Section 1: 10-K (10-K)

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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended October 27, 2019
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			Trading Symbol	Name of each exchange on which registered
Common Stock	**$0.01465**	**par value**	**HRL**	**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 ☒ 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 ☒

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 ☒ 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 ☒ No ☐

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	☒	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 ☒

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of April 28, 2019, was $11,072,534,818 based on the closing price of $39.94 on the last business day of the registrant's most recently completed second fiscal quarter.

As of November 29, 2019, the number of shares outstanding of each of the registrant's classes of common stock was as follows:

Common Stock, $0.01465 – Par Value 534,736,743 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 28, 2020, 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

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 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 April 15, 2019, the Company completed the sale of CytoSport, Inc. (CytoSport), which includes the *Muscle Milk*® and *Evolve*® brands, to PepsiCo, Inc., and received final proceeds of $479.8 million. The divestiture resulted in a pretax gain of $16.5 million recognized in Selling, General and Administrative expense and a tax benefit of $17.0 million recognized within the Provision for Income Taxes on the Consolidated Statements of Operations.

On December 3, 2018, the Company completed the sale of its Fremont, Nebraska, processing facility to Wholestone Farms, LLC, for a final purchase price of $30.6 million.

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 a final purchase price of $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 final 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 final 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 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 2019 fiscal year. The Company has not been involved in any bankruptcy, receivership, or similar proceedings during its history.

Segments

The Company develops, processes, and distributes a wide array of food products in a variety of markets. The Company reports results in the following four segments: Grocery Products, Refrigerated Foods, Jennie-O Turkey Store, and International & Other. At the beginning of fiscal 2019, the Hormel Deli Solutions division combined all deli businesses, including the Jennie-O Turkey Store deli division, into one division within the Refrigerated Foods segment. In addition, the ingredients business was realigned from the Grocery Products segment to the Refrigerated Foods segment. Segment results for fiscal years prior to 2019 have been adjusted to reflect these changes. Net sales to unaffiliated customers, operating profit, total assets, and the presentation of certain other financial information by segment, are reported in Note P - Segment Reporting of the Notes to Consolidated Financial Statements and in the Management's Discussion and Analysis of Financial Condition and Results of Operations.

Description of Business

Products and Distribution

The Company’s products primarily consist of meat and other food products sold across multiple distribution channels such as U.S. Retail, U.S. Foodservice, U.S. Deli, and International. Total revenues contributed by classes of similar products and sales channels for the last three fiscal years are reported in Note P - Segment Reporting of the Notes to Consolidated Financial Statements.

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. 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 systems. The Company, through HFIC, has licensed companies to manufacture various products internationally on a royalty basis, with the primary licensees being Danish Crown UK Ltd. and CJ CheilJedang Corporation.

As of October 27, 2019, the Company had approximately 970 direct sales representatives engaged in selling its products globally.

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 for the Company are purchased under supply contracts from producers located principally in Minnesota and Iowa. 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 2019, the Company purchased 93 percent of its hogs under supply contracts.

In fiscal 2019, Jennie-O Turkey Store raised turkeys representing approximately 79 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. Jennie-O Turkey Store’s turkey-raising farms are located throughout Minnesota and Wisconsin.

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

The Company purchases other commodity based raw materials such as beef, pork, and chicken for use across all segments. Raw materials are obtained from various suppliers and manufacturers. The Company has long standing relationships with its sources of raw materials and expects to have an adequate supply for its present needs.

Additionally, the cost and supply of avocados, peanuts, and whey 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.

Manufacturing

The Company manufactures its products through various harvest and processing facilities along with custom manufacturers.

Environmental Matters
In addition to creating economic value, the Company is committed to building social value. The Company recently launched its corporate responsibility platform, *Our Food Journey*™. This journey consists of producing food responsibly for customers and consumers around the world by focusing on investing in people and partners, improving communities around the world, and creating products to improve the lives of others. The capital expenditures associated with these commitments are not material with respect to the Company's capital expenditures, earnings, or competitive position.

Patents and Trademarks
There are numerous patents and trademarks important to the Company's business. The Company holds 34 U.S. issued and 9 foreign patents. Most of the trademarks the Company uses are registered in the U.S. and other countries. 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, DAN'S PRIZE, DI LUSSO, DINTY MOORE, DON MIGUEL, DOÑA MARIA, EMBASA, 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, NATURAL CHOICE, OLD SMOKEHOUSE, OVEN READY, PILLOW PACK, ROSA GRANDE, SKIPPY, SPAM, SPECIAL RECIPE, THICK & EASY, VALLEY FRESH, and WHOLLY.

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 continues to use its trademarks, they are renewed indefinitely.

Customers and Backlog Orders
During fiscal 2019, sales to Walmart Inc. (Walmart) represented approximately 13.5 percent of the Company's revenues (measured as gross sales less returns and allowances), compared to 13.6 percent in fiscal 2018. 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: 45 percent of Grocery Products, 35 percent of Refrigerated Foods, 52 percent of Jennie-O Turkey Store, and 16 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 is 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 2019 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 Jennie-O Turkey Store, 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 then supports higher value perceptions from customers.

Employees
As of October 27, 2019, the Company had approximately 18,800 active domestic and foreign employees.

Available Information

The Company makes available 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 on its website at www.hormelfoods.com. These reports are accessible under the caption, "Investors – Filings & Reports – SEC Filings" on the Company's website and are available as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (SEC). These filings are also available on the SEC's website at www.sec.gov. The documents are available in print, free of charge, to any stockholder who requests them.

Information About Executive Officers

NAME	AGE	CURRENT OFFICE AND PREVIOUS FIVE YEARS EXPERIENCE	DATES
James P. Snee	52	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	64	Executive Vice President and Chief Financial Officer	01/29/19 to Present
		Senior Vice President and Chief Financial Officer	10/31/16 to 01/28/19
		Vice President and Chief Accounting Officer	05/30/16 to 10/30/16
		Vice President and Controller	05/01/00 to 05/29/16
Deanna T. Brady	54	Executive Vice President (Refrigerated Foods)	10/28/19 to Present
		Group Vice President/President Consumer Product Sales	10/26/15 to 10/27/19
		Group Vice President (Foodservice)	10/28/13 to 10/25/15
Thomas R. Day	61	Executive Vice President (Refrigerated Foods)	2/12/18 to Present (retires 01/26/20)
		Group Vice President (Refrigerated Foods)	10/28/13 to 2/11/18
Glenn R. Leitch	59	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
PJ Connor	50	Group Vice President/President Consumer Product Sales	10/28/19 to Present
		Vice President (Senior Vice President Consumer Product Sales)	10/31/11 to 10/27/19
Luis G. Marconi	53	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	57	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	56	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	57	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	55	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
Steven J. Lykken	49	Senior Vice President/President Jennie-O Turkey Store, Inc.	12/04/17 to Present
		President Applegate Farms, LLC	04/11/16 to 12/03/17
		Chief Operating Officer Applegate Farms, LLC	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	52	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.	54	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	47	Vice President and Controller	05/30/16 to Present
		Director of Investor Relations	10/28/13 to 05/29/16
Gary L. Jamison	54	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 the authority to appoint and remove Vice Presidents (other than Executive Vice Presidents, Group Vice Presidents, and Senior Vice Presidents) to the Company's Chief Executive Officer.

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 that may cause food contamination are found generally in livestock and in the environment and thus may be present in our products. These pathogens can also be introduced to our products as a result of improper handling or cooking 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 human 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.

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 such diseases 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.

Most recently, the outbreak of ASF in China has eliminated over 30 percent of that country's hog herd compared to last year, according to the Ministry of Agriculture and Rural Affairs of the People's Republic of China. The disease has also spread to additional countries in Asia and Europe. If an outbreak of ASF were to occur in the United States, the Company's supply of hogs and pork could be materially impacted.

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, that 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.

Jennie-O Turkey Store 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 markets. 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.

The supplies 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 decreased foreign demand and increased domestic supply of proteins, thereby potentially lowering prices. The Company occasionally utilizes in-country production to limit this exposure.

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, whey, and plant-based proteins. The factors 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 factors in the future.

The Company's operations are subject to the general risks associated with acquisitions and divestitures. The Company has made several acquisitions and divestitures in recent years that align with the Company's strategic initiative of delivering long-term value to shareholders. The Company regularly reviews strategic opportunities to grow through acquisitions and to divest non-strategic assets. Potential risks associated with these transactions include the the inability to consummate a transaction on favorable terms, the diversion of management's attention from other business concerns, the potential loss of key employees and customers of current or acquired companies, the inability to integrate or divest operations successfully, the possible assumption of unknown liabilities, potential disputes with buyers or sellers, potential impairment charges if purchase assumptions are not achieved, 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 negatively 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.

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, as well as any modifications, is material to the Company's business. 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 related to additional investigation, assessment or other requirements. 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-attack 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 addition, the Company is in the middle of a transformation project (Project Orion) to achieve better analytics, customer service, and process efficiencies through the use of Oracle Cloud Solutions. This project is expected to improve the efficiency and effectiveness of certain financial and business transaction processes and the underlying systems environment. Implementation is expected to occur in phases over the next several years, beginning in fiscal 2020. Such an implementation is a major undertaking from a financial, management, and personnel perspective. The implementation of the enterprise resource planning system may prove to be more difficult, costly, or time consuming than expected, and there can be no assurance that this system will be beneficial to the extent anticipated.

In an attempt to mitigate these risks, 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 27, 2019, the Company had approximately 18,800 employees worldwide, of which approximately 3,310 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. The union contract at one of the Company's facilities will expire during fiscal 2020, covering less than 200 employees. Negotiations are expected to begin in December 2019.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

The Company's global headquarters are located in Austin, Minnesota. The Company has various processing plants, warehouses, and operational facilities, mainly in the states of Iowa, Minnesota, Illinois, and Wisconsin. The Company maintains a national sales force through strategic placement of sales offices throughout the United States. Properties are also maintained internationally to support global processing and sales. The majority of Company property is owned. Leased property is used as needed for Company production and sales. Property leases range in duration from one to twelve years.

Area* (Square feet)	Refrigerated Foods	Grocery Products	Jennie-O Turkey Store	International & Other	Corporate	Total
Processing Plants	4,528,000	1,648,000	1,987,000	1,243,000		9,406,000
Warehouse/Distribution Centers	497,000	832,000	140,000	79,000		1,548,000
Live Production	815,000		313,000			1,128,000
Administrative/Sales/Research	65,000	6,000	66,000	34,000	559,000	730,000
Total	5,905,000	2,486,000	2,506,000	1,356,000	559,000	12,812,000

*Many of the Company's properties are utilized by more than one segment. These facilities are reflected in the principal segment for presentation purposes. Additionally, turkey growout facilities are excluded.

The Company believes its operating facilities are well maintained and suitable for current production volumes. The Company regularly engages in construction and other capital improvement projects with a focus on value-added capacity projects and automation.

Item 3. LEGAL PROCEEDINGS

The Company is a party to various legal proceedings related to the ongoing operation of its business, including claims both by and against the Company. At any time, such proceedings typically involve claims related to product liability, intellectual property, 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.

PART II

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

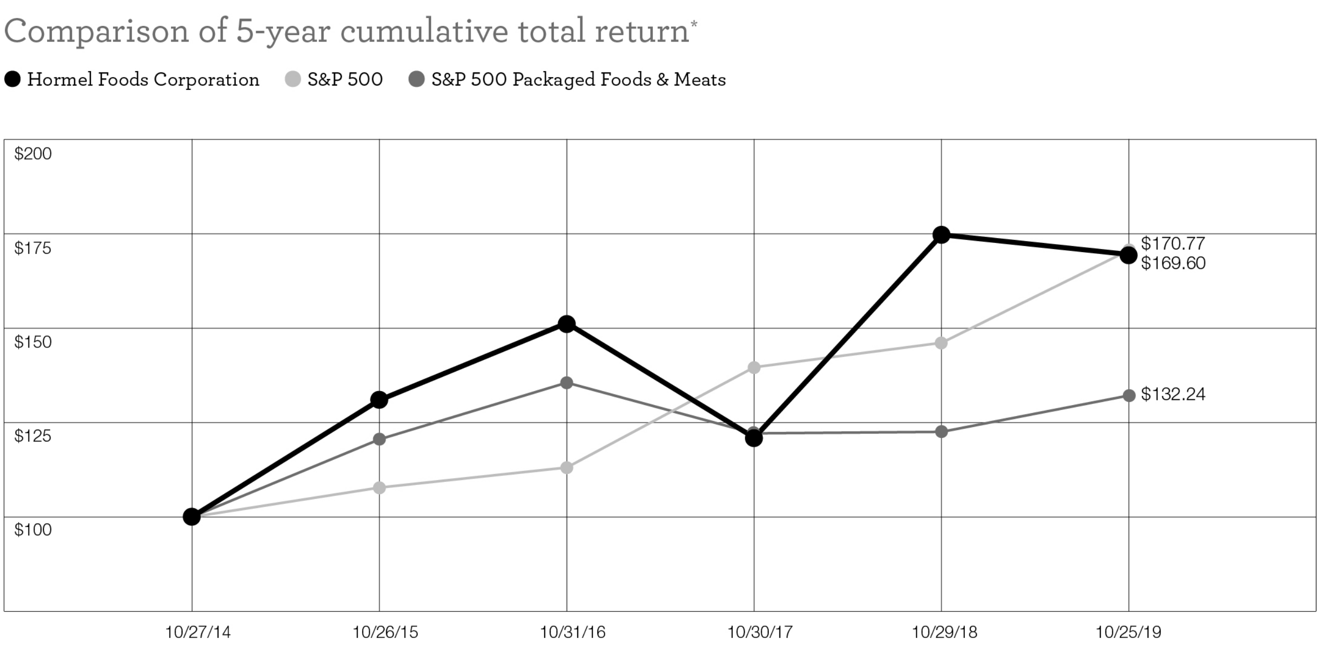
Market information
Hormel Foods Corporation’s common stock is traded on the New York Stock Exchange under the symbol HRL. The CUSIP number is 440452100.

Holders
There are approximately 12,600 record stockholders and 136,000 stockholders whose shares are held in street name by brokerage firms and financial institutions.

There were no issuer purchases of equity securities in the fourth quarter of fiscal 2019. The maximum number of shares that may yet be purchased under the plans or programs as of October 27, 2019 is 4,758,235. On January 29, 2013, the Company's Board of Directors authorized the repurchase of 10,000,000 shares of its common stock with no expiration date. On January 26, 2016, the Board of Directors approved a two-for-one split of the Company’s common stock to be effective January 27, 2016. As part of the stock split resolution, the number of shares remaining to be repurchased was adjusted proportionately.

Dividends
The Company has paid dividends for 365 consecutive quarters. The annual dividend rate for fiscal 2020 was increased 11 percent percent to $0.93 per share, representing the 54th consecutive annual dividend increase. The Company is dedicated to returning excess cash flow to shareholders through dividend payments.

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 27, 2019. The graph assumes $100 was invested in each, as of the market close on October 27, 2014. Note that historic stock price performance is not necessarily indicative of future stock price performance.



* $100 invested on 10/27/14 in stock or index – including reinvestment of dividends.

Item 6. SELECTED FINANCIAL DATA

The information set forth below for the five years ended October 27, 2019, is not necessarily indicative of results of future operations. To fully understand factors that may affect the comparability of the information presented below, this information should be read in conjunction with Part I-Item 1 Business, 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 Financial Statements and Supplementary Data of this Form 10-K.

(in thousands, except per share amounts)	**2019**	2018	2017	2016*	2015**
Operations					
Net Sales	**$ 9,497,317**	$ 9,545,700	$ 9,167,519	$ 9,523,224	$ 9,263,863
Net Earnings Attributable to Hormel Foods Corporation	**978,806**	1,012,140	846,735	890,052	686,088
% of net sales	**10.31%**	10.60%	9.24%	9.35%	7.41%
EBIT(1)	**1,195,923**	1,179,519	1,276,374	1,312,918	1,055,612
% of net sales	**12.59%**	12.36%	13.92%	13.79%	11.39%
EBITDA(2)	**1,361,132**	1,341,377	1,407,351	1,444,886	1,189,046
% of net sales	**14.33%**	14.05%	15.35%	15.17%	12.84%
Return on Invested Capital(3)	**15.63%**	16.24%	16.30%	18.89%	15.47%
Financial Position					
Total Assets	**$ 8,109,004**	$ 8,142,292	$ 6,975,908	$ 6,370,067	$ 6,139,831
Long-term Obligations, including capital leases	**269,713**	624,840	250,000	250,000	250,000
Hormel Foods Corporation Shareholders' Investment	**5,921,458**	5,600,811	4,935,907	4,448,006	3,998,198
Cash Flows					
Capital Expenditures	**293,838**	389,607	221,286	255,524	144,063
Acquisitions of Businesses	**—**	857,668	520,463	280,889	770,587
Proceeds from Sale of Business	**479,806**	—	135,944	110,149	—
Share Repurchase	**174,246**	46,898	94,487	87,885	24,928
Dividends Paid	**437,053**	388,107	346,010	296,493	250,834
Common Stock					
Weighted-Average Shares Outstanding – Basic	**534,578**	530,742	528,363	529,290	528,143
Weighted-Average Shares Outstanding – Diluted	**545,232**	543,869	539,116	542,473	541,002
Earnings Per Share – Basic	**$ 1.83**	$ 1.91	$ 1.60	$ 1.68	$ 1.30
Earnings Per Share – Diluted	**1.80**	1.86	1.57	1.64	1.27
Dividends Declared per Share	**0.84**	0.75	0.68	0.58	0.50
Hormel Foods Corporation Shareholders' Investment per Share	**11.08**	10.49	9.34	8.42	7.57

The Company provides EBIT, EBITDA, and Return on Invested Capital because these measures are useful to management and investors as indicators of operating strength relative to prior years and are commonly used to benchmark the Company's performance. These measures are calculated as follows:

(in thousands)	**2019**	2018	2017	2016*	2015**
(1) EBIT:					
Net Earnings Attributable to Hormel Foods Corporation	**$ 978,806**	$ 1,012,140	$ 846,735	$ 890,052	$ 686,088
Plus: Income Tax Expense	**230,567**	168,702	431,542	426,698	369,879
Plus: Interest Expense	**18,070**	26,494	12,683	12,871	13,111
Less: Interest and Investment Income***	**31,520**	27,817	14,586	16,703	13,466
EBIT	**$ 1,195,923**	$ 1,179,519	$ 1,276,374	$ 1,312,918	$ 1,055,612
(2) EBITDA:					
EBIT per (1) above	**1,195,923**	1,179,519	1,276,374	1,312,918	1,055,612
Plus: Depreciation and Amortization	**165,209**	161,858	130,977	131,968	133,434
EBITDA	**$ 1,361,132**	$ 1,341,377	$ 1,407,351	$ 1,444,886	$ 1,189,046

(3) Return on Invested Capital:					
EBIT per (1) above	**1,195,923**	1,179,519	1,276,374	1,312,918	1,055,612
X (1 – Effective Tax Rate****)	**80.93%**	85.71%	66.24%	67.59%	64.97%
After-tax EBIT	**$ 967,860**	$ 1,010,966	$ 845,470	$ 887,401	$ 685,831
Divided by:					
Total Debt, including capital leases	**269,713**	624,840	250,000	250,000	435,000
Hormel Foods Corporation Shareholders' Investment	**5,921,458**	5,600,811	4,935,907	4,448,006	3,998,198
Total Debt and Shareholders' Investment	**$ 6,191,171**	$ 6,225,651	$ 5,185,907	$ 4,698,006	$ 4,433,198
Return on Invested Capital	**15.63%**	16.24%	16.30%	18.89%	15.47%

* 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.
*** Adjusted due to the adoption of Accounting Standards Update (ASU) 2017-07, *Compensation - Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715)*. See Note A - Summary of Significant Accounting Policies.
**** Excluding earnings attributable to noncontrolling interests.

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

Executive Overview

Fiscal 2019: Sales for the year were $9.5 billion, a 1 percent decline from last year. Sales decreased primarily due to the divestiture of CytoSport. Organic net sales[1] were up 1 percent. ([1]See explanation of non-GAAP financial measures in the Consolidated Results section). Pretax earnings increased 2 percent to $1,209.7 million. Profit growth from the value-added businesses in Refrigerated Foods and lower selling, general and administrative expenses more than offset a significant decline in commodity profits and lower equity in earnings of affiliates. A higher effective tax rate drove net earnings attributable to the Company lower by 3 percent to $978.8 million, compared to net earnings of $1,012.1 million last year. The effective tax rate in fiscal 2019 increased primarily due to the impact of the Tax Cuts and Jobs Act (Tax Act) recognized in fiscal 2018. Diluted earnings per share for fiscal 2019 were $1.80, a 3 percent decrease compared to $1.86 per share last year.

Refrigerated Foods segment results exceeded last year due to growth from the value-added businesses, including strong results from foodservice products such as *Hormel® Firebraised™* meats and pizza toppings. Retail sales of *Hormel® Black Label®* convenience bacon and *Columbus®* deli items also contributed to overall growth, helping to offset a significant decline in commodity profits. The Jennie-O Turkey Store segment was negatively impacted by lost retail distribution due to two voluntary product recalls in the first quarter of fiscal 2019 and low commodity prices resulting from continued industry oversupply. Grocery Products segment financial performance was down due to lower *Skippy®* peanut butter pricing and a reduction in MegaMex Foods, LLC (MegaMex) equity in earnings compared to fiscal 2018. International & Other segment results declined primarily by the impact of tariffs and global trade uncertainty affecting fresh pork exports.

Our Company continued to reinvest into the business through capital expenditures while returning cash back to shareholders in the form of dividends and share repurchases. Capital expenditures were $293.8 million in fiscal 2019. Notable projects included the preliminary phases of the Burke pizza toppings plant expansion, a new dry sausage facility in Nebraska, Project Orion, and many other items to support growth of branded products. The annual dividend for 2020 will be $0.93 per share and marks the 54th consecutive year of dividend increases, representing an increase of 11 percent after a 12 percent increase in fiscal 2019. We repurchased 4.3 million shares of common stock in fiscal 2019, spending $174.2 million.

In December, the Company completed the sale of its Fremont, Nebraska, processing facility to Wholestone Farms, LLC, for $30.6 million. Additionally, in April, the Company completed the sale of its CytoSport business to PepsiCo, Inc., for $479.8 million.

Fiscal 2020 Outlook: We expect to grow sales and pretax profits in fiscal 2020. Our branded, value-added businesses within Refrigerated Foods continue to be well-positioned for growth in the foodservice, retail, and deli channels. Positive momentum in brands such as *Hormel® Bacon 1™*, *Hormel® Natural Choice®*, *Applegate®, Columbus® and Hormel® Fire Braised™* should help mitigate the risk of higher input prices and volatility due to African swine fever. Operational improvements, continued industry recovery, and regained lean ground turkey distribution at Jennie-O Turkey Store are expected to return the segment to growth. The International & Other segment plans to grow sales and earnings while managing through challenges due to African swine fever and global trade uncertainty. We expect contributions from branded items such as the *SPAM®* family of products, *Wholly®* guacamole dips, *Herdez®* salsas and sauces, and *Skippy®* peanut butter to help offset the impact of the CytoSport sale to the Grocery Products segment in fiscal 2019. Additionally, we expect continued cost reductions from our supply chain organization and will begin implementation of Project Orion during fiscal 2020.

We plan to support our numerous iconic brands with continued advertising in fiscal 2020. 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. We will open a new $150 million expansion at our Burke facility in the third quarter of fiscal 2020, which will provide much needed capacity to grow our pizza toppings business in foodservice.

Results of Operations

OVERVIEW

The Company is a processor of branded and unbranded food products for retail, foodservice, deli, and commercial customers. At the beginning of fiscal 2019, the Hormel Deli Solutions division combined all deli businesses, including the Jennie-O Turkey Store deli division, into one division within the Refrigerated Foods segment. In addition, the ingredients business was realigned from the Grocery Products segment to the Refrigerated Foods segment. Periods presented herein have been recast to reflect this change. Periods presented have also been adjusted due to the adoption of Accounting Standards Update (ASU) 2017-07, *Compensation - Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715)*. See Note A - Summary of Significant Accounting Policies for more information.

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 2019, 2018, and 2017.

FISCAL YEARS 2019 AND 2018

CONSOLIDATED RESULTS

Net Earnings and Diluted Earnings Per Share

	Fourth Quarter Ended			Year Ended		
(in thousands, except per share amounts)	**October 27, 2019**	October 28, 2018	% Change	**October 27, 2019**	October 28, 2018	% Change
Net Earnings	**$ 255,503**	$ 261,406	(2.3)	**$ 978,806**	$ 1,012,140	(3.3)
Diluted Earnings Per Share	**0.47**	0.48	(2.1)	**1.80**	1.86	(3.2)

Volume and Net Sales

	Fourth Quarter Ended			Year Ended		
(in thousands)	**October 27, 2019**	October 28, 2018	% Change	**October 27, 2019**	October 28, 2018	% Change
Volume (lbs.)	**1,236,877**	1,265,292	(2.2)	**4,737,281**	4,798,178	(1.3)
Organic Volume[(1)]	**1,236,877**	1,226,641	0.8	**4,737,281**	4,721,637	0.3
Net Sales	**$ 2,501,513**	$ 2,524,697	(0.9)	**$ 9,497,317**	$ 9,545,700	(0.5)
Organic Net Sales[(1)]	**2,501,513**	2,451,049	2.1	**9,497,317**	9,399,603	1.0

[(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 and divestitures. Organic net sales and organic volume exclude the impacts of the CytoSport divestiture (April 2019) in the Grocery Products and International & Other segments. The tables below show the calculations to reconcile from the GAAP measures to the non-GAAP adjusted measures in the fourth quarter and year-to-date of fiscal 2019 and fiscal 2018.

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Reconciliation of Non-GAAP Measures

4th Quarter
Volume (lbs.)

(in thousands)	FY19 Reported (GAAP)	FY 2018 Reported (GAAP)	FY 2018 Divestitures	FY 2018 Organic (Non-GAAP)	Organic % change
Grocery Products	**313,489**	346,214	(37,394)	308,820	1.5
Refrigerated Foods	**598,474**	592,298	—	592,298	1.0
Jennie-O Turkey Store	**242,421**	231,180	—	231,180	4.9
International & Other	**82,493**	95,600	(1,257)	94,343	(12.6)
Total Volume	**1,236,877**	1,265,292	(38,651)	1,226,641	0.8

Net Sales

(in thousands)	FY 2019 Reported (GAAP)	FY 2018 Reported (GAAP)	FY 2018 Divestitures	FY 2018 Organic (Non-GAAP)	Organic % change
Grocery Products	**$ 584,085**	$ 648,244	$ (71,415)	$ 576,829	1.3
Refrigerated Foods	**1,373,009**	1,321,784	—	1,321,784	3.9
Jennie-O Turkey Store	**398,512**	388,278	—	388,278	2.6
International & Other	**145,907**	166,391	(2,233)	164,158	(11.1)
Total Net Sales	**$ 2,501,513**	$ 2,524,697	$ (73,648)	$ 2,451,049	2.1

Full Year
Volume (lbs.)

(in thousands)	FY 2019 Reported (GAAP)	FY 2018 Reported (GAAP)	FY 2018 Divestitures	FY 2018 Organic (Non-GAAP)	Organic % change
Grocery Products	**1,283,492**	1,328,693	(73,915)	1,254,778	2.3
Refrigerated Foods	**2,325,156**	2,327,140	—	2,327,140	(0.1)
Jennie-O Turkey Store	**789,337**	784,655	—	784,655	0.6
International & Other	**339,296**	357,690	(2,626)	355,064	(4.4)
Total Volume	**4,737,281**	4,798,178	(76,541)	4,721,637	0.3

Net Sales

(in thousands)	FY 2019 Reported (GAAP)	FY 2018 Reported (GAAP)	FY 2018 Divestitures	FY 2018 Organic (Non-GAAP)	Organic % change
Grocery Products	**$ 2,369,317**	$ 2,480,367	$ (141,401)	$ 2,338,966	1.3
Refrigerated Foods	**5,210,741**	5,109,881	—	5,109,881	2.0
Jennie-O Turkey Store	**1,323,783**	1,331,013	—	1,331,013	(0.5)
International & Other	**593,476**	624,439	(4,696)	619,743	(4.2)
Total Net Sales	**$ 9,497,317**	$ 9,545,700	$ (146,097)	$ 9,399,603	1.0

The decrease in net sales for the fourth quarter of fiscal 2019 was related primarily to the divestiture of CytoSport. Organic net sales increased 2 percent as increased sales of whole-bird and commodity business at Jennie-O Turkey Store, H*ormel®* *Black Label®* bacon, the *SPAM®* family of products, and *Hormel® Bacon 1™* cooked bacon more than offset lower retail sales at Jennie-O Turkey Store and lower sales of *Skippy®* peanut butter.

For fiscal 2019, the decrease in net sales was related primarily to the divestiture of CytoSport. Organic net sales grew 1 percent over last year driven by strong value-added sales in Refrigerated Foods, led by *Hormel® Bacon 1™* cooked bacon, *Hormel® Fire Braised™* products, and *Hormel® Natural Choice®* items, despite weak retail sales of Jennie-O Turkey Store products and declines in international pork exports.

In fiscal 2020, the Company expects net sales growth with contributions from value-added products and innovation. Momentum in Refrigerated

Foods across the foodservice and retail channels is expected to continue, with meaningful growth coming from brands such as *Hormel® Natural Choice®, Applegate®, Hormel® Bacon 1™*, and *Hormel® Fire Braised™*. The deli division is expected to continue to grow the *Columbus®* brand. 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. Jennie-O Turkey Store is expecting sales growth due to increases in turkey commodity markets and regained distribution of *Jennie-O®* branded products. Growth from products such as *Wholly®* guacamole dips, *Herdez®* salsas and sauces, the *SPAM®* family of products, and *Skippy®* P.B. and Jelly Minis in the Grocery Products segment should offset the impact of the CytoSport divestiture.

Cost of Products Sold

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 27, 2019	October 28, 2018	% Change	**October 27, 2019**	October 28, 2018	% Change
Cost of Products Sold	**$ 2,007,790**	$ 1,991,369	0.8	**$ 7,612,669**	$ 7,566,227	0.6

Cost of products sold for the fourth quarter and full year increased as higher raw material and operational costs more than offset the impact from the divestiture of CytoSport and supply chain cost savings.

Gross Profit

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 27, 2019	October 28, 2018	% Change	**October 27, 2019**	October 28, 2018	% Change
Gross Profit	**$ 493,723**	$ 533,328	(7.4)	**$ 1,884,648**	$ 1,979,473	(4.8)
Percentage of Net Sales	**19.7%**	21.1%		**19.8%**	20.7%	

Consolidated gross profit as a percentage of net sales declined in the fourth quarter due to reduced commodity profitability in Refrigerated Foods and weaker margins for the International & Other segment. For the full year, reduced commodity profitability in Refrigerated Foods, weaker sales mix at Jennie-O Turkey Store, and lower *Skippy*® peanut butter pricing in Grocery Products drove the decline in gross profit as a percentage of net sales.

In fiscal 2020, protein input costs are expected to be higher and demonstrate volatility. This could negatively impact the Refrigerated Foods, Grocery Products, and International & Other segments until pricing can be passed through. Positive mix shift and, higher pricing, if necessary, are expected to mitigate higher input costs. Jennie-O Turkey Store should benefit from improvements to operations, higher commodity markets, and improved sales mix. The global trade environment, potential impact of African swine fever, and market volatility pose the largest threats to the Company's profitability.

Selling, General and Administrative (SG&A)

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 27, 2019	October 28, 2018	% Change	**October 27, 2019**	October 28, 2018	% Change
SG&A	**$ 183,795**	$ 205,287	(10.5)	**$ 727,584**	$ 841,205	(13.5)
Percentage of Net Sales	**7.3%**	8.1%		**7.7%**	8.8%	

For the fourth quarter of fiscal 2019, SG&A expenses decreased primarily due to the CytoSport divestiture. For fiscal 2019, SG&A expenses declined due to the impacts from the CytoSport divestiture and a legal settlement. Selling expenses were also favorable compared to fiscal 2018.

Due to the CytoSport divestiture, advertising investments in the fourth quarter and full year declined.

In fiscal 2020, the Company intends to continue building brand awareness through advertising investments in key brands such as *Hormel® Natural Choice*®, *Hormel® Black Label®, SPAM®, Skippy®, Wholly*®, *Herdez*®, and *Jennie-O*®.

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 $8.4 million and $32.5 million for the fiscal 2019 fourth quarter and year, respectively, compared to $8.7 million and $33.8 million for the corresponding periods in fiscal 2018.

Goodwill/Intangible Impairment

An impairment charge related to the CytoSport trademark totaling $17.3 million was recorded in the fourth quarter of fiscal 2018.

Equity in Earnings of Affiliates

(in thousands)	Fourth Quarter Ended			Year Ended		
	October 27, 2019	October 28, 2018	% Change	**October 27, 2019**	October 28, 2018	% Change
Equity in Earnings of Affiliates	**$ 11,068**	$ 8,814	25.6	**$ 39,201**	$ 58,972	(33.5)

Results for the fourth quarter increased due to improved results from MegaMex. For fiscal 2019, equity in earnings of affiliates was lower due to significantly higher avocado costs negatively impacting MegaMex earnings in the third quarter of 2019 and the effect of a non-operating tax benefit recognized in the first quarter of fiscal 2018.

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 27, 2019, was as follows:

(in thousands)	Investments/Receivables
Country	
United States	$ 218,592
Foreign	70,565
Total	$ 289,157

Effective Tax Rate

	Fourth Quarter Ended		Year Ended	
	October 27, 2019	October 28, 2018	**October 27, 2019**	October 28, 2018
Effective Tax Rate	**21.0%**	18.7%	**19.1%**	14.3%

The 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. Fiscal 2018 included a net tax benefit of $72.9 million representing 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. In addition to tax reform, the tax impacts of the CytoSport divestiture and stock-based compensation were the main drivers of the Company's fiscal 2019 effective tax rates for the fourth quarter and fiscal year compared to the prior year. For additional information, refer to Note K - Income Taxes.

The Company expects the effective tax rate in fiscal 2020 to be between 20.5 and 22.5 percent.

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		
(in thousands)	**October 27, 2019**	October 28, 2018	% Change	**October 27, 2019**	October 28, 2018	% Change
Net Sales						
Grocery Products	**$ 584,085**	$ 648,244	(9.9)	**$ 2,369,317**	$ 2,480,367	(4.5)
Refrigerated Foods	**1,373,009**	1,321,784	3.9	**5,210,741**	5,109,881	2.0
Jennie-O Turkey Store	**398,512**	388,278	2.6	**1,323,783**	1,331,013	(0.5)
International & Other	**145,907**	166,391	(12.3)	**593,476**	624,439	(5.0)
Total Net Sales	**$ 2,501,513**	$ 2,524,697	(0.9)	**$ 9,497,317**	$ 9,545,700	(0.5)
Segment Profit						
Grocery Products	**$ 80,923**	$ 79,082	2.3	**$ 339,497**	$ 353,266	(3.9)
Refrigerated Foods	**189,287**	194,573	(2.7)	**681,763**	670,948	1.6
Jennie-O Turkey Store	**41,031**	38,744	5.9	**117,962**	131,846	(10.5)
International & Other	**17,455**	24,802	(29.6)	**75,513**	88,953	(15.1)
Total Segment Profit	**328,696**	337,201	(2.5)	**1,214,735**	1,245,013	(2.4)
Net Unallocated Expense	**5,065**	15,787	67.9	**5,362**	64,171	(91.6)
Noncontrolling Interest	**63**	90	(30.0)	**342**	442	(22.6)
Earnings Before Income Taxes	**$ 323,694**	$ 321,504	0.7	**$ 1,209,715**	$ 1,181,284	2.4

Grocery Products

(in thousands)	Fourth Quarter Ended October 27, 2019	October 28, 2018	% Change	Year Ended October 27, 2019	October 28, 2018	% Change
Volume (lbs.)	**313,489**	346,214	(9.5)	**1,283,492**	1,328,693	(3.4)
Net Sales	**$ 584,085**	$ 648,244	(9.9)	**$ 2,369,317**	$ 2,480,367	(4.5)
Segment Profit	**80,923**	79,082	2.3	**339,497**	353,266	(3.9)

Net sales increases in the fourth quarter of MegaMex items, including *Don Miguel®* branded items and *Herdez®* salsas and sauces, and from the *SPAM®* family of products were unable to offset the impact of the CytoSport divestiture and lower *Skippy®* peanut butter sales. For fiscal 2019, net sales declined due to the CytoSport divestiture.

Segment profit for the fourth quarter improved due to positive performances from the center store portfolio and MegaMex joint venture which offset lower pricing on *Skippy®* peanut butter spreads and the divestiture of CytoSport. The segment incurred a $17.3 million non-cash impairment in the fourth quarter of 2018 related to the CytoSport business. For fiscal year 2019, segment profit decreased as a result of lower *Skippy®* peanut butter pricing and declines in MegaMex earnings.

Looking ahead to fiscal 2020, the Company anticipates continued positive momentum from MegaMex, including *Herdez®* salsas and sauces and *Wholly®* guacamole dips, the center store portfolio, including the *SPAM®* family of products, and improvement from *Skippy®* peanut butter. These positive catalysts should help to partially offset the impact of the CytoSport divestiture.

Refrigerated Foods

(in thousands)	Fourth Quarter Ended October 27, 2019	October 28, 2018	% Change	Year Ended October 27, 2019	October 28, 2018	% Change
Volume (lbs.)	**598,474**	592,298	1.0	**2,325,156**	2,327,140	(0.1)
Net Sales	**$ 1,373,009**	$ 1,321,784	3.9	**$ 5,210,741**	$ 5,109,881	2.0
Segment Profit	**189,287**	194,573	(2.7)	**681,763**	670,948	1.6

Volume and sales increased for the fourth quarter on strong demand for foodservice items such as *Hormel® Bacon 1™* cooked bacon, pizza toppings, and *Hormel® Fire Braised™* products. Retail sales of *Hormel® Black Label®* bacon, *Applegate®* products, *Hormel® Natural Choice®* products, *Hormel Gatherings®* party trays, and *Columbus®* branded deli items also contributed to the increase. For fiscal 2019, the value-added businesses drove growth, including foodservice brands such as *Hormel® Firebraised™* and *Hormel® Natural Choice®*, *Hormel® Black Label®* retail convenience bacon, and *Columbus®* branded deli items.

Segment profit declined for the fourth quarter as record value-added profits did not offset a 46 percent decline in commodity profits and higher operational expenses. For the full year, segment profit increased as value-added profit growth more than offset a significant decline in commodity profits.

In fiscal 2020, the Company anticipates value-added sales and profit growth in the foodservice, retail, and deli channels. Pork markets are expected to be volatile and pork input costs are expected to be higher due to the impact of African swine fever. This could lead to short-term periods of margin expansion or compression.

Jennie-O Turkey Store

(in thousands)	Fourth Quarter Ended October 27, 2019	October 30, 2018	% Change	Year Ended October 27, 2019	October 30, 2018	% Change
Volume (lbs.)	**242,421**	231,180	4.9	**789,337**	784,655	0.6
Net Sales	**$ 398,512**	$ 388,278	2.6	**$ 1,323,783**	$ 1,331,013	(0.5)
Segment Profit	**41,031**	38,744	5.9	**117,962**	131,846	(10.5)

For the fourth quarter, volume and sales increased as growth from the whole-bird and commodity businesses more than offset lower retail sales. *Jennie-O®* lean ground turkey results improved during the fourth quarter due to the successful execution of advertising and promotional activities in select markets. Net sales for fiscal 2019 declined, as improved commodity and whole-bird sales did not offset a decline in retail sales.

Segment profit for the fourth quarter increased, driven by operational improvements and lower freight expense. For fiscal 2019, lower retail sales, higher-than-expected plant startup expenses, and higher feed costs negatively impacted profitability.

Jennie-O Turkey Store expects operational improvements, continued industry recovery, and regained lean ground turkey distribution to return the segment to growth in 2020.

International & Other

(in thousands)	Fourth Quarter Ended October 27, 2019	October 28, 2018	% Change	Year Ended October 27, 2019	October 28, 2018	% Change
Volume (lbs.)	**82,493**	95,600	(13.7)	**339,296**	357,690	(5.1)
Net Sales	**$ 145,907**	$ 166,391	(12.3)	**$ 593,476**	$ 624,439	(5.0)
Segment Profit	**17,455**	24,802	(29.6)	**75,513**	88,953	(15.1)

Volume, sales, and profit for the fourth quarter of 2019 declined significantly driven by weakness in branded and fresh pork exports and the Company's multinational business in Brazil. Higher pork prices due to African swine fever led to higher input costs in China and Brazil.

For fiscal 2019, volume, sales, and segment profit declined due to weak fresh pork exports which were impact by tariffs and global trade uncertainty. This more than offset strong results from the China business.

Looking ahead to 2020, the International & Other segment anticipates volume, sales, and earnings growth driven by branded exports. Cost inflation in China and Brazil as well as global trade uncertainty remain a 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 the corporate level. Equity in Earnings of Affiliates is included in segment 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.

(in thousands)	Fourth Quarter Ended October 27, 2019	October 28, 2018	Year Ended October 27, 2019	October 28, 2018
Net Unallocated Expense	**5,065**	15,787	**5,362**	64,171
Noncontrolling Interest	**63**	90	**342**	442

Net Unallocated Expense was lower for the fourth quarter due to lower employee related and interest expenses. Net Unallocated Expense for fiscal 2019 decreased due to a one-time gain resulting from the CytoSport divestiture, lower selling and employee-related expenses, and the benefit from a legal settlement.

FISCAL YEARS 2018 AND 2017

Periods presented have been adjusted due to the adoption of Accounting Standards Update (ASU) 2017-07, *Compensation - Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715)*. See Note A - Summary of Significant Accounting Policies for more information.

Periods presented also reflect the segment reorganization announced at the beginning of fiscal 2019, which moved the Jennie-O Turkey Store deli division from the Jennie-O Turkey Store segment and the ingredients business from the Grocery Products segment to the Refrigerated Foods segment.

CONSOLIDATED RESULTS

Net Earnings and Diluted Earnings Per Share

(in thousands, except per share amounts)	Fourth Quarter Ended October 28, 2018	October 29, 2017	% Change	Year Ended 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 October 28, 2018	Fourth Quarter Ended October 29, 2017	% Change	Year Ended October 28, 2018	Year Ended 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 & Other. The tables below show the calculations to reconcile from the non-GAAP adjusted measures to the GAAP measures in the 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 full year of fiscal 2018. The effective tax rate was used to determine the tax effect of the impairment.

4th Quarter
Volume (lbs.)

(in thousands)	FY 2018 Reported (GAAP)	FY 2018 Acquisitions	FY 2018 Organic (Non-GAAP)	FY 2017 Reported (GAAP)	Organic % Change
Grocery Products	346,214	—	346,214	359,976	(3.8)
Refrigerated Foods	592,298	(22,757)	569,541	583,526	(2.4)
Jennie-O Turkey Store	231,180	—	231,180	240,354	(3.8)
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

(in thousands)	FY 2018 Reported (GAAP)	FY 2018 Acquisitions	FY 2018 Organic (Non-GAAP)	FY 2017 Reported (GAAP)	Organic % Change
Grocery Products	$ 648,244	$ —	$ 648,244	$ 671,689	(3.5)
Refrigerated Foods	1,321,784	(102,262)	1,219,522	1,262,051	(3.4)
Jennie-O Turkey Store	388,278	—	388,278	403,738	(3.8)
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.)

(in thousands)	FY 2018 Reported (GAAP)	FY 2018 Acquisitions	FY 2018 Organic (Non-GAAP)	FY 2017 Reported (GAAP)	FY 2017 Divestitures	FY 2017 Organic (Non-GAAP)	Organic % Change
Grocery Products	1,328,693	—	1,328,693	1,352,108	—	1,352,108	(1.7)
Refrigerated Foods	2,327,140	(130,301)	2,196,839	2,315,252	(80,454)	2,234,798	(1.7)
Jennie-O Turkey Store	784,655	—	784,655	778,230	—	778,230	0.8
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	$ 2,480,367	$ —	$ 2,480,367	$ 2,507,503	$ —	$ 2,507,503	(1.1)
Refrigerated Foods	5,109,881	(485,960)	4,623,921	4,759,839	(100,231)	4,659,608	(0.8)
Jennie-O Turkey Store	1,331,013	—	1,331,013	1,355,163	—	1,355,163	(1.8)
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)

4th Quarter and Full Year

Segment Profit and Diluted Earnings Per Share

	FY 2018	
	Grocery Products	
(in thousands)	4th Quarter	Full Year
Non-GAAP Adjusted Segment Profit	$ 96,361	$ 370,545
CytoSport Impairment	(17,279)	(17,279)
GAAP Segment Profit	$ 79,082	$ 353,266

	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 Jennie-O Turkey Store, 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 Jennie-O Turkey Store, the Company's contract manufacturing business and CytoSport in Grocery Products.

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	$ 1,991,369	$ 1,981,681	0.5	$ 7,566,227	$ 7,170,883	5.5

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 Jennie-O Turkey Store segments.

Gross Profit

	Fourth Quarter Ended			Year Ended		
(in thousands)	October 28, 2018	October 29, 2017	% Change	October 28, 2018	October 29, 2017	% Change
Gross Profit	$ 533,328	$ 510,927	4.4	$ 1,979,473	$ 1,996,636	(0.9)
Percentage of Net Sales	21.1%	20.5%		20.7%	21.8%	

Consolidated gross profit as a percentage of net sales declined due to reduced commodity profitability, higher freight costs, and input cost volatility.

Selling, General and Administrative (SG&A)

(in thousands)	Fourth Quarter Ended October 28, 2018	Fourth Quarter Ended October 29, 2017	% Change	Year Ended October 28, 2018	Year Ended October 29, 2017	% Change
SG&A	$ 205,287	$ 193,949	5.8	$ 841,205	$ 759,304	10.8
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.

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	Fourth Quarter Ended October 29, 2017	% Change	Year Ended October 28, 2018	Year Ended 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 October 28, 2018	Fourth Quarter Ended October 29, 2017	Year Ended October 28, 2018	Year Ended 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 additional information, refer to Note K - Income Taxes.

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		
(in thousands)	October 28, 2018	October 29, 2017	% Change	October 28, 2018	October 29, 2017	% Change
Net Sales						
Grocery Products	$ 648,244	$ 671,689	(3.5)	$ 2,480,367	$ 2,507,503	(1.1)
Refrigerated Foods	1,321,784	1,262,051	4.7	5,109,881	4,759,839	7.4
Jennie-O Turkey Store	388,278	403,738	(3.8)	1,331,013	1,355,163	(1.8)
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 Profit						
Grocery Products	$ 79,082	$ 100,457	(21.3)	$ 353,266	$ 373,330	(5.4)
Refrigerated Foods	194,573	166,253	17.0	670,948	666,125	0.7
Jennie-O Turkey Store	38,744	54,121	(28.4)	131,846	183,433	(28.1)
International & Other	24,802	23,113	7.3	88,953	85,304	4.3
Total Segment Profit	337,201	343,944	(2.0)	1,245,013	1,308,192	(4.8)
Net Unallocated Expense	15,787	14,144	11.6	64,171	29,915	114.5
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

	Fourth Quarter Ended			Year Ended		
(in thousands)	October 28, 2018	October 29, 2017	% Change	October 28, 2018	October 29, 2017	% Change
Volume (lbs.)	346,214	359,976	(3.8)	1,328,693	1,352,108	(1.7)
Net Sales	$ 648,244	$ 671,689	(3.5)	$ 2,480,367	$ 2,507,503	(1.1)
Segment Profit	79,082	100,457	(21.3)	353,266	373,330	(5.4)

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.

Refrigerated Foods

	Fourth Quarter Ended			Year Ended		
(in thousands)	October 28, 2018	October 29, 2017	% Change	October 28, 2018	October 29, 2017	% Change
Volume (lbs.)	592,298	583,526	1.5	2,327,140	2,315,252	0.5
Net Sales	$ 1,321,784	$ 1,262,051	4.7	$ 5,109,881	$ 4,759,839	7.4
Segment Profit	194,573	166,253	17.0	670,948	666,125	0.7

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 barbecue 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.

Jennie-O Turkey Store

	Fourth Quarter Ended			Year Ended		
(in thousands)	October 28, 2018	October 29, 2017	% Change	October 28, 2018	October 29, 2017	% Change
Volume (lbs.)	231,180	240,354	(3.8)	784,655	778,230	0.8
Net Sales	$ 388,278	$ 403,738	(3.8)	$ 1,331,013	$ 1,355,163	(1.8)
Segment Profit	38,744	54,121	(28.4)	131,846	183,433	(28.1)

For the fourth quarter and fiscal 2018, volume and sales decreased primarily due to lower whole bird sales.

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.

International & Other

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

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 the corporate level. Equity in earnings of affiliates is included in segment 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
Net Unallocated Expense	15,787	14,144	64,171	29,915
Noncontrolling Interest	90	209	442	368

Net unallocated expense was higher for the fourth quarter and fiscal year, primarily due to the additional debt related to the Columbus acquisition, higher employee related expenses, and the universal stock option grant.

Liquidity and Capital Resources

Cash and Cash Equivalents were $672.9 million for fiscal 2019 compared to $459.1 million and $444.1 million for 2018 and 2017, respectively.

During fiscal 2019, cash provided by operating activities was $923.0 million compared to $1,241.7 million in fiscal 2018 and $1,033.9 million in fiscal 2017. The decrease in fiscal 2019 was primarily due to an increase in working capital and a higher tax rate.

Cash provided by investing activities was $220.2 million in fiscal 2019 compared to cash used in investing activities of $1,235.4 million in fiscal 2018 and $587.2 million in fiscal 2017. Fiscal 2019 included $479.8 million from the sale of CytoSport and $30.6 million from the sale of the Fremont, Nebraska, processing facility. 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. Capital expenditures in fiscal 2019, 2018, and 2017 were $293.8 million, $389.6 million, and $221.3 million, respectively. Projects in fiscal 2019 included the preliminary phases of the Burke pizza toppings plant expansion, a new dry sausage facility in Nebraska, Project Orion, and many other items to support growth of branded products. 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, as well as ongoing investments for food and employee safety. Projects in fiscal 2017 included completion of the Company’s plant in Jiaxing, China, the Jennie-O Turkey Store whole bird facility in Melrose, Minnesota, and the bacon expansion in Wichita, Kansas. Capital expenditures for fiscal 2020 are estimated to be approximately $360.0 million. The largest projects expected in fiscal 2020 include a new dry sausage production facility in Nebraska, Project Orion, and the completion of the Burke pizza toppings plant.

Cash used in financing activities was $926.2 million in fiscal 2019 compared to cash provided by financing activities of $11.6 million in fiscal 2018 and cash used in financing activities of $418.8 million in fiscal 2017. Cash used in financing activities in fiscal 2019 included repayment of the $375.0 million term loan used to fund the acquisition of Columbus in fiscal 2018.

The Company repurchased $174.2 million of its common stock in fiscal 2019 compared to $46.9 million and $94.5 million repurchased during fiscal 2018 and 2017, respectively. During fiscal 2019, the Company repurchased 4.3 million shares of its common stock at an average price per share of $40.44. For additional information pertaining to the Company's share repurchase plan, see Part II, Item 5 "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities".

Cash dividends paid to the Company's shareholders continues to be an ongoing financing activity for the Company, with $437.1 million in dividends paid in fiscal 2019 compared to $388.1 million in the fiscal 2018 and $346.0 million in fiscal 2017. The dividend rate was $0.84 per share in fiscal 2019, which reflected a 12.0 percent increase over the fiscal 2018 rate of $0.75 per share. The Company has paid dividends for 365 consecutive quarters. The annual dividend rate for fiscal 2020 was increased 11% percent to $0.93 per share, representing the 54th 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 the business to ensure employee and food safety are a top priority. Capital spending to enhance and expand current operations will also be a significant cash outflow in fiscal 2020.

Contractual Obligations and Commercial Commitments

The following table outlines the Company's future contractual financial obligations as of October 27, 2019, (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, turkey, and raw material commitments[1]	$ 2,919,870	$ 719,995	$ 1,091,856	$ 772,202	$ 335,817
Grain commitments[1]	117,641	109,517	8,124	—	—
Turkey grow-out contracts[2]	175,926	21,957	40,267	34,630	79,072
Current and Long-term Debt	250,000	—	250,000	—	—
Interest Payments on Long-term Debt[3]	15,072	10,312	4,760	—	—
Capital Leases	22,563	1,834	3,496	3,418	13,815
Operating Leases	67,590	15,603	18,421	11,793	21,773
Other Long-term Liabilities[4] [5]	66,493	6,194	12,077	11,349	36,873
Total Contractual Cash Obligations	$ 3,635,155	$ 885,412	$ 1,429,001	$ 833,392	$ 487,350

(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 27, 2019.

(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 27, 2019, 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. 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 27, 2019, was $22.5 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.

The Company believes its financial resources, including a revolving credit facility for $400 million and anticipated funds from operations, will be adequate to meet all current commitments.

Off-Balance Sheet Arrangements
As of October 27, 2019, the Company had $44.8 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 $2.7 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.

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, judgments, and assumptions that can have a meaningful effect on the reporting of consolidated financial statements. See Note A for a discussion of significant accounting policies.

Critical accounting policies are defined as those reflective of significant judgments, estimates, and uncertainties, which may 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 at the point in time when the performance obligation has been satisfied, and control of the product has transferred to the customer. Obligations for the Company are usually fulfilled once shipped product is received or picked up by the customer. Revenue is recorded net of applicable provisions for discounts, returns, and allowances.

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 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 judgment upon initial valuation. Determining the useful life of an intangible asset also requires judgment. 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 a qualitative assessment 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.

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, 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 2019, the Company completed its annual goodwill impairment tests and elected to perform a qualitative assessment. As a result of the qualitative testing no goodwill impairment charges were recorded. No goodwill impairment charges were recorded during fiscal years 2018 and 2017.

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, discount rates, and royalty 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 fourth quarter of fiscal 2019, the Company completed its annual indefinite-live impairment tests and elected to perform a qualitative assessment. During the qualitative review, it was revealed that further assessment in the form of a quantitative test was necessary for certain indefinite-lived intangible assets with a combined carrying value less than $100 million. No impairment charges were recorded for 2019, however, these assets were determined to have fair values exceeding their carrying value by less than a 10 percent margin. Management has implemented strategies to address the nominal excess value, however, adverse events in the future could result in a decline in fair value that could trigger a future impairment charge for a portion of these indefinite-lived intangible assets. A 10 percent decline in sales or a 10 percent increase in the discount rate would result in an immaterial impairment.

During fiscal 2018, a $17.3 million intangible asset impairment charge was recorded for the CytoSport trademark. See additional discussion regarding the Company's goodwill and intangible assets in Note E - Goodwill and Intangible Assets. During fiscal years 2018 and 2017, there were no other material impairment charges recorded.

Pension and Other Post-retirement Benefits: 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 and the associated liabilities, management must make a variety of assumptions and estimates including mortality rates, discount rates, 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.

Benefit plan assets are stated at fair value. Due to the lack of readily available market prices, private equity investments are valued by models using a combination of available market data and unobservable inputs that consider earnings multiples, discounted cash flows, and other qualitative and quantitative factors. Other benefit plan investments are measured at Net Asset Value (NAV) per share of the fund's underlying investments as a practical expedient. These valuations are subject to judgments and assumptions of the funds which may prove to be incorrect, resulting in risks of incorrect valuation of these investments. The Company seeks to mitigate these risks by evaluating the appropriateness of the funds' judgments and assumptions by reviewing the financial data included in the funds' financial statements for reasonableness. The Company also holds quarterly meetings with the investment adviser to review fund performance, which include comparisons to the relevant indices. On an annual basis, the Company performs pricing tests on certain underlying investments to gain additional assurance of the reliability of values received from the fund manager. See Note G - Pension and Other Post-retirement Benefits of the Notes to Consolidated Financial Statements for additional information.

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.

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. 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 ongoing operation of its business, including claims both by and against the Company. 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. 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.

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 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. Hogs purchased under contract accounted for 93 percent and 96 percent of the total hogs purchased by the Company during fiscal 2019 and 2018, respectively. 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.

The Company utilizes a hedge program to reduce exposure and offset the fluctuations in the Company’s future direct hog purchases. This program utilizes lean hog futures which are accounted for under cash flow hedge accounting. The fair value of the Company’s open futures contracts in this program as of October 27, 2019, was $5.8 million, before tax, compared to $0.7 million, before tax, as of October 28, 2018. 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 27, 2019, open lean hog contracts by $19.5 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.

The Company utilizes a hedge program to reduce exposure and offset the fluctuation in the Company’s future direct grain purchases. This program utilizes corn futures for Jennie-O Turkey Store, and these contracts are accounted for under cash flow hedge accounting. The fair value of the Company’s open futures contracts as of October 27, 2019, was $(2.2) million, before tax, compared to $(1.3) million, before tax, as of October 28, 2018. 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 27, 2019, open grain contracts by $9.5 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.

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 27, 2019, the balance of these securities totaled $157.5 million compared to $137.3 million as of October 28, 2018. 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 negative impact to the Company’s pretax earnings of approximately $7.0 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 27, 2019, was $543.8 million, compared to $687.7 million as of October 28, 2018, with most of the exposure existing in Chinese yuan and Brazilian real. Changes in currency exchange rates impact the fair values of the Company assets either currently through the Consolidated Statements of Operations within Interest and Investment Income or through the Consolidated Statements of Financial Position within Accumulated 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 27, 2019. A 10 percent strengthening in the value of the yuan relative to the U.S. dollar would result in other comprehensive income of approximately $33.7 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 $27.6 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 $13.0 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.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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 27, 2019. Our internal control over financial reporting as of October 27, 2019, 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,	Executive Vice President
President and Chief Executive Officer	and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control Over Financial Reporting

We have audited Hormel Foods Corporation's internal control over financial reporting as of October 27, 2019, 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 27, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the accompanying consolidated statements of financial position of Hormel Foods Corporation (the Company) as of October 27, 2019 and October 28, 2018, the related consolidated statements of operations, comprehensive income, changes in shareholders' investment, and cash flows for each of the three years in the period ended October 27, 2019 and the related notes and financial statement schedule listed in the index at Item 15 and our report dated December 6, 2019 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 6, 2019

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 accompanying consolidated statements of financial position of Hormel Foods Corporation (the Company) as of October 27, 2019 and October 28, 2018, the related consolidated statements of operations, comprehensive income, changes in shareholders' investment, and cash flows for each of the three years in the period ended October 27, 2019 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 27, 2019 and October 28, 2018, and the results of its operations and its cash flows for each of the three years in the period ended October 27, 2019, 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 27, 2019, 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 6, 2019 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**.**

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of Alternative Investments - Pension Assets

Description of the Matter	At October 27, 2019, the Company had $1.5 billion in plan assets related to the defined benefit pension plans. Approximately 43% of the total pension assets are in global stocks - collective investment funds, private equity funds, real estate - domestic funds, and hedge funds. These types of investments are referred to as “alternative investments.” As documented in Note G of the financial statements, these alternative investments are valued at net asset value (NAV) or are valued using significant unobservable inputs. Auditing the fair value of these alternative investments is challenging because of the higher estimation uncertainty of the inputs to the fair value calculations, including the underlying NAVs, discounted cash flow valuations, comparable market valuations, and adjustments for currency, credit liquidity and other risks. Additionally, certain information regarding the fair value of these alternative investments is based on unaudited information available to management at the time of valuation.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls addressing the risk of material misstatement relating to valuation of alternative investments. This included testing management's review controls over the valuation of alternative investments, for example, a review of fund performance in comparison to the selected benchmark and meetings with the investment advisor on a quarterly basis to review market performance and fund returns in comparison with relevant indices and the investment policy. We also tested management's independent price testing of underlying investments performed for certain investments on an annual basis. Our audit procedures included, among others, inquiring of management and the investment advisor regarding changes to the investment portfolio and investment strategies. We confirmed the fair value of the investments and ownership interest directly with the fund managers. We inspected the trust statement for observable transactions near year end to compare to the estimated fair value. We also obtained the latest audited financial statements for certain investments, performed a rollforward of the investment balance to compute an estimated market return on investment, and compared the market return to relevant benchmarks.

Valuation of Indefinite-Lived Intangible Assets - Trade Names

Description of the Matter	At October 27, 2019, the Company’s indefinite-lived intangible assets relating to brands, tradenames, and trademarks were $956.8 million. As explained in Note D of the financial statements, indefinite-lived intangible assets are tested by management for impairment at least annually. Due to the lack of excess value of certain trade names with combined carrying values representing less than $100 million, the Company elected to test these assets using a quantitative analysis. Auditing management’s quantitative indefinite-lived intangible asset impairment test was complex and highly judgmental due to the significant measurement uncertainty in determining the fair value of the asset which was subject to a quantitative impairment test. For example, the fair value estimate was sensitive to significant assumptions including future net sales projections, royalty rates, and discount rates, which are affected by expected future market or economic conditions and industry and company-specific qualitative factors.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company’s indefinite lived intangible assets quantitative impairment test. This included evaluating controls over management's review of the forecasting process used to develop future net sales projections, as well as controls over the review of the other significant assumptions. We also tested management's controls to validate that the data used in the valuation was complete and accurate. Our audit procedures included, among others, assessing methodologies and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. We compared the significant assumptions used by management to forecasts used in the Company’s annual operating plans, current industry and economic trends, and other relevant factors. We assessed the historical accuracy of management’s estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value of the trade names that would result from changes in the assumptions. Finally, we compared the fair values for each trade name subject to the quantitative impairment assessment to their carrying values in order to conclude on whether impairment charges were necessary.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1931.

Minneapolis, Minnesota

December 6, 2019

Consolidated Statements of Financial Position

(in thousands, except share and per share amounts)	October 27, 2019	October 28, 2018
Assets		
Current Assets		
Cash and Cash Equivalents	**$ 672,901**	$ 459,136
Short-term Marketable Securities	**14,736**	—
Accounts Receivable (Net of Allowance for Doubtful Accounts of $4,063 at October 27, 2019, and $4,051 at October 28, 2018)	**574,396**	600,438
Inventories	**1,042,362**	963,527
Income Taxes Receivable	**19,924**	3,995
Prepaid Expenses	**22,637**	16,342
Other Current Assets	**14,457**	6,662
Total Current Assets	**2,361,413**	2,050,100
Goodwill	**2,481,645**	2,714,116
Other Intangibles	**1,033,862**	1,207,219
Pension Assets	**135,915**	195,153
Investments In and Receivables from Affiliates	**289,157**	273,153
Other Assets	**177,901**	189,951
Property, Plant and Equipment		
Land	**49,758**	50,332
Buildings	**1,083,902**	956,260
Equipment	**1,965,478**	1,863,020
Construction in Progress	**256,190**	332,205
Less: Allowance for Depreciation	**(1,726,217)**	(1,689,217)
Net Property, Plant and Equipment	**1,629,111**	1,512,600
Total Assets	**$ 8,109,004**	$ 8,142,292
Liabilities and Shareholders’ Investment		
Current Liabilities		
Accounts Payable	**$ 590,033**	$ 618,830
Accrued Expenses	**62,031**	48,298
Accrued Workers Compensation	**24,272**	24,594
Accrued Marketing Expenses	**96,305**	118,887
Employee Related Expenses	**213,515**	224,736
Taxes Payable	**6,208**	2,490
Interest and Dividends Payable	**112,685**	101,079
Total Current Liabilities	**1,105,049**	1,138,914
Long-term Debt – Less Current Maturities	**250,000**	624,840
Pension and Post-retirement Benefits	**536,490**	477,557
Other Long-term Liabilities	**115,356**	99,070
Deferred Income Taxes	**176,574**	197,093
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 534,488,746 Shares October 27, 2019 Issued 534,135,484 Shares October 28, 2018	**7,830**	7,825
Additional Paid-in Capital	**184,921**	106,528

Accumulated Other Comprehensive Loss	**(399,500)**	(243,498)
Retained Earnings	**6,128,207**	5,729,956
Hormel Foods Corporation Shareholders’ Investment	**5,921,458**	5,600,811
Noncontrolling Interest	**4,077**	4,007
Total Shareholders’ Investment	**5,925,535**	5,604,818
Total Liabilities and Shareholders’ Investment	**$ 8,109,004**	$ 8,142,292

See Notes to Consolidated Financial Statements.

Consolidated Statements of Operations

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	Fiscal Year Ended		
(in thousands, except per share amounts)	**October 27, 2019**	October 28, 2018*	October 29, 2017*
Net sales	**$ 9,497,317**	$ 9,545,700	$ 9,167,519
Cost of Products Sold			