HORMEL FOODS CORP /DE/
Form 11-K
April 24, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 11-K

[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended October 26, 2014

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission file number 1-2402

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Hormel Foods Corporation Tax Deferred Investment Plan B

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Hormel Foods Corporation

1 Hormel Place

Austin, MN 55912

507-437-5611

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Hormel Foods Corporation
Tax Deferred Investment Plan B

Audited Financial Statements and Supplemental Schedule

Years Ended October 26, 2014 and October 27, 2013

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Report of Independent Registered Public Accounting Firm

The Hormel Foods Corporation Employee Benefits Committee

Hormel Foods Corporation Tax Deferred Investment Plan B

We have audited the accompanying statements of net assets available for benefits of the Hormel Foods Corporation Tax Deferred Investment Plan B (the Plan) as of October 26, 2014 and October 27, 2013, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at October 26, 2014 and October 27, 2013, and the changes in its net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying supplemental schedule of assets (held at end of year) as of October 26, 2014, has been subjected to audit procedures performed in conjunction with the audit of the Hormel Foods Corporation Tax Deferred Investment Plan B s financial statements. The information in the supplemental schedule is the responsibility of the Plan s management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/Ernst & Young LLP

Minneapolis, Minnesota

April 24, 2015

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Hormel Foods Corporation
Tax Deferred Investment Plan B

Statements of Net Assets Available for Benefits

	October 26, 2014	October 27, 2013
Assets		
Investments, at fair value	**$ 185,743,347**	$ 169,981,619
Receivables:		
Contributions from Hormel Foods Corporation	**463,795**	439,015
Contributions from participants	**383,358**	384,195
Promissory notes from participants	**6,456,046**	5,910,403
Total receivables	**7,303,199**	6,733,613
Net assets available for benefits, at fair value	**193,046,546**	176,715,232
Adjustment from fair value to contract value for interest in fully benefit-responsive investment contracts	**(3,699,300)**	(3,651,030)
Net assets available for benefits	**$ 189,347,246**	$ 173,064,202

See accompanying notes.

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Hormel Foods Corporation
Tax Deferred Investment Plan B

Statements of Changes in Net Assets Available for Benefits

	Year Ended October 26, 2014	Year Ended October 27, 2013
Additions:		
Contributions from Hormel Foods Corporation	**$ 1,337,405**	$ 1,231,223
Contributions from participants	**6,464,228**	6,194,263
Employee rollover	**99,660**	390,515
Investment income	**2,419,818**	1,491,579
Interest income promissory notes receivable	**319,130**	288,982
Total additions	**10,640,241**	9,596,562
Deductions:		
Distributions	**11,883,134**	11,592,526
Administrative expenses	**104,487**	130,645
Total deductions	**11,987,621**	11,723,171
Net realized and unrealized appreciation in fair value of investments	**17,630,424**	33,298,310
Net additions	**16,283,044**	31,171,701
Net assets available for benefits at beginning of year	**173,064,202**	141,892,501
Net assets available for benefits at end of year	**$ 189,347,246**	$ 173,064,202

See accompanying notes.

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Hormel Foods Corporation
Tax Deferred Investment Plan B

Notes to Financial Statements

October 26, 2014

1. Significant Accounting Policies

The accounting records of the Hormel Foods Corporation (the Company or the Sponsor) Tax Deferred Investment Plan B (the Plan) are maintained on the accrual basis.

Investments held by the Plan are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The Plan records financial assets and liabilities at fair value.

The Hormel Foods Corporation Employee Benefits Committee (the Committee) is responsible for determining the Plan s valuation policies and analyzing information provided by the investment advisors and record keeper that is used to determine the fair value of the Plan s investments. The Committee is comprised of officers and a director of the Company and reports to the Compensation Committee of the Board of Directors of the Company. For investments categorized within Level 3 of the fair value hierarchy, the Committee utilizes the record keeper to obtain information on the fair value of these assets. The record keeper employs third-party pricing services and obtains selected support from their portfolio managers to determine daily valuations and investment returns. See Note 3 for further discussion of fair value measurements.

All costs and expenses incurred in connection with the operation of the Plan with regard to the purchase and sale of investments and certain professional fees are paid by the Plan.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded as earned. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan s gains and losses on investments bought and sold as well as held during the year.

2. Description of the Plan

The following description of the Plan provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan s provisions. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The Plan s year-end is the last Sunday of October.

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Hormel Foods Corporation
Tax Deferred Investment Plan B

Notes to Financial Statements (continued)

2. Description of the Plan (continued)

The Plan is a contributory, defined-contribution plan covering nonexempt hourly employees of the Company and certain eligible subsidiaries who have completed one year of eligibility service. A year of eligibility service would be a year beginning with the first day of employment in which an employee worked 1,000 hours or any subsequent fiscal year in which an employee works 1,000 hours.

Employees who elect to become members of the Plan authorize a deduction of 1% to 50% of their compensation for each pay period, subject to Internal Revenue Service (IRS) limitations. Effective September 12, 2011, certain participants of the Plan are deemed to be automatically enrolled in the Plan at the current rate of 2% of their compensation for each pay period. The Plan contains a diversified selection of funds intended to satisfy Section 404(c) of ERISA. Eligible employees receive company-matching contributions according to the terms of their subscribing employer plan agreement.

Each participant s account is credited with the participant s and the Company s contributions and Plan earnings and is charged with an allocation of administrative expenses if the employer does not pay those expenses from its own assets. Allocations are based on account balances. The benefit to which a participant is entitled is the benefit that can be provided from the participant s account.

Employee contributions are always 100% vested in the participants Plan accounts. The vesting period for employer contributions for eligible participants are dependent upon the source of the contribution as well as the location and/or the bargaining agreement of the employee. No vesting periods for this plan are longer than three years. Forfeitures used to reduce employer contributions for the years ended October 26, 2014 and October 27, 2013, were $14,191 and $3,025, respectively. Cumulative forfeited non-vested accounts as of October 26, 2014 and October 27, 2013, were $8,656 and $7,508, respectively.

Most benefits are paid upon termination of service in a lump-sum amount equal to the vested value of a participant s account, unless an eligible participant elects to defer the payment. Complete details of payment provisions are described in a Summary Plan Description, available from the Sponsor. Benefits are recorded when paid.

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Hormel Foods Corporation
Tax Deferred Investment Plan B

Notes to Financial Statements (continued)

2. Description of the Plan (continued)

Promissory notes receivable are loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Participants may borrow from their fund accounts a minimum of $500 up to a maximum of the lesser of $50,000 or 50% of their account balances. Loan terms range from one year to five years or up to 15 years for the purchase of a primary residence. The loans are secured by the balance in the participant s account. The interest rate is 2% over the prime rate of interest published in *The Wall Street Journal* on the date the loan is granted or, if the loan is for a primary residence, on the date the loan is requested. Principal and interest are paid ratably through payroll deductions. No allowance for credit losses has been recorded as of October 26, 2014 or October 27, 2013. If a participant ceases to make loan repayments and the plan administrator deems the participant loan to be a distribution, the participant loan balance is reduced and a benefit payment is recorded.

The employer may, at its sole discretion, discontinue contributions or terminate the Plan at any time, without the consent of any participant or beneficiary subject to restrictions set by the collective bargaining agreement and subject to the provisions of ERISA. Upon the Plan s termination, all amounts credited to participants would become fully vested, and assets of the Plan would be distributed to participants based on amounts previously credited to their respective accounts.

3. Investments and Fair Value Measurement

During the years ended October 26, 2014 and October 27, 2013, the Plan s investments (including investments bought, sold, as well as held during the year) appreciated in fair value as follows:

	Year Ended October 26, 2014	**Year Ended October 27, 2013**

Net appreciation in fair value during the year:		
Non-pooled separate account (containing the Company s common stock)	**$13,893,082**	$ 23,711,277
Pooled separate accounts		4,458,741
Mutual funds	**1,714,123**	2,924,126
Collective trusts	**2,013,442**	1,214,548
Separate trust accounts		986,510
Self-directed brokerage accounts	**9,777**	3,108
	$17,630,424	$ 33,298,310

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Hormel Foods Corporation
Tax Deferred Investment Plan B

Notes to Financial Statements (continued)

3. Investments and Fair Value Measurement (continued)

The fair value of individual investments that represent 5% or more of the Plan s net assets is as follows:

	October 26, 2014	**October 27, 2013**
Non-pooled separate account:		
State Street Corporation:		
Hormel Foods Corporation Stock Fund	**$ 81,726,565**	$ 69,063,944
Insurance company general account:		
Massachusetts Mutual Life Insurance Company:		
General Investment Account	**42,974,165**	43,327,513

The Plan accounts for its financial assets and liabilities in accordance with Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* (ASC 820), which are carried at fair value on a recurring basis in its financial statements. ASC 820 establishes a fair value hierarchy that requires assets and liabilities measured at fair value to be categorized into one of three levels based on the inputs used in the valuation. Assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The three levels are defined as follows:

- Level 1: Observable inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: Observable inputs, other than those included in Level 1, based on quoted prices for similar assets and liabilities in active markets, or quoted prices for identical assets and liabilities in inactive markets.

- Level 3: Unobservable inputs that reflect an entity s own assumptions about what inputs a market participant would use in pricing the asset or liability based on the best information available in the circumstances.

The following is a description of the valuation methodologies used for instruments held by the Plan measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

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Hormel Foods Corporation
Tax Deferred Investment Plan B

Notes to Financial Statements (continued)

3. Investments and Fair Value Measurement (continued)

Separate Trust Accounts   Mutual Funds

The mutual funds are public investment vehicles valued using the net asset value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, less its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and, thus, these investments are classified within Level 1 of the valuation hierarchy.

- The U.S. equities investments include a mix of predominately U.S. common stocks, bonds, and cash.

- The international equities investment includes a mix of predominately foreign common stocks and cash.

- The fixed income investment includes a mix of domestic and foreign securities, including corporate obligations, government securities, mortgage-backed and other asset-backed securities, preferred stocks, and cash.

Separate Trust Accounts   Collective Trust Funds

The fair value of the collective trust funds, which are deemed to be Level 2, represents the NAV of the fund shares, which is calculated based on the valuation of the funds   underlying investments at fair value at the end of the year. The investments are public investment vehicles, which are valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, excluding transaction costs, minus its liabilities, and then divided by the number of shares outstanding.

- The LifePath funds are target retirement date funds and include investments in highly diversified funds designed to remain appropriate for investors in terms of risk through a variety of life circumstances. These funds contain a mix of domestic and foreign equities, fixed income investments, and cash. The U.S. equities funds include a mix of predominately U.S. common stocks, bonds, and cash.

- The international equities fund includes a mix of predominately forei