

TYSON FOODS INC
Form 10-Q
February 03, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2011

OR

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

For the transition period from _____ to _____

001-14704

(Commission File Number)

TYSON FOODS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

72762-6999
(Zip Code)

(479) 290-4000

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of December 31, 2011.

Class	Outstanding Shares
Class A Common Stock, \$0.10 Par Value (Class A stock)	298,951,784
Class B Common Stock, \$0.10 Par Value (Class B stock)	70,018,755

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****TYSON FOODS, INC.****CONSOLIDATED CONDENSED STATEMENTS OF INCOME****(In millions, except per share data)****(Unaudited)**

	Three Months Ended	
	December 31, 2011	January 1, 2011
Sales	\$ 8,329	\$ 7,615
Cost of Sales	7,836	6,871
Gross Profit	493	744
Selling, General and Administrative	215	246
Operating Income	278	498
Other (Income) Expense:		
Interest income	(2)	(3)
Interest expense	49	66
Other, net	(12)	(10)
Total Other (Income) Expense	35	53
Income before Income Taxes	243	445
Income Tax Expense	87	151
Net Income	156	294
Less: Net Loss Attributable to Noncontrolling Interest	0	(4)
Net Income Attributable to Tyson	\$ 156	\$ 298
Weighted Average Shares Outstanding:		
Class A Basic	297	304
Class B Basic	70	70
Diluted	376	379
Net Income Per Share Attributable to Tyson:		
Class A Basic	\$ 0.43	\$ 0.81
Class B Basic	\$ 0.39	\$ 0.73
Diluted	\$ 0.42	\$ 0.78
Cash Dividends Per Share:		
Class A	\$ 0.040	\$ 0.040
Class B	\$ 0.036	\$ 0.036

See accompanying Notes to Consolidated Condensed Financial Statements.

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

	December 31, 2011	October 1, 2011
Assets		
Current Assets:		
Cash and cash equivalents	\$ 857	\$ 716
Accounts receivable, net	1,281	1,321
Inventories	2,598	2,587
Other current assets	122	156
Total Current Assets	4,858	4,780
Net Property, Plant and Equipment	3,888	3,823
Goodwill	1,891	1,892
Intangible Assets	145	149
Other Assets	445	427
Total Assets	\$ 11,227	\$ 11,071
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current debt	\$ 84	\$ 70
Accounts payable	1,358	1,264
Other current liabilities	932	1,040
Total Current Liabilities	2,374	2,374
Long-Term Debt	2,131	2,112
Deferred Income Taxes	420	424
Other Liabilities	493	476
Shareholders' Equity:		
Common stock (\$0.10 par value):		
Class A-authorized 900 million shares, issued 322 million shares	32	32
Convertible Class B-authorized 900 million shares, issued 70 million shares	7	7
Capital in excess of par value	2,259	2,261
Retained earnings	3,943	3,801
Accumulated other comprehensive loss	(75)	(79)
Treasury stock, at cost 23 million shares at December 31, 2011, and 22 million shares at October 1, 2011	(385)	(365)
Total Tyson Shareholders' Equity	5,781	5,657
Noncontrolling Interest	28	28
Total Shareholders' Equity	5,809	5,685
Total Liabilities and Shareholders' Equity	\$ 11,227	\$ 11,071

See accompanying Notes to Consolidated Condensed Financial Statements.

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

	Three Months Ended	
	December 31, 2011	January 1, 2011
Cash Flows From Operating Activities:		
Net income	\$ 156	\$ 294
Depreciation and amortization	122	128
Deferred income taxes	24	39
Other, net	27	20
Net changes in working capital	9	(110)
Cash Provided by Operating Activities	338	371
Cash Flows From Investing Activities:		
Additions to property, plant and equipment	(182)	(158)
Purchases of marketable securities	(8)	(92)
Proceeds from sale of marketable securities	11	13
Other, net	3	23
Cash Used for Investing Activities	(176)	(214)
Cash Flows From Financing Activities:		
Payments on debt	(25)	(45)
Net proceeds from borrowings	45	44
Purchases of Tyson Class A common stock	(50)	(7)
Dividends	(15)	(15)
Other, net	22	10
Cash Used for Financing Activities	(23)	(13)
Effect of Exchange Rate Change on Cash	2	0
Increase in Cash and Cash Equivalents	141	144
Cash and Cash Equivalents at Beginning of Year	716	978
Cash and Cash Equivalents at End of Period	\$ 857	\$ 1,122

See accompanying Notes to Consolidated Condensed Financial Statements.

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NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1: ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated condensed financial statements have been prepared by Tyson Foods, Inc. (Tyson, the Company, we, us or our). Certain information and accounting policies and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. Although we believe the disclosures contained herein are adequate to make the information presented not misleading, these consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our annual report on Form 10-K for the fiscal year ended October 1, 2011. Preparation of consolidated condensed financial statements requires us to make estimates and assumptions. These estimates and assumptions affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated condensed financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

We believe the accompanying consolidated condensed financial statements contain all adjustments, which are of a normal recurring nature, necessary to state fairly our financial position as of December 31, 2011, and the results of operations and cash flows for the three months ended December 31, 2011, and January 1, 2011. Results of operations and cash flows for the periods presented are not necessarily indicative of results to be expected for the full year.

CONSOLIDATION

The consolidated condensed financial statements include the accounts of all wholly-owned subsidiaries, as well as majority-owned subsidiaries over which we exercise control and, when applicable, entities for which we have a controlling financial interest or are the primary beneficiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

We have an investment in a joint venture, Dynamic Fuels LLC (Dynamic Fuels), in which we have a 50 percent ownership interest. Dynamic Fuels qualifies as a variable interest entity for which we consolidate as we are the primary beneficiary. At December 31, 2011, Dynamic Fuels had \$177 million of total assets, of which \$142 million was property, plant and equipment, and \$126 million of total liabilities, of which \$100 million was long-term debt. At October 1, 2011, Dynamic Fuels had \$170 million of total assets, of which \$144 million was property, plant and equipment, and \$116 million of total liabilities, of which \$100 million was long-term debt.

SHARE REPURCHASES

On May 11, 2011, we announced our Board of Directors reactivated a share repurchase program, which had no activity since fiscal 2005, to repurchase up to the remaining available 22.5 million shares of Class A common stock under the program. The share repurchase program has no fixed or scheduled termination date. During the three months ended December 31, 2011, we repurchased 1.8 million shares for approximately \$35 million under this plan. As of December 31, 2011, 11 million shares remain authorized for repurchase. The timing and extent to which we repurchase shares will depend upon, among other things, market conditions, liquidity targets, limitations under our debt obligations and regulatory requirements. In addition to the share repurchase program, we purchase shares on the open market to fund certain obligations under our equity compensation plans. These repurchases totaled \$15 million and \$7 million for the three months ended December 31, 2011, and January 1, 2011, respectively.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2011, the FASB clarified the guidance around fair value measurements and disclosures. This guidance is effective for interim and annual periods beginning after December 15, 2011. We will adopt this guidance in the second quarter of fiscal year 2012. We do not expect the adoption will have a significant impact on our consolidated condensed financial statements.

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In June 2011, the FASB issued guidance regarding the presentation of comprehensive income. This guidance is effective for annual periods, and interim periods within those years, beginning after December 15, 2011. We anticipate we will adopt this guidance in the first quarter of fiscal year 2013. Upon adoption, we will be required to present comprehensive income as part of our consolidated condensed statements of income, or in a separate financial statement. Currently, we present such information in our notes to the consolidated condensed financial statements. Other than changing the presentation of comprehensive income, we do not expect the adoption will have a significant impact on our consolidated condensed financial statements.

In September 2011, the FASB issued guidance amending the way companies test for goodwill impairment. This guidance is effective for interim and annual periods beginning after December 15, 2011, with early adoption permitted. We do not expect the adoption will have a significant impact on our consolidated condensed financial statements.

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In December 2011, the FASB issued guidance enhancing disclosures related to offsetting of certain assets and liabilities. This guidance is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. We do not expect the adoption will have a significant impact on our consolidated condensed financial statements.

NOTE 2: INVENTORIES

Processed products, livestock and supplies and other are valued at the lower of cost or market. Cost includes purchased raw materials, live purchase costs, growout costs (primarily feed, contract grower pay and catch and haul costs), labor and manufacturing and production overhead, which are related to the purchase and production of inventories. Total inventory consists of the following (in millions):

	December 31, 2011	October 1, 2011
Processed products:		
Weighted-average method chicken and prepared foods	\$ 714	\$ 715
First-in, first-out method beef and pork	611	581
Livestock first-in, first-out method	859	928
Supplies and other weighted-average method	414	363
 Total inventories	 \$ 2,598	 \$ 2,587

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

The major categories of property, plant and equipment and accumulated depreciation are as follows (in millions):

December 31, 2011 &n