16 to 01/17/17
		Executive Vice President, Chief Human Resources Officer, Oshkosh Corporation	05/02/14 to 02/01/16
		Vice President (Human Resources), Harsco Corporation	06/01/11 to 05/01/14
Steven J. Lykken	48	Senior Vice President/President Jennie-O Turkey Store, Inc.	12/04/17 to Present
		President Applegate Farms, Inc.	04/11/16 to 12/03/17
		Chief Operating Officer Applegate Farms, Inc.	08/17/15 to 04/10/16
		Senior Vice President Jennie-O Turkey Store, Inc. (Commodity/ Supply Chain)	06/06/11 to 08/16/15
Lori J. Marco	51	Senior Vice President (External Affairs) and General Counsel	03/30/15 to Present
		Vice President (External Affairs) and General Counsel	01/24/11 to 03/29/15
Kevin L. Myers, Ph.D.	53	Senior Vice President (Research and Development and Quality Control)	03/30/15 to Present
		Vice President (Research and Development)	10/28/13 to 03/29/15
Jana L. Haynes	46	Vice President and Controller	05/30/16 to Present
		Director of Investor Relations	10/28/13 to 05/29/16
Gary L. Jamison	53	Vice President and Treasurer	5/30/16 to Present
		Vice President and Chief Financial Officer Jennie-O Turkey Store, Inc.	12/31/12 to 05/29/16

No family relationship exists among the executive officers.

Executive officers are designated annually by the Board of Directors at the first meeting following the Annual Meeting of Stockholders. Vacancies may be filled and additional officers elected at any time. The May 2018 bylaw amendments delegated to the Company’s Chief Executive Officer the authority to appoint and remove Vice Presidents (other than Executive Vice Presidents, Group Vice Presidents, and Senior Vice Presidents).

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Item 1A. RISK FACTORS

The Company's operations are subject to the general risks of the food industry. The food products manufacturing industry is subject to the risks posed by:

- food spoilage;
- food contamination caused by disease-producing organisms or pathogens, such as Listeria monocytogenes, Salmonella, and pathogenic E coli.;
- food allergens;
- nutritional and health-related concerns;
- federal, state, and local food processing controls;
- consumer product liability claims;
- product tampering; and
- the possible unavailability and/or expense of liability insurance.

The pathogens which may cause food contamination are found generally in livestock and in the environment and thus may be present in our products. These pathogens also can be introduced to our products as a result of improper handling by customers or consumers. We do not have control over handling procedures once our products have been shipped for distribution. If one or more of these risks were to materialize, the Company's brand and business reputation could be negatively impacted. In addition, revenues could decrease, costs of doing business could increase, and the Company's operating results could be adversely affected.

Deterioration of economic conditions could harm the Company's business. The Company's business may be adversely affected by changes in national or global economic conditions, including inflation, interest rates, availability of capital, energy availability and costs (including fuel surcharges), and the effects of governmental initiatives to manage economic conditions. Decreases in consumer spending rates and shifts in consumer product preferences could also negatively impact the Company.

Volatility in financial markets and the deterioration of national and global economic conditions could impact the Company's operations as follows:

- The financial stability of our customers and suppliers may be compromised, which could result in additional bad debts for the Company or non-performance by suppliers; and
- The value of our investments in debt and equity securities may decline, including most significantly the Company's trading securities held as part of a rabbi trust to fund supplemental executive retirement plans and deferred income plans, and the Company's assets held in pension plans.

The Company utilizes hedging programs to manage its exposure to various commodity market risks, which qualify for hedge accounting for financial reporting purposes. Volatile fluctuations in market conditions could cause these instruments to become ineffective, which could require any gains or losses associated with these instruments to be reported in the Company's earnings each period. These instruments may limit the Company's ability to benefit from market gains if commodity prices become more favorable than those secured under the Company's hedging programs.

Additionally, if a highly pathogenic disease outbreak developed in the United States, it may negatively impact the national economy, demand for Company products, and/or the Company's workforce availability, and the Company's financial results could suffer. The Company has developed contingency plans to address infectious disease scenarios and the potential impact on its operations, and will continue to update these plans as necessary. There can be no assurance given, however, these plans will be effective in eliminating the negative effects of any such diseases on the Company's operating results.

Fluctuations in commodity prices and availability of pork, poultry, beef, feed grains, avocados, peanuts, energy, and whey could harm the Company's earnings. The Company's results of operations and financial condition are largely dependent upon the cost and supply of pork, poultry, beef, feed grains, avocados, peanuts, and whey as well as energy costs and the selling prices for many of our products, which are determined by constantly changing market forces of supply and demand.

The live hog industry has evolved to large, vertically-integrated operations using long-term supply agreements. This has resulted in fewer hogs being available on the cash spot market. Consequently, the Company uses long-term supply contracts based on market-based formulas or the cost of production to ensure a stable supply of raw materials while minimizing extreme fluctuations in costs over the long-term. This may result, in the short-term, in higher live hog costs compared to the cash spot market depending on the relationship of the cash spot market to contract prices. Market-based pricing on certain product lines, and lead time required to implement pricing adjustments, may prevent all or part of these cost increases from being recovered, and these higher costs could adversely affect our short-term financial results.

JOTS raises turkeys and contracts with turkey growers to meet its raw material requirements for whole birds and processed turkey products. Results in these operations are affected by the cost and supply of feed grains, which fluctuate due to climate conditions, production forecasts, and supply and demand conditions at local, regional, national, and worldwide levels. The Company attempts to manage some of its short-term exposure to fluctuations in feed prices by forward buying, using futures contracts, and pursuing pricing advances. However, these strategies may not be adequate to overcome sustained increases in market prices due to alternate uses for feed grains or other changes in these market conditions.

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The supply of natural and organic proteins may impact the Company's ability to ensure a continuing supply of these products. To mitigate this risk, the Company partners with multiple long-term suppliers.

International trade barriers and other restrictions could result in less foreign demand and increased domestic supply of proteins which could lower prices. The Company occasionally utilizes in-country production to limit this exposure.

Outbreaks of disease among livestock and poultry flocks could harm the Company's revenues and operating margins. The Company is subject to risks associated with the outbreak of disease in pork and beef livestock, and poultry flocks, including African Swine Fever (ASF), Bovine Spongiform Encephalopathy (BSE), pneumo-virus, Porcine Circovirus 2 (PCV2), Porcine Reproduction & Respiratory Syndrome (PRRS), Foot-and-Mouth Disease (FMD), Porcine Epidemic Diarrhea Virus (PEDv), and Highly Pathogenic Avian Influenza (HPAI). The outbreak of disease could adversely affect the Company's supply of raw materials, increase the cost of production, reduce utilization of the Company's harvest facilities, and reduce operating margins. Additionally, the outbreak of disease may hinder the Company's ability to market and sell products both domestically and internationally. The Company has developed business continuity plans for various disease scenarios and will continue to update these plans as necessary. There can be no assurance given, however, these plans will be effective in eliminating the negative effects of any such diseases on the Company's operating results.

Market demand for the Company's products may fluctuate. The Company faces competition from producers of alternative meats and protein sources, including pork, beef, turkey, chicken, fish, nut butters, and whey. The bases on which the Company competes include:
- price;
- product quality and attributes;
- brand identification;
- breadth of product line; and
- customer service.

Demand for the Company's products is also affected by competitors' promotional spending, the effectiveness of the Company's advertising and marketing programs, and consumer perceptions. Failure to identify and react to changes in food trends such as sustainability of product sources and animal welfare could lead to, among other things, reduced demand for the Company's brands and products. The Company may be unable to compete successfully on any or all of these bases in the future.

The Company's operations are subject to the general risks associated with acquisitions. The Company has made several acquisitions in recent years, most recently the acquisitions of Columbus, Fontanini, and Ceratti, and regularly reviews opportunities for strategic growth through acquisitions. Potential risks associated with acquisitions include the inability to integrate new operations successfully, the diversion of management's attention from other business concerns, the potential loss of key employees and customers of the acquired companies, the possible assumption of unknown liabilities, potential disputes with the sellers, potential impairment charges if purchase assumptions are not achieved or market conditions decline, and the inherent risks in entering markets or lines of business in which the Company has limited or no prior experience. Any or all of these risks could impact the Company's financial results and business reputation. In addition, acquisitions outside the United States may present unique challenges and increase the Company's exposure to the risks associated with foreign operations.

The Company is subject to disruption of operations at co-packers or other suppliers. Disruption of operations at co packers or other suppliers may impact the Company's product or raw material supply, which could have an adverse effect on the Company's financial results. Additionally, actions taken to mitigate the impact of any potential disruption, including increasing inventory in anticipation of a potential production or supply interruption, may adversely affect the Company's financial results.

The Company's operations are subject to the general risks of litigation. The Company is involved on an ongoing basis in litigation arising in the ordinary course of business. Trends in litigation may include class actions involving employees, consumers, competitors, suppliers, shareholders, or injured persons, and claims relating to product liability, contract disputes, intellectual property, advertising, labeling, wage and hour laws, employment practices, or environmental matters. Litigation trends and the outcome of litigation cannot be predicted with certainty and adverse litigation trends and outcomes could adversely affect the Company's financial results.

The Company is subject to the loss of a material contract. The Company is a party to several supply, distribution, contract packaging, and other material contracts. The loss of a material contract could adversely affect the Company's financial results.

Government regulation, present and future, exposes the Company to potential sanctions and compliance costs that could adversely affect the Company's business. The Company's operations are subject to extensive regulation by the U.S. Department of Homeland Security, the U.S. Department of Agriculture, the U.S. Food and Drug Administration, federal and state taxing authorities, and other federal, state, and local authorities who oversee workforce immigration laws, tax regulations, animal welfare, food safety standards, and the processing, packaging, storage, distribution, advertising, and labeling of the Company's products. The Company's manufacturing facilities and products are subject to continuous inspection by federal, state, and local authorities. Claims or enforcement proceedings could be brought against the Company in the future. The availability of government inspectors due to a government furlough could also cause disruption to the Company's manufacturing facilities. Additionally, the Company is subject to new or modified laws, regulations, and accounting standards. The Company's failure or inability to comply with such requirements could subject the Company to civil remedies, including fines, injunctions, recalls, or seizures, as well as potential criminal sanctions.

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The Company is subject to stringent environmental regulation and potentially subject to environmental litigation, proceedings, and investigations. The Company’s past and present business operations and ownership and operation of real property are subject to stringent federal, state, and local environmental laws and regulations pertaining to the discharge of materials into the environment and the handling and disposition of wastes (including solid and hazardous wastes) or otherwise relating to protection of the environment. Compliance with these laws and regulations, and the ability to comply with any modifications to these laws and regulations, is material to the Company’s business. New matters or sites may be identified in the future requiring additional investigation, assessment, or expenditures. In addition, some of the Company’s facilities have been in operation for many years and, over time, the Company and other prior operators of these facilities may have generated and disposed of wastes that now may be considered hazardous. Future discovery of contamination of property underlying or in the vicinity of the Company’s present or former properties or manufacturing facilities and/or waste disposal sites could require the Company to incur additional expenses. The occurrence of any of these events, the implementation of new laws and regulations, or stricter interpretation of existing laws or regulations could adversely affect the Company’s financial results.

The Company’s foreign operations pose additional risks to the Company’s business. The Company operates its business and markets its products internationally. The Company’s foreign operations are subject to the risks described above, as well as risks related to fluctuations in currency values, foreign currency exchange controls, compliance with foreign laws, compliance with applicable U.S. laws, including the Foreign Corrupt Practices Act, and other economic or political uncertainties. International sales are subject to risks related to general economic conditions, imposition of tariffs, quotas, trade barriers and other restrictions, enforcement of remedies in foreign jurisdictions and compliance with applicable foreign laws, and other economic and political uncertainties. All of these risks could result in increased costs or decreased revenues, which could adversely affect the Company’s financial results.

The Company may be adversely impacted if the Company is unable to protect information technology systems against, or effectively respond to, cyber-attacks or security breaches. Information technology systems are an important part of the Company’s business operations. Attempted cyber-attacks and other cyber incidents are occurring more frequently and are being made by groups and individuals with a wide range of motives and expertise. In an attempt to mitigate this risk, the Company has implemented and continues to evaluate security initiatives and business continuity plans.

Deterioration of labor relations or increases in labor costs could harm the Company’s business. As of October 28, 2018, the Company had approximately 20,100 employees worldwide, of which approximately 4,450 were represented by labor unions, principally the United Food and Commercial Workers Union. A significant increase in labor costs or a deterioration of labor relations at any of the Company’s facilities or contracted hog processing facilities resulting in work slowdowns or stoppages could harm the Company’s financial results. Union contracts at the Company's facilities in Algona, Iowa; Atlanta, Georgia; Austin, Minnesota; and Beloit, Wisconsin will expire during fiscal 2019, covering approximately 2,300 employees. Negotiations have not yet been initiated.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Location	Principal Segment [1]	Approximate Area (Square Feet, Unless Noted)	Owned or Leased	Lease Expiration Date
Harvest and Processing Plants				
Austin, Minnesota	Refrigerated Foods	1,464,000	Owned	

	Grocery Products International & Other			
Barron, Wisconsin	JOTS	425,000	Owned	
Faribault, Minnesota	JOTS	191,000	Owned	
Melrose, Minnesota	JOTS	550,000	Owned	
Willmar, Minnesota	JOTS	339,000	Owned	
Processing Plants				
Albert Lea, Minnesota	Refrigerated Foods	82,000	Owned	
Algona, Iowa	Refrigerated Foods	154,000	Owned	
Alma, Kansas	Refrigerated Foods	62,000	Owned	
Aurora, Illinois	Grocery Products	141,000	Owned	
Beijing, China	International & Other	95,000	80% Owned	
Beloit, Wisconsin	Grocery Products	341,000	Owned	
Browerville, Minnesota	Refrigerated Foods	109,000	Owned	
Dubuque, Iowa	Grocery Products	344,000	Owned	
Hayward, California	Refrigerated Foods	128,000	Leased	August 2032
Hayward, California	Refrigerated Foods	67,000	Leased	May 2021

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Location	Principal Segment [1]	Approximate Area (Square Feet, Unless Noted)	Owned or Leased	Lease Expiration Date
Jiaxing, China	International & Other	1,256,000	Owned	
Knoxville, Iowa	Refrigerated Foods	135,000	Owned	
Lathrop, California	Refrigerated Foods	88,000	Owned	
Little Rock, Arkansas	Grocery Products	153,000	Owned	
Long Prairie, Minnesota	Refrigerated Foods	92,000	Owned	
McCook, Illinois	Refrigerated Foods	177,000	Owned	
Mendota Heights, Minnesota	Refrigerated Foods	85,000	Owned	
Montevideo, Minnesota	JOTS	89,000	Owned	
Nevada, Iowa	Refrigerated Foods	239,000	Owned	
Osceola, Iowa	Refrigerated Foods	382,000	Owned	
Pelican Rapids, Minnesota	JOTS	375,000	Owned	
Quakertown, Pennsylvania	Grocery Products	13,000	Owned	
Rochelle, Illinois	Refrigerated Foods Grocery Products	409,000	Owned	
Sparta, Wisconsin	Grocery Products	397,000	Owned	
Tucker, Georgia	Grocery Products Refrigerated Foods	259,000	Owned	
Vinhedo, Brazil	International & Other	422,000	Leased	June 2024
Weifang, China	International & Other	117,000	Owned	
Wichita, Kansas	Refrigerated Foods	247,000	Owned	
Warehouse/Distribution Centers				
Austin, Minnesota	Refrigerated Foods Grocery Products	72,000	Owned	
Beijing, China	International & Other	17,000	Leased	June 2019
		8,000	Leased	December 2018
Dayton, Ohio	Refrigerated Foods Grocery Products	141,000	Owned	
Eldridge, Iowa	Grocery Products	424,000	Leased	July 2019
Hayward, California	Refrigerated Foods	41,000	Leased	May 2021
Hayward, California	Refrigerated Foods	8,000	Leased	August 2032
Jiaxing, China	International & Other	54,000	Leased	August 2021
Osceola, Iowa	Refrigerated Foods	235,000	Owned	
Sparta, Wisconsin	Grocery Products	50,000	Leased	April 2020
Willmar, Minnesota	JOTS	123,000	Owned	
		5,000	Leased	September 2019
Hog Production Facilities				
Las Animas, Colorado	Refrigerated Foods	815,000	Owned	
Hatcheries				
Barron, Wisconsin	JOTS	29,000	Owned	
Detroit Lakes, Minnesota	JOTS	27,000	Owned	
Henning, Minnesota	JOTS	22,000	Owned	

Feed Mills			
Atwater, Minnesota	JOTS	19,000	Owned
Barron, Wisconsin	JOTS	26,000	Owned
Dawson, Minnesota	JOTS	37,000	Owned
Faribault, Minnesota	JOTS	25,000	Owned
Henning, Minnesota	JOTS	5,000	Owned
Northfield, Minnesota	JOTS	17,000	Owned
Perham, Minnesota	JOTS	26,000	Owned
Swanville, Minnesota	JOTS	29,000	Owned
Turkey Farms			
Minnesota and Wisconsin	JOTS	13,700 (2)	Owned
Research and Development			
Austin, Minnesota	All Segments	136,000	Owned
Willmar, Minnesota	JOTS	10,000	Owned

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Location	Principal Segment [1]	Approximate Area (Square Feet, Unless Noted)	Owned or Leased	Lease Expiration Date
Administrative Offices				
Austin, Minnesota	All Segments	292,000	Owned	
Beijing, China	International & Other	4,000	Leased	May 2019
Boulder, Colorado	Grocery Products	7,000	Leased	August 2019
Bridgewater, New Jersey	Refrigerated Foods	29,000	Leased	January 2024
Gainesville, Georgia	Refrigerated Foods	5,000	Leased	November 2019
Hayward, California	Refrigerated Foods	17,000	Leased	May 2021
Hayward, California	Refrigerated Foods	12,000	Leased	August 2032
Las Animas, Colorado	Refrigerated Foods	2,000	Leased	July 2019
Moorabbin, Australia	International & Other	2,000	Leased	September 2025
Shanghai, China	International & Other	22,000	Leased	October 2023
Vinhedo, Brazil	International & Other	3,000	Leased	October 2020
Walnut Creek, California	Grocery Products	22,000	Leased	April 2023
Willmar, Minnesota	JOTS	56,000	Owned	

[1] Many of the Company's properties are not exclusive to any one segment, and a few of the properties are utilized in all four segments. For locations that support multiple segments, but with a substantial percentage of activity attributable to certain segments, only the principal segments have been listed.
[2] Acres.

The Company believes its operating facilities are well maintained and suitable for current production volumes, and expansion plans are either completed or in process to accommodate all volumes anticipated in the foreseeable future.

Item 3. LEGAL PROCEEDINGS

The Company is a party to various legal proceedings related to the on-going operation of its business, including claims both by and against the Company. At any time, such proceedings typically involve claims related to product liability, contract disputes, wage and hour laws, employment practices, or other actions brought by employees, consumers, competitors, or suppliers. Resolution of any currently known matters, either individually or in the aggregate, is not expected to have a material effect on the Company's financial condition, results of operations, or liquidity.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

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

Market information
Hormel Foods Corporation's common stock is traded on the New York Stock Exchange under the symbol HRL. The CUSIP number is 440452100.

Holders
There are approximately 12,600 record stockholders and 126,900 stockholders whose shares are held in street name by brokerage firms and financial institutions.

Issuer purchases of equity securities in the fourth quarter of fiscal 2018 are shown below:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[1]	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs [1]
July 30, 2018 – September 2, 2018	-	-	-	9,121,823
September 3, 2018 – September 30, 2018	-	-	-	9,121,823
October 1, 2018 – October 28, 2018	54,667	$39.45	54,667	9,067,156
Total	54,667	$39.45	54,667	

[1] On January 31, 2013, the Company announced its Board of Directors had authorized the repurchase of 10,000,000 shares of its common stock with no expiration date. The repurchase program was authorized at a meeting of the Company's Board of Directors on January 29, 2013. On November 23, 2015, the Board of Directors authorized a two-for-one split of the Company's common stock. As part of the resolution to approve that stock split, the number of shares remaining to be repurchased was adjusted proportionately. The stock split was subsequently approved by stockholders at the Company's Annual Meeting on January 26, 2016, and effected January 27, 2016. All numbers in the table above reflect the impact of this stock split.

Shareholder return performance graph
The following graph shows a comparison of cumulative total shareholder return, calculated on a dividend-reinvested basis, for the Company, the S&P 500 Index, and the S&P 500 Packaged Foods & Meats Index for the five years ended October 26, 2018. The graph assumes $100 was invested in each, as of the market close on October 28, 2013. Note that historic stock price performance is not necessarily indicative of future stock price performance.

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Item 6. SELECTED FINANCIAL DATA

The information set forth below for the five years ended October 28, 2018, is not necessarily indicative of results of future operations, and should be read in conjunction with Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes thereto included in Part II, Item 8 of this Form 10-K to fully understand factors that may affect the comparability of the information presented below.

(in thousands, except per share amounts)	2018	2017	2016*	2015**	2014**
Operations					
Net Sales	$9,545,700	$9,167,519	$9,523,224	$9,263,863	$9,316,256
Net Earnings	1,012,582	847,103	890,517	687,264	606,026
Net Earnings Attributable to Hormel Foods Corporation	1,012,140	846,735	890,052	686,088	602,677
% of net sales	10.60 %	9.24 %	9.35 %	7.41 %	6.47 %
EBIT(1)	1,198,479	1,280,101	1,323,430	1,066,144	928,271
% of net sales	12.56 %	13.96 %	13.90 %	11.51 %	9.96 %
EBITDA(2)	1,360,337	1,411,078	1,455,398	1,199,578	1,058,315
% of net sales	14.25 %	15.39 %	15.28 %	12.95 %	11.36 %
Return on Invested Capital (3)	16.50 %	16.35 %	19.04 %	15.62 %	15.79 %
Financial Position					
Total Assets	$8,142,292	$6,975,908	$6,370,067	$6,139,831	$5,455,619
Long-term Debt less Current Maturities	624,840	250,000	250,000	250,000	250,000
Hormel Foods Corporation Shareholders' Investment	5,600,811	4,935,907	4,448,006	3,998,198	3,605,678
Selected Cash Flow Data					
Depreciation and Amortization	$161,858	$130,977	$131,968	$133,434	$130,044
Capital Expenditures	389,607	221,286	255,524	144,063	159,138
Acquisitions of Businesses	857,668	520,463	280,889	770,587	466,204
Share Repurchase	46,898	94,487	87,885	24,928	58,937
Dividends Paid	388,107	346,010	296,493	250,834	203,156
Common Stock					
Weighted-Average Shares Outstanding – Basic	530,742	528,363	529,290	528,143	527,624
Weighted-Average Shares Outstanding – Diluted	543,869	539,116	542,473	541,002	540,431
Earnings per Share – Basic	$1.91	$1.60	$1.68	$1.30	$1.14
Earnings per Share – Diluted	1.86	1.57	1.64	1.27	1.12
Dividends per Share	0.75	0.68	0.58	0.50	0.40
Hormel Foods Corporation Shareholders' Investment Per Share	10.49	9.34	8.42	7.57	6.84

The Company provides EBIT, EBITDA, and Return on Invested Capital because these measures are useful to investors as indicators of operating strength and performance relative to prior years and are typically used to benchmark our Company's performance against other companies in our industry. Management uses EBIT as a component of certain executive incentive plans but does not utilize EBITDA for any material purpose. These measures are calculated as follows:

(in thousands)	2018	2017	2016*	2015	2014
(1) EBIT:					
Net Earnings Attributable to	$1,012,140	$846,735	$890,052	$686,088	$602,677

Hormel Foods Corporation					
Plus: Income Tax Expense	168,702	431,542	426,698	369,879	316,126
Plus: Interest Expense	26,494	12,683	12,871	13,111	12,704
Less: Interest and Investment Income	8,857	10,859	6,191	2,934	3,236
EBIT	$1,198,479	$1,280,101	$1,323,430	$1,066,144	$928,271
(2) EBITDA:					
EBIT per (1) above	1,198,479	1,280,101	1,323,430	1,066,144	928,271
Plus: Depreciation and Amortization	161,858	130,977	131,968	133,434	130,044
EBITDA	$1,360,337	$1,411,078	$1,455,398	$1,199,578	$1,058,315
(3) Return on Invested Capital:					
EBIT per (1) above	1,198,479	1,280,101	1,323,430	1,066,144	928,271
X (1 – Effective Tax Rate***)	85.71 %	66.24 %	67.59 %	64.97 %	65.59 %
After-tax EBIT	$1,027,336	$848,067	$894,506	$692,674	$608,887
Divided by:					
Total Debt	624,840	250,000	250,000	435,000	250,000
Hormel Foods Corporation Shareholders' Investment	5,600,811	4,935,907	4,448,006	3,998,198	3,605,678
Total Debt and Shareholders' Investment	$6,225,651	$5,185,907	$4,698,006	$4,433,198	$3,855,678
Return on Invested Capital	16.50 %	16.35 %	19.04 %	15.62 %	15.79 %

* Fiscal 2016 included 53 weeks.

** Shares and per share figures have been restated to reflect the two-for-one stock split distributed on February 9, 2016.

*** Excluding earnings attributable to noncontrolling interests.

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

Executive Overview

Fiscal 2018: The Company delivered record sales and earnings. The impact of the Tax Cuts and Jobs Act (Tax Act) along with strong performances by Refrigerated Foods and International & Other contributed to these results. These factors were able to offset continued weakness at JOTS, higher freight costs, and reduced sales and profitability from the CytoSport and contract manufacturing business in Grocery Products. Sales for the year were $9.5 billion, a 4 percent increase from last year. Organic net sales[1] were down 1%. Diluted earnings per share for fiscal 2018 were $1.86, an 18 percent increase compared to $1.57 per share last year. Adjusted diluted earnings per share[1] were $1.89, a 20 percent increase. Fiscal 2018 net earnings attributable to the Company increased 20 percent to $1,012.1 million, compared to net earnings of $846.7 million last year. ([1]see explanation of non-GAAP financial measures in the Consolidated Results section).

Refrigerated Foods segment results exceeded last year with contributions from the Columbus and Fontanini acquisitions. Strength in value-added products such as Hormel® Natural Choice® and Hormel® Firebraised™ Meats overcame lower commodity profits and higher freight expense. International & Other segment results surpassed last year due to strong growth from the China business, which benefited from lower input costs and the addition of the Ceratti acquisition. The JOTS segment continued to be negatively impacted by industry oversupply leading to low commodity prices in addition to increased freight. At the beginning of fiscal 2018, the Specialty Foods segment was merged into the Grocery Products segment. Despite sales growth of Wholly Guacamole® dips and Herdez® salsas, Grocery Products segment financial performance was down from fiscal 2017 as profits were impacted by weakness in the Company's contract manufacturing business, an impairment of the CytoSport trademark, and increased freight.

Our Company continued to generate record operating cash flows, which were reinvested into the business through acquisitions and capital expenditures while returning cash back to shareholders in the form of dividends and share repurchases. We completed the acquisition of Columbus, an authentic, premium deli meat and salami company, for $857.4 million. This strategic acquisition positions us as a total deli solutions provider and enhances our other strong deli brands such as Hormel®, Jennie-O®, Applegate®, and DiLusso®. In connection with the acquisition, the Company borrowed $375.0 million under a term loan facility and $375.0 million under a revolving credit facility. As of the close of the year, we repaid the short-term debt. The annual dividend for 2019 will be $0.84 per share and marks the 53rd consecutive year of dividend increases, representing an increase of 12 percent after a 10 percent increase in fiscal 2018. We repurchased 1.4 million shares of common stock in fiscal 2018, spending $46.9 million.

Fiscal 2019 Outlook: We expect to grow sales and operating profits in fiscal 2019, with each segment contributing to growth. Momentum in branded, value-added businesses within Refrigerated Foods, especially foodservice and our newly created deli division, should more than offset the expected decline in commodity profits, increased freight, and expenses associated with the divestiture of the Fremont facility. Innovation from brands including Hormel® Bacon 1™, Hormel® Natural Choice®, and Hormel® Fire Braised™ meats is expected to provide incremental growth. The contributions from branded items such as the SPAM® family of products, Wholly Guacamole® dips, Herdez® salsas, and Muscle Milk are expected to drive improved Grocery Products results. We expect the JOTS segment to return to growth as industry conditions improve. We anticipate value-added sales and volume growth led by Jennie-O® lean ground turkey and Jennie-O® Oven Ready® items. The International & Other segment plans to grow sales and earnings in both the China and Brazil businesses and expects to increase sales of the SPAM® and Skippy® families of products. Additionally, our supply chain organization is expected to provide cost reductions in numerous areas across the supply chain.

On December 3, 2018, the Company completed the sale of the Fremont processing facility with WholeStone Farms. The transaction included a processing facility and a multiyear agreement to supply the Company pork raw materials. Up until the date of sale, this facility manufactured and harvested hogs for processing.

We plan to support our numerous iconic brands with continued advertising in fiscal 2019. Strong cash flow, along with a solid balance sheet, will enable us to continue to return cash to shareholders while investing capital into our value-added businesses.

Critical Accounting Policies

This discussion and analysis of financial condition and results of operations is based upon the Company's consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Company evaluates, on an ongoing basis, its estimates for reasonableness as changes occur in its business environment. The Company bases its estimates on experience, the use of independent third-party specialists, and various other assumptions believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions.

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Critical accounting policies are defined as those reflective of significant judgments, estimates, and uncertainties, and potentially result in materially different results under different assumptions and conditions. The Company believes the following are its critical accounting policies:

Revenue Recognition: The Company recognizes sales when title passes upon delivery of its products to customers, net of applicable provisions for discounts, returns, and allowances. Products are delivered upon receipt of customer purchase orders with acceptable terms, including price and reasonably assured collectability.

The Company offers various sales incentives to customers and consumers. Incentives offered off-invoice include prompt pay allowances, will call allowances, spoilage allowances, and temporary price reductions. These incentives are recognized as reductions of revenue at the time title passes. Coupons are used as an incentive for consumers to purchase various products. The coupons reduce revenues at the time they are offered, based on estimated redemption rates. Promotional contracts are performed by customers to promote the Company's products to consumers. These incentives reduce revenues at the time of performance through direct payments and accrued promotional funds. Accrued promotional funds are unpaid liabilities for promotional contracts in process or completed at the end of a quarter or fiscal year. Promotional contractual accruals are based on agreements with customers for defined performance. The liability relating to these agreements is based on a review of the outstanding contracts on which performance has taken place but which the promotional payments relating to such contracts remain unpaid as of the end of the fiscal year. The level of customer performance and the historical spend rate versus contracted rates are significant estimates used to determine these liabilities.

Inventory Valuation: The Company values inventories at the lower of cost or net realizable value. For pork inventories, when the carcasses are disassembled and transferred from primal processing to various manufacturing departments, the primal values, as adjusted by the Company for product specifications and further processing, become the basis for calculating inventory values. Turkey raw materials are represented by the deboned meat quantities. The Company values these raw materials using a concept referred to as the "meat cost pool." The meat cost pool is determined by combining the cost to grow turkeys with processing costs, less any net sales revenue from by-products created from the processing and not used in producing Company products. The Company has developed a series of ratios using historical data and current market conditions (which themselves involve estimates and judgment determinations by the Company) to allocate the meat cost pool to each meat component. Substantially all inventoriable expenses, meat, packaging, and supplies are valued by the average cost method.

Goodwill and Other Indefinite-Lived Intangibles: Estimating the fair value of the Company's goodwill reporting units and intangible assets requires significant judgement. Accordingly, the Company obtains the assistance of third-party valuation specialists who utilize available historical information along with future expectations to value the assets. Determining the useful life of an intangible asset also requires judgement. Certain acquired brands are expected to have indefinite lives based on their history and the Company's plans to continue to support and build the brands. Other acquired assets such as customer relationships, are expected to have determinable useful lives.

Indefinite-lived intangible assets are originally recorded at their estimated fair values at the date of acquisition and the residual of the purchase price is recorded to goodwill. Goodwill and other indefinite-lived intangible assets are allocated to reporting units that will receive the related sales and income. Goodwill and indefinite-lived intangible assets are tested annually for impairment, or more frequently if impairment indicators arise.

In conducting the annual impairment test for goodwill, the Company has the option to first assess qualitative factors to determine whether it is more likely than not (> 50% likelihood) the fair value of any reporting unit is less than its carrying amount. If the Company elects to perform a qualitative assessment and determines an impairment is more likely than not, the Company is required to perform a quantitative impairment test. Otherwise, no further analysis is required. Alternatively, the Company may elect not to perform the qualitative assessment and proceed directly to the quantitative impairment test.

Prior to the fourth quarter of fiscal 2017, if the carrying value of a reporting unit exceeded its fair value, the Company completed the second step of the test to determine the amount of goodwill impairment loss, if any, to be recognized. In the second step, the Company estimated an implied fair value of the reporting unit's goodwill by allocating the fair value of the reporting unit to all of the assets and liabilities other than goodwill (including any unrecognized intangible assets). The impairment loss was equal to the excess of the carrying value of the goodwill over the implied fair value of that goodwill. In the fourth quarter of fiscal 2017, the Company adopted Accounting Standards Update (ASU) 2017-04, Simplifying the Test for Goodwill Impairment. As a result, the Company recognizes an impairment loss equal to the difference between the carrying value and estimated fair value of the reporting unit if the carrying value of a reporting unit exceeds its fair value.

In conducting a qualitative assessment, the Company analyzes actual and projected growth trends for net sales, gross margin, and segment profit for each reporting unit, as well as historical performance versus plan and the results of prior quantitative tests performed. Additionally, the Company assesses critical areas that may impact its business, including macroeconomic conditions and the related impact, market-related exposures, any plans to market for sale all or a portion of their business, competitive changes, new or discontinued product lines, changes in key personnel, or any potential risks to their projected financial results.

If performed, the quantitative goodwill impairment test is performed at the reporting unit level. First, the fair value of each reporting unit is compared to its corresponding carrying value, including goodwill. The fair value of each reporting unit is estimated using discounted cash flow valuations (Level 3), which incorporate assumptions regarding future growth rates,

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terminal values, and discount rates. The estimates and assumptions used consider historical performance and are consistent with the assumptions used in determining future profit plans for each reporting unit, which are approved by the Company's Board of Directors. If the quantitative assessment results in the carrying value exceeding the fair value of any reporting unit, then the results from the quantitative analysis will be relied upon to determine both the existence and amount of goodwill impairment. An impairment loss will be recognized for the amount by which the reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill in that reporting unit.

During the fourth quarter of fiscal 2018, the Company completed its annual goodwill impairment tests and elected to perform a qualitative assessment. As a result of the qualitative testing during fiscal 2018 and 2016 and quantitative testing during fiscal 2017, no material goodwill impairment charges were recorded. An immaterial impairment charge was recorded in the second quarter of fiscal 2016 for the Company's Diamond Crystal Brands (DCB) business based on the agreed-upon sales price for the business.

In conducting the annual impairment test for its indefinite-lived intangible assets, the Company first performs a qualitative assessment to determine whether it is more likely than not (> 50% likelihood) that an indefinite-lived intangible asset is impaired. If the Company concludes this is the case, then a quantitative test for impairment must be performed. Otherwise, the Company does not need to perform a quantitative test.

In conducting the initial qualitative assessment, the Company analyzes growth rates for historical and projected net sales and the results of prior quantitative tests performed. Additionally, the Company assesses critical areas that may impact its intangible assets or the applicable royalty rates to determine if there are factors that could indicate impairment of the asset.

If performed, the quantitative impairment test compares the fair value to the carrying value of the indefinite-lived intangible asset. The fair value of indefinite-lived intangible assets is primarily determined on the basis of estimated discounted value, using the relief from royalty method (Level 3). This method incorporates assumptions regarding future sales projections and discount rates. If the carrying value exceeds fair value, the indefinite-lived intangible asset is considered impaired and an impairment charge is recorded. Even if not required, the Company periodically elects to perform the quantitative test in order to confirm the qualitative assessment.

During the 2017 annual impairment review, the Company completed a quantitative assessment of indefinite-lived intangible assets. As a result of the review, no material impairment charges were recorded; however, four trademarks were determined to have fair values exceeding their carrying values by less than a 10 percent margin. Due to the lack of excess value of these assets, the Company elected to test these assets using a quantitative analysis during fiscal 2018. For all other indefinite-lived intangible assets, the Company tested the assets using a qualitative analysis. During the qualitative review, it was determined that further assessment in the form of a quantitative test was necessary for two additional indefinite-lived intangible assets. In total, the Company performed a quantitative test for six trademarks in fiscal 2018, one of which was determined to be impaired. During the fourth quarter of fiscal 2018, a $17.3 million intangible asset impairment charge was recorded for the CytoSport trademark. As a result of the 2018 quantitative test, one trademark was determined to have fair value exceeding its carrying value by approximately a 10 percent margin. See additional discussion regarding the Company's goodwill and intangible assets in Note D. During fiscal years 2018, 2017, and 2016, there were no other material remeasurements of assets or liabilities at fair value on a nonrecurring basis subsequent to their initial recognition.

Employee Benefit Plans: The Company incurs expenses relating to employee benefits, such as noncontributory defined benefit pension plans and post-retirement health care benefits. In accounting for these employment costs, management must make a variety of assumptions and estimates including mortality rates, discount rates, overall compensation increases, expected return on plan assets, and health care cost trend rates. The Company considers historical data as well as current facts and circumstances when determining these estimates. The Company uses third-party specialists to assist management in the determination of these estimates and the calculation of certain employee benefit expenses and the outstanding obligation.

Income Taxes: The Company records income taxes in accordance with the liability method of accounting. Deferred taxes are recognized for the estimated taxes ultimately payable or recoverable based on enacted tax law. Changes in enacted tax rates are reflected in the tax provision as they occur. Due to passage of the Tax Act, the tax provision at the end of fiscal 2018 was provisional. The Company will continue to refine such amounts within the measurement period allowed, which will be completed no later than the first quarter of fiscal 2019.

The Company computes its provision for income taxes based on the statutory tax rates and tax planning opportunities available to it in the various jurisdictions in which it operates. Significant judgment is required in evaluating the Company’s tax positions and determining its annual tax provision. While the Company considers all of its tax positions fully supportable, the Company is occasionally challenged by various tax authorities regarding the amount of taxes due. The Company recognizes a tax position in its financial statements when it is more likely than not the position will be sustained upon examination, based on the technical merits of the position. This position is then measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. A change in judgment related to the expected ultimate resolution of uncertain tax positions will be recognized in earnings in the quarter of such change.

Contingent Liabilities: At any time, the Company may be subject to investigations, legal proceedings, or claims related to the on-going operation of its business, including claims both by and against the Company. Such proceedings typically involve claims

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related to product liability, contract disputes, wage and hour laws, employment practices, or other actions brought by employees, consumers, competitors, or suppliers. The Company routinely assesses the likelihood of any adverse outcomes related to these matters on a case by case basis, as well as the potential ranges of losses and fees. The Company establishes accruals for its potential exposure, as appropriate, for claims against the Company when losses become probable and reasonably estimable. Where the Company is able to reasonably estimate a range of potential losses, the Company records the amount within that range which constitutes the Company's best estimate. The Company also discloses the nature and range of loss for claims against the Company when losses are reasonably possible and material. These accruals and disclosures are determined based on the facts and circumstances related to the individual cases and require estimates and judgments regarding the interpretation of facts and laws, as well as the effectiveness of strategies or factors beyond our control.

Results of Operations

OVERVIEW

The Company is a processor of branded and unbranded food products for retail, foodservice, and commercial customers. As a result of a business realignment at the beginning of fiscal 2018, the former Specialty Foods segment results are now reported as part of the Grocery products segment. Periods presented herein have been recast to reflect this change. The Company operates in the following four reportable segments:

Segment	Business Conducted
Grocery Products	This segment consists primarily of the processing, marketing, and sale of shelf-stable food products sold predominantly in the retail market, along with the sale of nutritional and private label shelf-stable products to retail, foodservice, and industrial customers. This segment also includes the results from the Company's MegaMex Foods, LLC (MegaMex) joint venture.
Refrigerated Foods	This segment consists primarily of the processing, marketing, and sale of branded and unbranded pork, beef, chicken, and turkey products for retail, foodservice, deli, and commercial customers.
Jennie-O Turkey Store	This segment consists primarily of the processing, marketing, and sale of branded and unbranded turkey products for retail, foodservice, and commercial customers.
International & Other	This segment includes Hormel Foods International, which manufactures, markets, and sells Company products internationally. This segment also includes the results from the Company's international joint ventures and royalty arrangements.

The Company's fiscal year consisted of 52 weeks in fiscal years 2018 and 2017. Fiscal 2016 consisted of 53 weeks.

FISCAL YEARS 2018 AND 2017:

Consolidated Results

Net Earnings and Diluted Earnings per Share

	Fourth Quarter Ended			Year Ended		
(in thousands, except per share amounts)	October 28, 2018	October 29, 2017	% Change	October 28, 2018	October 29, 2017	% Change
Net earnings	$261,406	$218,154	19.8	$1,012,140	$846,735	19.5

Diluted earnings per share	0.48	0.41	17.1	1.86	1.57	18.5

Volume and Net Sales

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 28, 2018	October 29, 2017	% Change	October 28, 2018	October 29, 2017	% Change
Volume (lbs.)	1,265,292	1,275,270	(0.8)	4,798,178	4,770,485	0.6
Organic volume(1)	1,232,728	1,275,270	(3.3)	4,622,170	4,690,031	(1.4)
Net sales	$2,524,697	$2,492,608	1.3	$9,545,700	$9,167,519	4.1
Organic net sales(1)	2,407,405	2,492,608	(3.4)	8,984,841	9,067,288	(0.9)

(1) COMPARISON OF U.S. GAAP TO NON-GAAP FINANCIAL MEASUREMENTS

The non-GAAP adjusted financial measurements of organic volume and organic net sales are presented to provide investors additional information to facilitate the comparison of past and present operations. The Company believes these non-GAAP financial measurements provide useful information to investors because they are the measurements used to evaluate performance on a comparable year-over-year basis. Non-GAAP measurements are not intended to be a substitute for U.S. GAAP measurements in analyzing financial performance. These non-GAAP measurements are not in accordance with generally accepted accounting principles and may be different from non-GAAP measures used by other companies.

Organic net sales and organic volume are defined as net sales and volume excluding the impact of acquisitions and divestitures. Organic net sales and organic volume exclude the impacts of the acquisition of Columbus Craft Meats (November 2017), the acquisition of Fontanini Italian Meats and Sausages (August 2017), and the divestiture of Farmer John (January 2017), in Refrigerated Foods and the acquisition of Ceratti (August 2017) in International. The tables below show the calculations to reconcile from the non-GAAP adjusted measures to the GAAP measures in the fourth quarter and fourth quarter and full year of fiscal 2018.

Adjusted segment profit and adjusted earnings per share exclude the impact of a non-cash impairment charge associated with the CytoSport business which was recognized in the Grocery Products segment. The tables below show the calculations to reconcile from the non-GAAP adjusted measures to the GAAP measures in the fourth quarter and fourth quarter and full year of fiscal 2018. The effective tax rate was used to determine the tax effect of the impairment.

4th Quarter
Volume (lbs.)

	FY 2018			FY 2017	
(in thousands)	Reported (GAAP)	Acquisitions	Organic (Non-GAAP)	Reported (GAAP)	Organic % change
Grocery Products	350,399	—	350,399	366,485	(4.4)
Refrigerated Foods	558,843	(22,757)	536,086	547,196	(2.0)
Jennie-O Turkey Store	260,450	—	260,450	270,175	(3.6)
International & Other	95,600	(9,807)	85,793	91,414	(6.1)
Total Volume	1,265,292	(32,564)	1,232,728	1,275,270	(3.3)

Net Sales

	FY 2018			FY 2017	
(in thousands)	Reported (GAAP)	Acquisitions	Organic (Non-GAAP)	Reported (GAAP)	Organic % change
Grocery Products	$658,845	$—	$ 658,845	$685,961	(4.0)
Refrigerated Foods	1,232,650	(102,262)	1,130,388	1,166,661	(3.1)
Jennie-O Turkey Store	466,811	—	466,811	484,856	(3.7)
International & Other	166,391	(15,030)	151,361	155,130	(2.4)
Total Net Sales	$2,524,697	$(117,292)	$ 2,407,405	$2,492,608	(3.4)

Full Year
Volume (lbs.)

	FY 2018			FY 2017			
(in thousands)	Reported (GAAP)	Acquisitions	Organic (Non-GAAP)	Reported (GAAP)	Divestitures	Organic (Non-GAAP)	Organic % change
Grocery Products	1,345,904	—	1,345,904	1,374,665	—	1,374,665	(2.1)

Refrigerated Foods	2,199,994	(130,301)	2,069,693	2,180,407	(80,454)	2,099,953	(1.4)
Jennie-O Turkey Store	894,590	—	894,590	890,518	—	890,518	0.5
International & Other	357,690	(45,707)	311,983	324,895	—	324,895	(4.0)
Total Volume	4,798,178	(176,008)	4,622,170	4,770,485	(80,454)	4,690,031	(1.4)

Net Sales

	FY 2018			FY 2017			
(in thousands)	Reported (GAAP)	Acquisitions	Organic (Non-GAAP)	Reported (GAAP)	Divestitures	Organic (Non-GAAP)	Organic % change
Grocery Products	$2,521,992	$—	$ 2,521,992	$2,555,613	$—	$ 2,555,613	(1.3)
Refrigerated Foods	4,771,836	(485,960)	4,285,876	4,403,732	(100,231)	4,303,501	(0.4)
Jennie-O Turkey Store	1,627,433	—	1,627,433	1,663,160	—	1,663,160	(2.1)
International & Other	624,439	(74,899)	549,540	545,014	—	545,014	0.8
Total Net Sales	$9,545,700	$(560,859)	$ 8,984,841	$9,167,519	$(100,231)	$ 9,067,288	(0.9)

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4th Quarter and Full Year
Segment Profit and Diluted Earnings per Share

	FY 2018	
	Grocery Products	
	4th Quarter	Full Year
Non-GAAP Adjusted Segment Profit	$98,861	$380,029
Cytosport Impairment	(17,279)	(17,279)
GAAP Segment Profit	$81,582	$362,750
	Total Company	
	4th Quarter	Full Year
Non-GAAP Adjusted Diluted EPS	$0.51	$1.89
Cytosport Impairment	(0.03)	(0.03)
GAAP Diluted EPS	$0.48	$1.86

The increase in net sales for the fourth quarter of fiscal 2018 was driven by the inclusion of sales from the acquisitions of the Columbus, Fontanini, and Ceratti. Higher sales of Wholly Guacamole® dips, Hormel® Natural Choice® products, Hormel® pepperoni, and foodservice sales of Jennie-O® turkey breast and Austin Blues® smoked barbecue products were more than offset by declines due to lower whole bird sales at JOTS, declines in the Company's contract manufacturing business in Grocery Products, and lower hog harvest volumes.

For fiscal 2018, the increase in net sales was primarily related to the inclusion of the Columbus, Fontanini, and Ceratti acquisitions, more than offsetting declines at JOTS, the Company's contract manufacturing business and CytoSport in Grocery Products.

In fiscal 2019, the Company expects net sales growth with contributions from value-added products and innovation. The new deli organization in Refrigerated Foods is expected to drive sales of the Columbus® brand. Foodservice sales should benefit from the full integration of Fontanini and new capacity for Hormel® Bacon 1™ fully cooked bacon and Hormel® Firebraised™ meats. The Company anticipates sales growth from products such as Wholly Guacamole® dips, Herdez® salsas, and Muscle Milk® protein beverages in the Grocery Products segment. JOTS is expecting sales growth due to increases in turkey commodity markets, improved whole-bird pricing, and continued demand for Jennie-O® branded products. The International & Other segment plans to show growth in China, Brazil, and through increased branded export sales of SPAM® luncheon meat and Skippy® peanut butter.

Cost of Products Sold

	Fourth Quarter Ended			Year Ended		
(in thousands)	October 28, 2018	October 29, 2017	% Change	October 28, 2018	October 29, 2017	% Change
Cost of products sold	$1,987,301	$1,981,054	0.3	$7,550,267	$7,164,356	5.4

The cost of products sold for the fourth quarter and fiscal year of fiscal 2018 were higher as a result of the inclusion of the Columbus, Fontanini, and Ceratti acquisitions along with higher freight costs, especially in the Refrigerated Foods and JOTS segments.

Gross Profit

	Fourth Quarter Ended			Year Ended		
	October 28,	October 29,		October 28,	October 29,	
(in thousands)	2018	2017	% Change	2018	2017	% Change

Gross profit	$537,396	$511,554	5.1	$1,995,433	$2,003,163	(0.4)
Percentage of net sales	21.3 %	20.5 %		20.9 %	21.9 %	

Consolidated gross profit as a percentage of net sales declined due to reduced commodity profitability, higher freight costs, and input cost volatility.
The Company expects favorable pork input costs in 2019 and modestly-improved conditions in the turkey industry. Refrigerated Foods will benefit from new manufacturing capacity and continued growth of the value-added businesses. Grocery Products and International & Other should see improvement from lower input costs on core branded items and branded exports, respectively. Turkey breast prices are anticipated to increase throughout the year, leading to a steady improvement for JOTS. The global trade environment, potential impact of hog disease in China, and market volatility pose the largest threats to the Company's profitability.

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Selling, General and Administrative (SG&A)

(in thousands)	Fourth Quarter Ended October 28, 2018	October 29, 2017	% Change	Year Ended October 28, 2018	October 29, 2017	% Change
SG&A	$204,537	$194,218	5.3	$838,205	$762,104	10.0
Percentage of net sales	8.1 %	7.8 %		8.8 %	8.3 %	

For the fourth quarter and fiscal 2018, SG&A expenses increased due to the inclusion of the Columbus, Fontanini, and Ceratti acquisitions, higher advertising investments, and higher employee-related expenses.

In fiscal 2019, the Company intends to continue building brand awareness through advertising investments in key brands such as Hormel® pepperoni, Columbus® Craft Meats, the SPAM® family of products, Wholly Guacamole® dips, and Jennie-O® Oven Ready™ products.

Research and development continues to be a vital part of the Company's strategy to extend existing brands and expand into new branded items. Research and development expenses were $8.7 million and $33.8 million for the fiscal 2018 fourth quarter and year, respectively, compared to $8.2 million and $34.2 million for the corresponding periods in fiscal 2017.

Goodwill/Intangible Impairment: An impairment charge related to the CytoSport trademark totaling $17.3 million was recorded in the fourth quarter of fiscal 2018. Impairment charges related to an indefinite-lived intangible asset of $0.2 million were recorded in the fourth quarter of fiscal 2017.

Equity in Earnings of Affiliates

(in thousands)	Fourth Quarter Ended October 28, 2018	October 29, 2017	% Change	Year Ended October 28, 2018	October 29, 2017	% Change
Equity in earnings of affiliates	$8,814	$12,214	(27.8)	$58,972	$39,590	49.0

Results for the fourth quarter and fiscal 2018 were negatively impacted by increases in advertising and freight costs at MegaMex. For fiscal 2018, strong MegaMex results and tax reform drove the significant increase over the prior year.

The Company accounts for its majority-owned operations under the consolidation method. Investments in which the Company owns a minority interest, and for which there are no other indicators of control, are accounted for under the equity or cost method. These investments, along with receivables from other affiliates, are included in the Consolidated Statements of Financial Position as investments in and receivables from affiliates. The composition of this line item at October 28, 2018, was as follows:

(in thousands)	Investments/Receivables
Country	
United States	$ 205,148
Foreign	68,005
Total	$ 273,153

Effective Tax Rate

	Fourth Quarter Ended	Year Ended

	October 28, 2018	October 29, 2017	October 28, 2018	October 29, 2017
Effective tax rate %	18.7 %	33.8 %	14.3 %	33.7 %

The lower effective tax rate for both the fourth quarter and fiscal year reflects the impact of The Tax Cuts and Jobs Act, signed into law on December 22, 2017. For fiscal 2018, the Company recorded a net tax benefit of $72.9 million. This provisional net tax benefit arises from a benefit of $81.2 million from re-measuring the Company’s net U.S. deferred tax liabilities, partially offset by the Company’s accrual for the transition tax and other U.S. tax law changes of $8.3 million. These one-time tax events and reduction in the federal statutory tax rate were the main drivers of the Company's effective tax rates for the fourth quarter and fiscal year of 18.7 percent and 14.3 percent, respectively, compared to 33.8 percent and 33.7 percent for the respective periods last year. For a further description, refer to Note K "Income Taxes".

The Company expects the effective tax rate in fiscal 2019 to be between 20.5 and 23.0 percent.

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Segment Results

Net sales and operating profits for each of the Company's reportable segments are set forth below. The Company is an integrated enterprise, characterized by substantial intersegment cooperation, cost allocations, and sharing of assets. Therefore, the Company does not represent that these segments, if operated independently, would report the operating profit and other financial information shown below. (Additional segment financial information can be found in Note P "Segment Reporting.")

	Fourth Quarter Ended			Year Ended		
	October 28,	October 29,		October 28,	October 29,	
(in thousands)	2018	2017	% Change	2018	2017	% Change
Net Sales						
Grocery Products	$658,845	$685,961	(4.0)	$2,521,992	$2,555,613	(1.3)
Refrigerated Foods	1,232,650	1,166,661	5.7	4,771,836	4,403,732	8.4
Jennie-O Turkey Store	466,811	484,856	(3.7)	1,627,433	1,663,160	(2.1)
International & Other	166,391	155,130	7.3	624,439	545,014	14.6
Total Net Sales	$2,524,697	$2,492,608	1.3	$9,545,700	$9,167,519	4.1
Segment Operating Profit						
Grocery Products	$81,582	$104,848	(22.2)	$362,750	$387,637	(6.4)
Refrigerated Foods	181,988	145,613	25.0	617,626	587,929	5.1
Jennie-O Turkey Store	48,829	70,370	(30.6)	175,684	247,322	(29.0)
International & Other	24,802	23,113	7.3	88,953	85,304	4.3
Total Segment Operating Profit	337,201	343,944	(2.0)	1,245,013	1,308,192	(4.8)
Net interest and investment (income) expense	2,890	(639)	552.3	17,637	1,824	866.9
General corporate expense	12,897	14,783	(12.8)	46,534	28,091	65.7
Noncontrolling interest	90	209	(56.9)	442	368	20.1
Earnings Before Income Taxes	$321,504	$330,009	(2.6)	$1,181,284	$1,278,645	(7.6)

Grocery Products: Results for the Grocery Products segment compared to the prior year are as follows:

	Fourth Quarter Ended			Year Ended		
	October 28,	October 29,		October 28,	October 29,	
(in thousands)	2018	2017	% Change	2018	2017	% Change
Volume (lbs.)	350,399	366,485	(4.4)	1,345,904	1,374,665	(2.1)
Net sales	$658,845	$685,961	(4.0)	$2,521,992	$2,555,613	(1.3)
Segment profit	81,582	104,848	(22.2)	362,750	387,637	(6.4)

Net sales improvement in Wholly Guacamole® dips and Herdez® salsas in the fourth quarter of fiscal 2018 were unable to offset declines in contract manufacturing. For fiscal 2018, the net sales decrease was driven by declines across the Company's contract manufacturing business and the CytoSport portfolio.

For the fourth quarter and fiscal year, segment profit decreased as a result of declines in contract manufacturing, a $17.3 million impairment of the CytoSport trademark, and increased freight. Looking ahead to fiscal 2019, the Company anticipates positive momentum to continue in Herdez® salsas and Wholly Guacamole® dips along with improvement at CytoSport.

Refrigerated Foods: Results for the Refrigerated Foods segment compared to the prior year are as follows:

	Fourth Quarter Ended			Year Ended		
(in thousands)	October 28, 2018	October 29, 2017	% Change	October 28, 2018	October 29, 2017	% Change
Volume (lbs.)	558,843	547,196	2.1	2,199,994	2,180,407	0.9
Net sales	$1,232,650	$1,166,661	5.7	$4,771,836	$4,403,732	8.4
Segment profit	181,988	145,613	25.0	617,626	587,929	5.1

For the fourth quarter and fiscal 2018, volume and net sales increases were driven by the Columbus and Fontanini acquisitions in addition to strong retail sales of Hormel® pepperoni, Applegate® natural and organic products, and Hormel® Natural Choice® products, and foodservice sales of Austin Blues® authentic barbeque products. Lower hog harvest volumes offset some of these gains.

For the fourth quarter and fiscal year, Refrigerated Foods delivered increases in segment profit as the benefit from acquisitions and strong performances from the value-added businesses overcame significant declines in commodity profits, a double-digit increase in per-unit freight costs, and higher advertising investments.

Looking forward, the Company anticipates value-added growth in the foodservice and retail channels as well as a benefit from the new deli organization.

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Jennie-O Turkey Store: Results for the JOTS segment compared to the prior year are as follows:

	Fourth Quarter Ended			Year Ended		
	October 28,	October 30,		October 28,	October 30,	
(in thousands)	2018	2017	% Change	2018	2017	% Change
Volume (lbs.)	260,450	270,175	(3.6)	894,590	890,518	0.5
Net sales	$466,811	$ 484,856	(3.7)	$1,627,433	$1,663,160	(2.1)
Segment profit	48,829	70,370	(30.6)	175,684	247,322	(29.0)

For the fourth quarter and fiscal 2018, volume and sales decreased primarily due to lower whole bird sales. Jennie-O® premium deli products and Jennie-O® lean ground turkey delivered strong sales gains, partially offsetting the decline.

Segment profit for the fourth quarter and 2018 decreased as a result of lower profits from whole bird and commodity sales, increased freight costs, and increased advertising investments.

JOTS expects value-added volume and sales growth in fiscal 2019, led by Jennie-O® lean ground turkey and foodservice products. Segment profit is expected to be modestly ahead of fiscal 2018 as conditions in the industry improve.

International & Other: Results for the International & Other segment compared to the prior year are as follows:

	Fourth Quarter Ended			Year Ended		
	October 28,	October 29,		October 28,	October 29,	
(in thousands)	2018	2017	% Change	2018	2017	% Change
Volume (lbs.)	95,600	91,414	4.6	357,690	324,895	10.1
Net sales	$166,391	$155,130	7.3	$624,439	$545,014	14.6
Segment profit	24,802	23,113	7.3	88,953	85,304	4.3

Volume and sales increases for the quarter and fiscal year were driven by the addition of the Ceratti business and stronger branded exports, partially offset by lower fresh pork exports due to tariffs.

Segment profit increased for both the fourth quarter and fiscal year primarily reflecting improved profitability for the China business due to favorable input costs, the inclusion of the Ceratti business, and stronger exports of branded items. Global trade uncertainty negatively impacted the profitability of pork exports.

Entering fiscal 2019, the International & Other segment anticipates continued expansion in China and Brazil as well as improved export results across all key brands, including SPAM® and Skippy®. Tariffs impacting global trade and hog disease in China present near-term risk.

Unallocated Income and Expense: The Company does not allocate investment income, interest expense, or interest income to its segments when measuring performance. The Company also retains various other income and unallocated expenses at corporate. Equity in earnings of affiliates is included in segment operating profit; however, earnings attributable to the Company's noncontrolling interests are excluded. These items are included in the segment table for the purpose of reconciling segment results to earnings before income taxes.

	Fourth Quarter Ended	Year Ended

(in thousands)	October 28, 2018	October 29, 2017	October 28, 2018	October 29, 2017
Interest and investment income	$3,439	$4,216	$8,857	$10,859
Interest expense	(6,329)	(3,577)	(26,494)	(12,683)
General corporate expense	(12,897)	(14,783)	(46,534)	(28,091)
Noncontrolling interest	90	209	442	368

Net interest and investment income was lower for the fourth quarter and fiscal year, which was driven by reduced deferred compensation accruals. Interest expense was higher for the fourth quarter and fiscal year due to additional debt related to the Columbus acquisition. General corporate expense was marginally lower for the fourth quarter, reflecting positive accrual adjustments. For the year, general corporate expenses were higher as a result of higher employee-related expenses and the universal stock option grant.

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FISCAL YEARS 2017 AND 2016:

Consolidated Results

Net Earnings and Diluted Earnings per Share

(in thousands, except per share amounts)	Fourth Quarter Ended October 29, 2017	October 30, 2016	% Change	Year Ended October 29, 2017	October 30, 2016	% Change
Net earnings	$218,154	$ 243,940	(10.6)	$846,735	$ 890,052	(4.9)
Diluted earnings per share	0.41	0.45	(8.9)	1.57	1.64	(4.3)

Volume and Net Sales

(in thousands)	Fourth Quarter Ended October 29, 2017	October 30, 2016	% Change	Year Ended October 29, 2017	October 30, 2016	% Change
Volume (lbs.)	1,275,270	1,420,986	(10.3)	4,770,485	5,192,027	(8.1)
Organic volume(1)	1,250,659	1,231,044	1.6	4,658,990	4,588,581	1.5
Net sales	$2,492,608	$2,627,941	(5.1)	$9,167,519	$9,523,224	(3.7)
Organic net sales(1)	2,439,006	2,325,779	4.9	8,970,540	8,710,616	3.0

(1) COMPARISON OF U.S. GAAP TO NON-GAAP FINANCIAL MEASUREMENTS

The non-GAAP adjusted financial measurements of organic volume and organic net sales are presented to provide investors additional information to facilitate the comparison of past and present operations. The Company believes these non-GAAP financial measurements provide useful information to investors because they are the measurements used to evaluate performance on a comparable year-over-year basis. Non-GAAP measurements are not intended to be a substitute for U.S. GAAP measurements in analyzing financial performance. These non-GAAP measurements are not in accordance with generally accepted accounting principles and may be different from non-GAAP measures used by other companies.

Organic net sales and organic volume are defined as net sales and volume excluding the impact of acquisitions, divestitures and the impact of the 53rd reporting week in 2016. Organic net sales and organic volume exclude the impacts of the acquisition of Justin's (May 2016) in Grocery Products, the acquisition of Fontanini Italian Meats and Sausages (August 2017) and the divestiture of Farmer John (January 2017), in Refrigerated Foods, the divestiture of Diamond Crystal Brands (May 2016) from Grocery Products, and the acquisition of Ceratti (August 2017) in International. The tables below show the calculations to reconcile from the non-GAAP adjusted measures to the GAAP measures in the fourth quarter and the full year of fiscal 2016 and fiscal 2017.

4th Quarter

Volume (lbs.)

(in thousands)	FY 2017 Reported (GAAP)	Acquisitions	Divestitures	Organic (Non-GAAP)	FY 2016 Reported (GAAP)	Divestitures	53rd Week	Organic (Non-GAAP)	Organic % change
Grocery Products	366,485	—	—	366,485	385,439	—	(27,531)	357,908	2.4
Refrigerated Foods	547,196	(16,727)	—	530,469	658,506	(95,246)	(40,233)	523,027	1.4
	270,175	—	—	270,175	291,587	—	(20,828)	270,759	(0.2)

Jennie-O Turkey Store									
International & Other	91,414	(7,884)	—	83,530	85,454	—	(6,104)	79,350	5.3
Total Volume	1,275,270	(24,611)	—	1,250,659	1,420,986	(95,246)	(94,696)	1,231,044	1.6

Net Sales

	FY 2017				FY 2016				
(in thousands)	Reported (GAAP)	Acquisitions	Divestitures	Organic (Non-GAAP)	Reported (GAAP)	Divestitures	53rd Week	Organic (Non-GAAP)	Organic % change
Grocery Products	$685,961	$—	$ —	$685,961	$708,398	$—	$(50,600)	$657,798	4.3
Refrigerated Foods	1,166,661	(44,450)	—	1,122,211	1,237,276	(123,256)	(79,573)	1,034,447	8.5
Jennie-O Turkey Store	484,856	—	—	484,856	541,409	—	(38,672)	502,737	(3.6)
International & Other	155,130	(9,152)	—	145,978	140,858	—	(10,061)	130,797	11.6
Total Net Sales	$2,492,608	$(53,602)	$ —	$2,439,006	$2,627,941	$(123,256)	$(178,906)	$2,325,779	4.9

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Full Year

Volume (lbs.)

	FY 2017				FY 2016				
(in thousands)	Reported (GAAP)	Acquisitions	Divestitures	Organic (Non-GAAP)	Reported (GAAP)	Divestitures	53rd Week	Organic (Non-GAAP)	Organic % change
Grocery Products	1,374,665	(6,430)	—	1,368,235	1,489,469	(133,733)	(27,531)	1,328,205	3.0
Refrigerated Foods	2,180,407	(16,727)	(80,454)	2,083,226	2,493,358	(375,017)	(40,233)	2,078,108	0.2
Jennie-O Turkey Store	890,518	—	—	890,518	902,073	—	(20,828)	881,245	1.1
International & Other	324,895	(7,884)	—	317,011	307,127	—	(6,104)	301,023	5.3
Total Volume	4,770,485	(31,041)	(80,454)	4,658,990	5,192,027	(508,750)	(94,696)	4,588,581	1.5

Net Sales

	FY 2017				FY 2016				
(in thousands)	Reported (GAAP)	Acquisitions	Divestitures	Organic (Non-GAAP)	Reported (GAAP)	Divestitures	53rd Week	Organic (Non-GAAP)	Organic % change
Grocery Products	$2,555,613	$(43,146)	$—	$2,512,467	$2,623,890	$(140,084)	$(50,600)	$2,433,206	3.3
Refrigerated Foods	4,403,732	(44,450)	(100,231)	4,259,051	4,647,173	(493,618)	(79,573)	4,073,982	4.5
Jennie-O Turkey Store	1,663,160	—	—	1,663,160	1,740,968	—	(38,672)	1,702,296	(2.3)
International & Other	545,014	(9,152)	—	535,862	511,193	—	(10,061)	501,132	6.9
Total Net Sales	$9,167,519	$(96,748)	$(100,231)	$8,970,540	$9,523,224	$(633,702)	$(178,906)	$8,710,616	3.0

The impact of one fewer week in fiscal 2017 was the primary driver for lower sales in the fourth quarter. International & Other posted sales growth in the fourth quarter while the other four segments showed declines. For the full year, sales declined in Grocery Products and Refrigerated Foods due to the divestitures of DCB and Farmer John. JOTS sales were lower for the fourth quarter and fiscal year due to the impact of record low commodity prices.

Cost of Products Sold

	Fourth Quarter Ended			Year Ended		
	October 29,	October 30,		October 29,	October 30,	
(in thousands)	2017	2016	% Change	2017	2016	% Change
Cost of products sold	$1,981,054	$2,029,421	(2.4)	$7,164,356	$7,365,049	(2.7)

The decrease in cost of products sold for the fourth quarter of fiscal 2017 is primarily a result of the divestiture of Farmer John, which was partially offset by the acquisitions of Fontanini and Ceratti. For the full year, cost of products sold decreased due to the divestiture of Farmer John.

Gross Profit

	Fourth Quarter Ended			Year Ended		
(in thousands)	October 29, 2017	October 30, 2016	% Change	October 29, 2017	October 30, 2016	% Change
Gross profit	$511,554	$598,520	(14.5)	$2,003,163	$2,158,175	(7.2)
Percentage of net sales	20.5 %	22.8 %		21.8 %	22.7 %	

Lower margins from the JOTS, Refrigerated Foods, and Grocery Products segments in the fourth quarter of fiscal 2017 more than offset improved results in the International & Other segment. The lower gross profit for JOTS was due to lower commodity meat prices. Refrigerated Foods and Grocery Products segment margins were impacted by higher input costs, though Grocery Products margins finished marginally up for the year. The International & Other segment delivered higher gross margins for the fourth quarter due to improved multinational business results and stronger branded exports. Full year margins also benefited from strong pork exports.

Selling, General and Administrative (SG&A)

	Fourth Quarter Ended			Year Ended		
(in thousands)	October 29, 2017	October 30, 2016	% Change	October 29, 2017	October 30, 2016	% Change
SG&A	$194,218	$244,006	(20.4)	$762,104	$871,974	(12.6)
Percentage of net sales	7.8 %	9.3 %		8.3 %	9.2 %	

Selling, general and administrative expenses decreased as the Company reduced advertising expenses by $68.6 million and incurred lower employee-related expenses.

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Research and development expenses were $8.2 million and $34.2 million for the fiscal 2017 fourth quarter and year, respectively, compared to $9.6 million and $34.7 million for the corresponding periods in fiscal 2016.

Goodwill/Intangible Impairment: Impairment charges related to an indefinite-lived intangible asset of $0.2 million were recorded in the fourth quarter of fiscal 2017. Goodwill impairment charges related to the divestiture of DCB of $1.0 million were recorded in the second quarter of fiscal 2016.

Equity in Earnings of Affiliates

	Fourth Quarter Ended			Year Ended		
	October 29,	October 30,		October 29,	October 30,	
(in thousands)	2017	2016	% Change	2017	2016	% Change
Equity in earnings of affiliates	$12,214	$ 11,236	8.7	$39,590	$ 38,685	2.3

The increase for both the fourth quarter and fiscal 2017 was largely the result of improved earnings from the Company's 50 percent-owned MegaMex joint venture.

The Company accounts for its majority-owned operations under the consolidation method. Investments in which the Company owns a minority interest, and which there are no other indicators of control, are accounted for under the equity or cost method. These investments, along with receivables from other affiliates, are included in the Consolidated Statements of Financial Position as investments in and receivables from affiliates. The composition of this line item at October 29, 2017, was as follows:

(in thousands)	Investments/Receivables
Country	
United States	$ 177,657
Foreign	64,712
Total	$ 242,369

Effective Tax Rate

	Fourth Quarter Ended		Year Ended	
	October 29, 2017	October 30, 2016	October 29, 2017	October 30, 2016
Effective tax rate %	33.8 %	33.0 %	33.7 %	32.4 %

The fiscal 2017 rate was higher as the fiscal 2016 rate benefited from a foreign tax credit.

Segment Results

Net sales and operating profits for each of the Company's reportable segments are set forth below. The Company is an integrated enterprise, characterized by substantial intersegment cooperation, cost allocations, and sharing of assets. Therefore, the Company does not represent that these segments, if operated independently, would report the operating profit and other financial information shown below. (Additional segment financial information can be found in Note P "Segment Reporting.")

	Fourth Quarter Ended			Year Ended		
	October 29,	October 30,		October 29,	October 30,	
(in thousands)	2017	2016	% Change	2017	2016	% Change
Net Sales						

Grocery Products	$685,961	$708,398	(3.2)	$2,555,613	$2,623,890	(2.6)
Refrigerated Foods	1,166,661	1,237,276	(5.7)	4,403,732	4,647,173	(5.2)
Jennie-O Turkey Store	484,856	541,409	(10.4)	1,663,160	1,740,968	(4.5)
International & Other	155,130	140,858	10.1	545,014	511,193	6.6
Total Net Sales	$2,492,608	$2,627,941	(5.1)	$9,167,519	$9,523,224	(3.7)
Segment Operating Profit						
Grocery Products	$104,848	$102,916	1.9	$387,637	$379,378	2.2
Refrigerated Foods	145,613	168,040	(13.3)	587,929	585,652	0.4
Jennie-O Turkey Store	70,370	92,299	(23.8)	247,322	329,427	(24.9)
International & Other	23,113	19,570	18.1	85,304	78,409	8.8
Total Segment Operating Profit	343,944	382,825	(10.2)	1,308,192	1,372,866	(4.7)
Net interest and investment (income) expense	(639)	1,017	(162.8)	1,824	6,680	(72.7)
General corporate expense	14,783	17,325	(14.7)	28,091	49,436	(43.2)
Noncontrolling interest	209	250	(16.4)	368	465	(20.9)
Earnings Before Income Taxes	$330,009	$364,733	(9.5)	$1,278,645	$1,317,215	(2.9)

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Grocery Products: Results for the Grocery Products segment compared to the prior year are as follows:

	Fourth Quarter Ended			Year Ended		
	October 29,	October 30,		October 29,	October 30,	
(in thousands)	2017	2016	% Change	2017	2016	% Change
Volume (lbs.)	366,485	385,439	(4.9)	1,374,665	1,489,469	(7.7)
Net sales	$685,961	$ 708,398	(3.2)	$2,555,613	$2,623,890	(2.6)
Segment profit	104,848	102,916	1.9	387,637	379,378	2.2

Full-year results reflect the addition of Justin's, acquired on May 25, 2016, in addition to increased sales of Wholly Guacamole® dips, Herdez® salsas, and the SPAM® family of products. Results were offset by the impact of one fewer week compared to fiscal 2016. The volume, sales, and segment profit for the fourth quarter and fiscal year were also negatively offset by increased competitive activity for Muscle Milk® ready-to-drink protein beverages in the convenience store channel stemming from the impact of the recall in fiscal 2016.

Refrigerated Foods: Results for the Refrigerated Foods segment compared to the prior year are as follows:

	Fourth Quarter Ended			Year Ended		
	October 29,	October 30,		October 29,	October 30,	
(in thousands)	2017	2016	% Change	2017	2016	% Change
Volume (lbs.)	547,196	658,506	(16.9)	2,180,407	2,493,358	(12.6)
Net sales	$1,166,661	$1,237,276	(5.7)	$4,403,732	$4,647,173	(5.2)
Segment profit	145,613	168,040	(13.3)	587,929	585,652	0.4

The results for the fourth quarter and fiscal year reflect the January 2017 divestiture of Farmer John, resulting in lower sales and volume in fiscal 2017. The results of Fontanini have been included as of the date of acquisition on August 24, 2017. Product lines showing exceptional sales growth for the quarter include foodservice sales of Hormel® Bacon 1™ fully cooked bacon and Hormel® Fire Braised™ meats along with retail sales of Hormel® Natural Choice® meats. Segment profit was impacted by the divestiture of Farmer John, which was partially offset by the addition of Fontanini and strong value-added product growth.

Jennie-O Turkey Store: Results for the JOTS segment compared to the prior year are as follows:

	Fourth Quarter Ended			Year Ended		
	October 29,	October 30,		October 29,	October 30,	
(in thousands)	2017	2016	% Change	2017	2016	% Change
Volume (lbs.)	270,175	291,587	(7.3)	890,518	902,073	(1.3)
Net sales	$484,856	$ 541,409	(10.4)	$1,663,160	$1,740,968	(4.5)
Segment profit	70,370	92,299	(23.8)	247,322	329,427	(24.9)

Net sales, volume, and segment profit were lower than last year as the segment continued to be impacted by higher industry supply and corresponding lower commodity meat prices. Pricing pressure from competing proteins and higher expenses also contributed to the lower results for the full year.

Segment profit for the fourth quarter was lower than last year as continued softness in the commodity and whole turkey markets and a more competitive industry environment pressured value-added margins.

International & Other: Results for the International & Other segment compared to the prior year are as follows:

	Fourth Quarter Ended	Year Ended

(in thousands)	October 29, 2017	October 30, 2016	% Change	October 29, 2017	October 30, 2016	% Change
Volume (lbs.)	91,414	85,454	7.0	324,895	307,127	5.8
Net sales	$155,130	$ 140,858	10.1	$545,014	$ 511,193	6.6
Segment profit	23,113	19,570	18.1	85,304	78,409	8.8

Volume and sales for the fourth quarter were driven by improved export sales of Skippy® peanut butter products and SPAM® luncheon meat and also reflect the September 2017 acquisition of the Ceratti® brand. For the fiscal year, improved market conditions resulted in an overall increase in export sales. In China, the Skippy® peanut butter business continued to grow in both retail and foodservice channels and the Company's meat business experienced more favorable markets throughout fiscal 2017.

Segment profit results for both the fourth quarter and fiscal year primarily reflect better margins for the China business and improved exports of branded items.

Unallocated Income and Expense: The Company does not allocate investment income, interest expense, and interest income to its segments when measuring performance. The Company also retains various other income and unallocated expenses at

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corporate. Equity in earnings of affiliates is included in segment operating profit; however, earnings attributable to the Company's noncontrolling interests are excluded. These items are included in the segment table for the purpose of reconciling segment results to earnings before income taxes.

	Fourth Quarter Ended		Year Ended	
	October 29,	October 30,	October 29,	October 30,
(in thousands)	2017	2016	2017	2016
Net interest and investment income	$4,216	$ 2,271	$10,859	$ 6,191
Interest expense	(3,577)	(3,288)	(12,683)	(12,871)
General corporate expense	(14,783)	(17,325)	(28,091)	(49,436)
Noncontrolling interest	209	250	368	465

Net interest and investment expense was lower in fiscal 2017 than in fiscal year 2016 due to higher interest income, favorable currency exchange, and improved returns on the rabbi trust. General corporate expense was lower for both the fourth quarter and fiscal year primarily reflecting lower employee-related expenses.

Liquidity and Capital Resources

Cash and cash equivalents were $459.1 million at the end of fiscal 2018 compared to $444.1 million at the end of fiscal 2017 and $415.1 million at the end of fiscal 2016.

During fiscal 2018, cash provided by operating activities was $1,241.7 million compared to $1,033.9 million in fiscal 2017 and $1,040.0 million in fiscal 2016. The increase in fiscal 2018 was primarily due to a lower tax rate and improvements in working capital.

Cash used in investing activities increased to $1,235.4 million in fiscal 2018 from $587.2 million in fiscal 2017 and $408.5 million in fiscal 2016. Fiscal 2018 included $857.4 million to purchase Columbus. Fiscal 2017 included $520.5 million to purchase Fontanini and Ceratti, partially offset by the sale of Farmer John for $135.9 million. Fiscal 2016 included $280.9 million to purchase Justin's, partially offset by the sale of DCB for $110.1 million. Capital expenditures in fiscal 2018 increased to $389.6 million, from $221.3 million in 2017, and $255.5 million in 2016. Projects in fiscal 2018 included the expansion of value-added capacity at Dold Foods in Wichita, Kansas, a highly automated whole bird facility in Melrose, Minnesota, and ongoing investments for food and employee safety. Projects in fiscal 2017 included completion of the Company's plant in Jiaxing, China, replacement of the JOTS whole bird production facility in Melrose, Minnesota, and the bacon expansion in Wichita, Kansas. Capital expenditures in fiscal 2016 are primarily related to the Company's new plant in Jiaxing, China, and a lean ground turkey expansion at JOTS. Capital expenditures for fiscal 2019 are estimated to be approximately $350.0 million. Major projects include the expansion of value-added capacity, investments to improve efficiencies, and expanded automation in the Company's operations.

Cash provided by financing activities was $11.6 million in fiscal 2018 compared to cash used in financing activities of $418.8 million in fiscal 2017 and $557.3 million in fiscal 2016. In connection with the purchase of Columbus, the Company borrowed $375.0 million under a revolving credit facility, which was paid off during the year, and $375.0 million under a term loan facility, which was paid off during the year. The Company repurchased $46.9 million of its common stock in fiscal 2018 compared to $94.5 million and $87.9 million repurchased during fiscal 2017 and 2016, respectively. For additional information pertaining to the Company's share repurchase plans or programs, see Part II, Item 2 "Unregistered Sales of Equity Securities and Use of Proceeds."

During fiscal 2018, the Company repurchased 1.4 million shares of its common stock at an average price per share of $33.86. During fiscal 2017, the Company repurchased 2.7 million shares of its common stock at an average price per share of $34.51. During fiscal 2016, the Company repurchased 2.4 million shares of its common stock at an average price per share of $36.84. On January 29, 2013, the Company's Board of Directors authorized the repurchase of 10.0 million shares of its common stock with no expiration date, which was adjusted for the stock split during the first quarter of fiscal 2016. As of the end of fiscal 2018, there were 9.1 million shares remaining for repurchase under that authorization.

Cash dividends paid to the Company's shareholders continues to be an ongoing financing activity for the Company, with $388.1 million in dividends paid in fiscal 2018 compared to $346.0 million in the fiscal 2017 and $296.5 million in fiscal 2016. The dividend rate was $0.75 per share in fiscal 2018, which reflected a 10.3 percent increase over the fiscal 2017 rate of $0.68 per share. The Company has paid dividends for 361 consecutive quarters. The annual dividend rate for fiscal 2019 was increased 12.0 percent to $0.84 per share, representing the 53rd consecutive annual dividend increase.

Cash flows from operating activities continue to provide the Company with its principal source of liquidity. The Company does not anticipate a significant risk to cash flows from this source in the foreseeable future because the Company operates in a relatively stable industry and has strong brands across many categories and channels.

The Company is dedicated to returning excess cash flow to shareholders through dividend payments. Growing the business through innovation and evaluating opportunities for strategic acquisitions remains a focus for the Company. Reinvestments in

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the business to ensure employee and food safety are a top priority for the Company. Capital spending to enhance and expand current operations will also be a significant cash outflow in fiscal 2019.

Contractual Obligations and Commercial Commitments

The following table outlines the Company’s future contractual financial obligations as of October 28, 2018, (for additional information regarding these obligations, see Note F “Long-term Debt and Other Borrowing Arrangements” and Note N “Commitments and Contingencies"):

	Payments Due by Periods				
Contractual Obligations (in thousands)	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Purchase obligations:					
Hog and turkey commitments[1]	$2,381,549	$1,013,544	$1,071,379	$278,100	$18,526
Grain commitments[1]	116,100	114,718	1,382	—	—
Turkey grow-out contracts[2]	151,430	19,522	33,441	28,574	69,893
Current and long-term debt	624,840	—	624,840	—	—
Interest payments on long-term debt[3]	29,484	14,412	15,072	—	—
Leases	62,470	12,886	15,984	9,754	23,846
Other long-term liabilities[4] [5]	64,839	6,420	11,919	11,189	35,311
Total Contractual Cash Obligations	$3,430,712	$1,181,502	$1,774,017	$327,617	$147,576

(1) In the normal course of business, the Company commits to purchase fixed quantities of livestock, grain, and raw materials from producers to ensure a steady supply of production inputs. Some of these contracts are based on market prices at the time of delivery, for which the Company has estimated the purchase commitment using current market prices as of October 28, 2018.

(2) The Company utilizes grow-out contracts with independent farmers to raise turkeys for the Company. Under these contracts, the turkeys, feed, and other supplies are owned by the Company. The farmers provide the required labor and facilities, and receive a fee per pound when the turkeys are delivered. Some of the facilities are sub-leased by the Company to the independent farmers. As of October 28, 2018, the Company had approximately 100 active contracts ranging from one to twenty-five years in duration. The grow-out activity is assumed to continue through the term of these active contracts, and amounts in the table represent the Company’s obligation based on turkeys expected to be delivered from these farmers.

(3) See Note F, "Long-term Debt and Other Borrowing Arrangements".

(4) Other long-term liabilities represent payments under the Company’s deferred compensation plans. Excluded from the table above are payments under the Company’s defined benefit pension and other post-retirement benefit plans. (See estimated benefit payments for the next ten fiscal years in Note G “Pension and Other Post-retirement Benefits.”)

(5) As discussed in Note K "Income Taxes," the total liability for unrecognized tax benefits, including interest and penalties, at October 28, 2018, was $26.3 million, which is not included in the table above as the ultimate amount or timing of settlement of the Company's reserves for income taxes cannot be reasonably estimated.

In addition to the commitments set forth in the above table, at October 28, 2018, the Company had $45.5 million in standby letters of credit issued on behalf of the Company. The standby letters of credit are primarily related to the Company’s self-insured workers compensation programs.

The Company believes its financial resources, including a revolving credit facility for $400.0 million and anticipated funds from operations, will be adequate to meet all current commitments.

Off-Balance Sheet Arrangements

As of October 28, 2018, the Company had $45.5 million of standby letters of credit issued on its behalf. The standby letters of credit are primarily related to the Company’s self-insured workers compensation programs. However, this amount includes revocable standby letters of credit totaling $2.4 million for obligations of an affiliated party that may arise under workers compensation claims. Letters of credit are not reflected in the Company’s Consolidated Statements of Financial Position.

Trademarks

References to the Company’s brands or products in italics within this report represent valuable trademarks owned or licensed by
Hormel Foods, LLC or other subsidiaries of Hormel Foods Corporation.

Forward-Looking Statements

This report contains “forward-looking” information within the meaning of the federal securities laws. The “forward-looking” information may include statements concerning the Company’s outlook for the future as well as other statements of beliefs, future plans, strategies, or anticipated events and similar expressions concerning matters that are not historical facts.

The Private Securities Litigation Reform Act of 1995 (the Reform Act) provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information. The Company is filing this cautionary statement in connection with the Reform Act. When used in the Company’s Annual Report to Stockholders, other filings by the Company with the U.S. Securities and Exchange Commission, the Company's press releases, and oral statements made by the Company's representatives, the words or phrases "should result," "believe," "intend," "plan," "are expected to," "targeted," "will continue," "will approximate," "is anticipated," "estimate," "project," or similar expressions are intended to identify forward-looking statements within the meaning of the Reform Act. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those anticipated or projected.

In connection with the “safe harbor” provisions of the Reform Act, the Company is identifying risk factors that could affect financial performance and cause the Company’s actual results to differ materially from opinions or statements expressed with respect to future periods. The following discussion of risk factors contains certain cautionary statements regarding the Company’s business, which should be considered by investors and others. Such risk factors should be considered in conjunction with any discussions of operations or results by the Company or its representatives, including any forward-looking discussion, as well as comments contained in press releases, presentations to securities analysts or investors, or other communications by the Company.

In making these statements, the Company is not undertaking, and specifically declines to undertake, any obligation to address or update each or any factor in future filings or communications regarding the Company’s business or results, and is not undertaking to address how any of these factors may have caused changes to discussions or information contained in previous filings or communications. Though the Company has attempted to list comprehensively these important cautionary risk factors, the Company wishes to caution investors and others that other factors may in the future prove to be important in affecting the Company’s business or results of operations.

The Company cautions readers not to place undue reliance on forward-looking statements, which represent current views as of the date made. Forward-looking statements are inherently at risk to any changes in the national and worldwide economic environment, which could include, among other things, economic conditions, political developments, currency exchange rates, interest and inflation rates, accounting standards, taxes, and laws and regulations affecting the Company and its markets.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Hog Markets: The Company’s earnings are affected by fluctuations in the live hog market. To minimize the impact on earnings, and to ensure a steady supply of quality hogs, the Company has entered into contracts with producers for the purchase of hogs at formula-based prices over periods of up to 10 years. Purchased hogs under contract accounted for 96 percent of the total hogs purchased by the Company during fiscal 2018 and 2017. The majority of these contracts use market-based formulas based on hog futures, hog primal values, or industry reported hog markets. Other contracts use a formula based on the cost of production, which can fluctuate independently from hog markets. The Company’s value-added branded portfolio helps mitigate changes in hog and pork market prices. Therefore, a hypothetical 10 percent change in the cash hog market would have had an immaterial effect on the Company’s results of operations.

In the second quarter of 2017, the Company initiated a hedge program to offset the fluctuation in the Company’s future direct hog purchases. This program utilizes lean hog futures, and these contracts are accounted for under cash flow hedge accounting. The fair value of the Company’s open futures contracts in this program as of October 28, 2018, was $0.7 million, before tax, compared to $1.7 million, before tax, as of October 29, 2017. The Company measures its market risk exposure on its lean hog futures contracts using a sensitivity analysis, which considers a hypothetical 10 percent change in the market prices for lean hogs. A 10 percent decrease in the market price for lean hogs would have negatively impacted the fair value of the Company’s October 28, 2018, open lean hog contracts by $2.5 million, which in turn would lower the Company’s future cost on purchased hogs by a similar amount.

Turkey Production Costs: The Company raises or contracts for live turkeys to meet the majority of its raw material supply requirements. Production costs in raising turkeys are subject primarily to fluctuations in feed prices and, to a lesser extent, fuel costs. Under normal, long-term market conditions, changes in the cost to produce turkeys are offset by proportional changes in the turkey market.

To reduce the Company’s exposure to changes in grain prices, the Company utilizes a hedge program to offset the fluctuation in the Company’s future direct grain purchases. This program utilizes corn futures for JOTS, and these contracts are accounted for under cash flow hedge accounting. The fair value of the Company’s open futures contracts as of October 28, 2018, was $(1.3) million compared to $(2.2) million, before tax, as of October 29, 2017. The Company measures its market risk exposure on its grain futures contracts using a sensitivity analysis, which considers a hypothetical 10 percent change in the market prices for grain. A 10 percent decrease in the market price for grain would have negatively impacted the fair value of the Company’s October 28, 2018, open grain contracts by $6.7 million, which in turn would lower the Company’s future cost on purchased grain by a similar amount.

Other Input Costs: The costs of raw materials, packaging materials, freight, fuel, and energy may cause the Company's results to fluctuate significantly. To manage input cost volatility, the Company pursues cost saving measures, forward pricing, derivatives, and pricing actions when necessary.

Long-Term Debt: A principal market risk affecting the Company is the exposure to changes in interest rates on the Company’s fixed-rate, long-term debt. Market risk for fixed-rate, long-term debt is estimated as the potential increase in fair value, resulting from a hypothetical 10 percent decrease in interest rates, and amounts to approximately $1.9 million. The fair value of the Company’s long-term debt was estimated using discounted future cash flows based on the Company’s incremental borrowing rates for similar types of borrowing arrangements.

Investments: The Company has corporate-owned life insurance policies classified as trading securities as part of a rabbi trust to fund certain supplemental executive retirement plans and deferred income plans. As of October 28, 2018, the balance of these securities totaled $137.3 million compared to $128.5 million as of October 29, 2017. A majority of these securities represent fixed income funds. The Company is subject to market risk due to fluctuations in the value of the remaining investments, as unrealized gains and losses associated with these securities are included in the Company's net earnings on a mark-to-market basis. A 10 percent decline in the value of the investments not held in fixed income funds would have a direct negative impact to the Company's pretax earnings of approximately $4.3 million, while a 10 percent increase in value would have a positive impact of the same amount.

International Assets: The fair values of certain Company assets are subject to fluctuations in foreign currencies. The Company's net asset position in foreign currencies as of October 28, 2018, was $687.7 million, compared to $781.3 million as of October 29, 2017, with most of the exposure existing in Chinese yuan and Brazilian real. Changes in currency exchange rates impact the fair values of Company assets either currently through the Consolidated Statements of Operations as currency gains/ losses, or by affecting other comprehensive loss.

The Company measures its foreign currency exchange risk by using a 10 percent sensitivity analysis on the Company's primary foreign net asset position, the Chinese yuan and the Brazilian real, as of October 28, 2018. A 10 percent strengthening in the value of the yuan relative to the U.S. dollar would result in other comprehensive income of approximately $51.0 million pretax. A 10 percent weakening in the value of the yuan relative to the U.S. dollar would result in other comprehensive loss of approximately $41.7 million pretax. A 10 percent strengthening in the value of the real relative to the U.S. dollar would result in other comprehensive income of approximately $13.1 million pretax. A 10 percent weakening in the value of the real relative to the U.S. dollar would result in other comprehensive loss of approximately $10.7 million pretax. During fiscal 2018, the value of the Brazilian real declined 21.9 percent. (See Note J for additional details).

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Management

Management's Responsibility for Financial Statements

The accompanying financial statements were prepared by the management of Hormel Foods Corporation which is responsible for their integrity and objectivity. These statements have been prepared in accordance with U.S. generally accepted accounting principles appropriate in the circumstances and, as such, include amounts that are based on our best estimates and judgments.

Hormel Foods Corporation has developed a system of internal controls designed to assure that the records reflect the transactions of the Company and that the established policies and procedures are adhered to. This system is augmented by well-communicated written policies and procedures, a strong program of internal audit, and well-qualified personnel.

These financial statements have been audited by Ernst & Young LLP, an independent registered public accounting firm, and their report is included herein. The audit was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and includes a review of the Company's accounting and financial controls and tests of transactions.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets periodically with the independent auditors, management, and the internal auditors to assure that each is carrying out its responsibilities. Both Ernst & Young LLP and our internal auditors have full and free access to the Audit Committee, with or without the presence of management, to discuss the results of their audit work and their opinions on the adequacy of internal controls and the quality of financial reporting.

Management's Report on Internal Control Over Financial Reporting

Management of Hormel Foods Corporation is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Exchange Act Rule 13a–15(f). The Company's internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting standards. Under the supervision, and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).

Based on our evaluation under the framework in Internal Control - Integrated Framework, we concluded that our internal control over financial reporting was effective as of October 28, 2018. Our internal control over financial reporting as of October 28, 2018, has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

/s/ James P. Snee	/s/ James N. Sheehan
Chairman of the Board,	Senior Vice President
President, Chief Executive Officer, and Director	and Chief Financial Officer

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Report of Independent Registered Public Accounting Firm

To the Shareholders and The Board of Directors of Hormel Foods Corporation

We have audited Hormel Foods Corporation's internal control over financial reporting as of October 28, 2018, based on criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Hormel Foods Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of October 28, 2018, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Hormel Foods Corporation as of October 28, 2018 and October 29, 2017 and the related consolidated statements of comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended October 28, 2018 and the related notes and financial statement schedule listed in the Index at Item 15 (collectively referred to as the consolidated financial statements) and our report dated December 7, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP
Minneapolis, Minnesota
December 7, 2018

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Report of Independent Registered Public Accounting Firm

To the Shareholders and The Board of Directors of Hormel Foods Corporation

Opinion on the Financial Statements

We have audited the consolidated balance sheets of Hormel Foods Corporation (the Company) as of October 28, 2018 and October 29, 2017, the related consolidated statements of comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended October 28, 2018, and the related notes and financial statement schedule listed in the Index at Item 15 (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at October 28, 2018 and October 29, 2017, and the results of its operations and its cash flows for each of the three years in the period ended October 28, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of October 28, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated December 7, 2018 expressed an unqualified opinion thereon.

Basis for Opinion
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP
We have served as the Corporation's auditor since 1931.
Minneapolis, Minnesota
December 7, 2018

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Consolidated Statements of Financial Position

(in thousands, except share and per share amounts)	October 28, 2018	October 29, 2017
Assets		
Current Assets		
Cash and cash equivalents	$459,136	$444,122
Accounts receivable (net of allowance for doubtful accounts of $4,051 at October 28, 2018, and $4,246 at October 29, 2017)	600,438	618,351
Inventories	963,527	921,022
Income taxes receivable	3,995	22,346
Prepaid expenses	16,342	16,144
Other current assets	6,662	4,538
Total Current Assets	2,050,100	2,026,523
Goodwill	2,714,116	2,119,813
Other Intangibles	1,207,219	1,027,014
Pension Assets	195,153	171,990
Investments In and Receivables From Affiliates	273,153	242,369
Other Assets	189,951	184,948
Property, Plant and Equipment		
Land	50,332	51,249
Buildings	956,260	866,855
Equipment	1,863,020	1,710,537
Construction in progress	332,205	148,064
Less: Allowance for depreciation	(1,689,217)	(1,573,454)
Net Property, Plant and Equipment	1,512,600	1,203,251
Total Assets	$8,142,292	$6,975,908
Liabilities and Shareholders' Investment		
Current Liabilities		
Accounts payable	$618,830	$552,714
Accrued expenses	48,298	76,966
Accrued workers compensation	24,594	26,585
Accrued marketing expenses	118,887	101,573
Employee related expenses	224,736	209,562
Taxes payable	2,490	525
Interest and dividends payable	101,079	90,287
Total Current Liabilities	1,138,914	1,058,212
Long-Term Debt – less current maturities	624,840	250,000
Pension and Post-Retirement Benefits	477,557	530,249
Other Long-Term Liabilities	99,070	99,340
Deferred Income Taxes	197,093	98,410
Shareholders' Investment		
Preferred stock, par value $0.01 a share — authorized 160,000,000 shares; issued — none		
Common stock, nonvoting, par value $0.01 a share — authorized 400,000,000 shares; issued — none		

Common stock, par value $0.01465 a share — authorized 1,600,000,000 shares;		
issued 534,135,484 shares October 28, 2018	7,825	7,741
issued 528,423,605 shares October 29, 2017		
Additional paid-in capital	106,528	13,670
Accumulated other comprehensive loss	(243,498)	(248,075)
Retained earnings	5,729,956	5,162,571
Hormel Foods Corporation Shareholders’ Investment	5,600,811	4,935,907
Noncontrolling Interest	4,007	3,790
Total Shareholders’ Investment	5,604,818	4,939,697
Total Liabilities and Shareholders’ Investment	$8,142,292	$6,975,908

See Notes to Consolidated Financial Statements.

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Consolidated Statements of Operations

	Fiscal Year Ended		
(in thousands, except per share amounts)	October 28, 2018	October 29, 2017	October 30, 2016*
Net sales	$9,545,700	$9,167,519	$9,523,224
Cost of products sold	7,550,267	7,164,356	7,365,049
Gross Profit	1,995,433	2,003,163	2,158,175
Selling, general and administrative	838,205	762,104	871,974
Goodwill/intangible impairment	17,279	180	991
Equity in earnings of affiliates	58,972	39,590	38,685
Operating Income	1,198,921	1,280,469	1,323,895
Other income and expense:			
Interest and investment income	8,857	10,859	6,191
Interest expense	(26,494)	(12,683)	(12,871)
Earnings Before Income Taxes	1,181,284	1,278,645	1,317,215
Provision for income taxes	168,702	431,542	426,698
Net Earnings	1,012,582	847,103	890,517
Less: Net earnings attributable to noncontrolling interest	442	368	465
Net Earnings Attributable to Hormel Foods Corporation	$1,012,140	$846,735	$890,052
Net Earnings per Share:			
Basic	$1.91	$1.60	$1.68
Diluted	$1.86	$1.57	$1.64
Weighted-Average Shares Outstanding:			
Basic	530,742	528,363	529,290
Diluted	543,869	539,116	542,473

*Fiscal 2016 included 53 weeks.
See Notes to Consolidated Financial Statements.

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Consolidated Statements of Comprehensive Income

	Fiscal Year Ended		
	October 28,	October 29,	October 30,
(in thousands)	2018	2017	2016*
Net earnings	$1,012,582	$847,103	$890,517
Other comprehensive income (loss), net of tax:			
Foreign currency translation	(38,233)	(1,335)	(6,718)
Pension and other benefits	44,862	54,077	(69,286)
Deferred hedging	(2,277)	(4,492)	5,109
Total Other Comprehensive Income (Loss)	4,352	48,250	(70,895)
Comprehensive Income	1,016,934	895,353	819,622
Less: Comprehensive income attributable to noncontrolling interest	217	390	205
Comprehensive Income Attributable to Hormel Foods Corporation	$1,016,717	$894,963	$819,417

*Fiscal 2016 included 53 weeks.
See Notes to Consolidated Financial Statements.

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Consolidated Statements of Changes in Shareholders' Investment

(in thousands, except per share amounts)	Hormel Foods Corporation Shareholders								
	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total Shareholders' Investment
	Shares	Amount	Shares	Amount					