HORMEL FOODS CORP /DE/
Form 11-K
April 18, 2019
Table of Contents

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 28, 2018

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

Hormel Foods Corporation
Tax Deferred Investment Plan B
Audited Financial Statements and Supplemental Schedule
Years Ended October 28, 2018 and October 29, 2017

Contents

Report of Independent Registered Public Accounting Firm 1

Audited Financial Statements
Statements of Net Assets Available for Benefits 3
Statements of Changes in Net Assets Available for Benefits 4
Notes to the Financial Statements 5

Supplemental Schedule
Schedule H, Line 4i – Schedule of Assets (Held at End of Year) 13

Exhibit 23
Consent of Independent Registered Public Accounting Firm 14

Signatures 15

Table of Contents

Report of Independent Registered Public Accounting Firm

The Hormel Foods Corporation Employee Benefits Committee
Hormel Foods Corporation Tax Deferred Investment Plan B

Opinion on the Financial Statements

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 28, 2018 and October 29, 2017, and the related statement of changes in net assets available for benefits for the year ended October 28, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan at October 28, 2018 and October 29, 2017 and the changes in its net assets available for benefits for the year ended October 28, 2018, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on the Plan's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Plan 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. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting 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.

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.

Supplemental Schedule

The accompanying supplemental schedule of assets (held at end of year) as of October 28, 2018, have 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

Table of Contents

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

We have served as the Company's auditor since 1987.

Minneapolis, Minnesota
April 18, 2019

Table of Contents

Hormel Foods Corporation
Tax Deferred Investment Plan B

Statements of Net Assets Available for Benefits

	October 28, 2018	October 29, 2017
Assets		
Investments:		
Investments at fair value	$179,073,101	$159,026,522
Investments at contract value	46,119,955	41,470,246
Total investments	225,193,056	200,496,768
Receivables:		
Contributions from Hormel Foods Corporation	607,282	575,073
Contributions from participants	374,560	378,494
Promissory notes from participants	7,866,665	7,494,643
Interest and dividend income	479,736	478,808
Total receivables	9,328,243	8,927,018
Net assets available for benefits	$234,521,299	$209,423,786

See accompanying notes to the financial statements.

Table of Contents

Hormel Foods Corporation
Tax Deferred Investment Plan B

Statements of Changes in Net Assets Available for Benefits

	Year Ended October 28, 2018	Year Ended October 29, 2017
Additions:		
Contributions from Hormel Foods Corporation	$2,550,996	$2,402,386
Contributions from participants	8,493,019	8,102,598
Employee rollover	521,780	106,932
Interest and dividend income	4,630,158	4,175,885
Interest income – promissory notes receivable	467,322	398,466
Total additions	16,663,275	15,186,267
Deductions:		
Distributions	17,626,551	15,052,458
Administrative expenses	410,107	317,958
Total deductions	18,036,658	15,370,416
Net realized and unrealized appreciation in fair value of investments	26,470,896	(11,703,607)
Net additions	25,097,513	(11,887,756)
Net assets available for benefits at beginning of year	209,423,786	221,311,542
Net assets available for benefits at end of year	$234,521,299	$209,423,786

See accompanying notes to the financial statements.

Table of Contents

Hormel Foods Corporation
Tax Deferred Investment Plan B

Notes to the Financial Statements

October 28, 2018

1. Description of the Plan
The following description of the Hormel Foods Corporation Tax Deferred Investment Plan B (the Plan) provides only general information. Participants should refer to the plan document or summary plan description for a more complete description of the Plan's provisions.
General - The Plan is a defined contribution plan covering certain non-exempt hourly employees of Hormel Foods Corporation (the Company or the Sponsor) and eligible subsidiaries. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).
Eligibility - Employees in recognized employment, as defined by the Plan, become participants upon completing 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.
Contributions - Employees who elect to contribute to the Plan can authorize a deduction of 1% to 50% of their pre-tax compensation, subject to Internal Revenue Service (IRS) limitations. Certain eligible employees who have not enrolled shall be deemed to have automatically elected to contribute 2% to the Plan through payroll deductions. Certain participants hired on or after November 11, 2015 and automatically enrolled will have their contribution percentage increased by 1% the following year. Participants receive advance notice of their right to elect out of both of these automatic plan features and are permitted to stop or change either feature at any time.
The employer provides matching contributions, discretionary employer contributions and employer fixed contributions. These contributions vary according to employee classification and employer.
Participant Accounts - Individual accounts are maintained for each plan participant. Each participant's account is credited with the participant's contributions, the employer's contributions, and an allocation of the earnings and losses for the participant's selected investment funds. The participant's account 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.
Investments - Contributions to the Plan are invested in one or more investment funds at the option of the participant. The Plan contains a diversified selection of funds intended to satisfy Section 404(c) of ERISA. Participants may also invest in self-directed brokerage accounts.
Vesting - Participant contributions are fully vested immediately. The vesting periods for employer contributions are dependent upon the source of the contributions as well as the location and/or the bargaining agreement of the employee. No vesting periods for this plan are longer than three years.

Table of Contents

Payment of Benefits - Benefits are payable upon termination of service due to death, disability, termination, or retirement. Participants may elect to receive the vested interest of their accounts in the form of a lump sum, annuity, partial payments, or installments. Complete details of payment provisions are described in a summary plan description, available from the Sponsor.

Forfeitures and Unallocated Assets - Forfeited balances of terminated participants' non-vested accounts are used to reduce future employer contributions or plan administrative expenses. Forfeitures used to reduce employer contributions and plan administrative expenses for the years ended October 28, 2018 and October 29, 2017, totaled $61,422 and $48,647, respectively. Forfeited accounts and unallocated assets (e.g. loan repayments, rollovers) as of October 28, 2018 and October 29, 2017 were $24,721 and $18,685, respectively.

Notes Receivable from Participants - Participants may borrow from their accounts a minimum of $500 up to a maximum of the lesser of $50,000 or 50% of their vested account balances. Loan terms range from one year to five years or up to 15 years for the purchase of a primary residence. 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. The loans are secured by the balance in the participant's account. Participants are required to make repayments of principal and interest through payroll deductions. 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.

Plan Amendments - The following amendment was adopted subsequent to the Plan year ending October 28, 2018:

- Assets and liabilities for designated participants shall be transferred from the Plan to a plan sponsored by WholeStone Farms, LLC as soon as administratively practicable after December 3, 2018, the closing date for the sale of the Fremont, Nebraska processing facility. The designated participants shall consist of all participants (i) who are employed by the Employer at the Fremont, Nebraska processing facility on the closing date for the sale and (ii) who accept an offer of employment with WholeStone Farms, LLC. Those participants shall be 100% vested under the Plan as of the closing date.

Plan Termination - 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 a 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.

2. Significant Accounting Policies

Basis of Accounting - The accounting records of the Plan are maintained on the accrual basis.

Investment Valuation and Income Recognition - Investments held by the Plan are stated at fair value with the exception of fully benefit-responsive investment contracts. 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). Contract value reflects the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan and is the relevant

Table of Contents

measure for the portion of assets attributable to fully benefit-responsive investment contracts. See Note 3 - Fair Value Measurements for further discussion of investment valuation.
Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. 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.

Payment of Benefits - Benefit payments to participants are recorded upon distribution. There were no distributions payable to participants as of October 28, 2018 or October 29, 2017.

Notes Receivable from Participants - Promissory notes receivable from participants are valued at their unpaid principal balance plus any accrued but unpaid interest. Interest income is recorded on the accrual basis. No allowance for credit losses has been recorded as of October 28, 2018 or October 29, 2017.
Administrative Expenses - All costs and expenses of administering the Plan are paid by the Plan or the Employer.
Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States (US 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.
Risks and Uncertainties - The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market volatility, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities could occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

Recent Accounting Pronouncements - In August, 2018, FASB issued ASU 2018-13, Fair Value Measurement - Disclosure Framework (Topic 820). The updated guidance improves the disclosure requirements on fair value measurements. The updated guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for any removed or modified disclosures. The Plan is currently assessing the timing and impact of adopting the updated provisions.

3. Fair Value Measurements
Accounting guidance establishes a framework for measuring fair value. That framework classifies assets and liabilities measured at fair value into one of three levels based on the lowest level of input significant to the valuation. 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.

Table of Contents

- 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.

Non-Pooled Separate Account

The non-pooled separate account consists of common stock of the Company, which is valued at the last reported sales price on the last business day of the year, and a portion of uninvested cash, which is reported at carrying value as maturities are less than three months. This non-pooled separate account is deemed to be a Level 1 investment. Participants are authorized to invest up to 100% of the fair value of their net assets available for benefits in this fund. The Company has implemented a dividend pass through election for its participants.

As directed by State Street Global Advisors, the Plan's independent fiduciary, the trustee will vote any allocated shares for which it has not received a voting instruction from the participant, as well as any unallocated shares, in the same proportion as those allocated shares for which participants have provided their voting instructions, unless contrary to ERISA. For tender or exchange offers, participants shall have the same rights as for voting, except that any shares for which participants have not provided a tender or exchange direction, will not be tendered or exchanged.

This fund is approximately 44% and 41% of the total investments in the Plan at October 28, 2018 and October 29, 2017, respectively.

Self-Directed Brokerage Assets

The self-directed brokerage assets consist of common stock and mutual funds, which are valued at the last reported sales price on the last business day of the year, and uninvested cash, which is recorded at carrying value as maturities are less than three months. These assets are deemed to be a Level 1 investment.

Separate Trust Accounts - Mutual Funds

The mutual funds are held in separate investment accounts, 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, which include a mix of U.S. and international equities, fixed income investments, and cash. There are no restrictions on redemptions and no unfunded commitments.

- 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 collective trust funds are held in separate investment accounts, 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

Table of Contents

by the fund, which include a mix of U.S. and international equities, fixed income investments, and cash. There are no restrictions on redemptions and no unfunded commitments.

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

Table of Contents

The investments of the Plan that are measured at fair value on a recurring basis as of October 28, 2018 and October 29, 2017, and their level within the fair value hierarchy, are as follows:

	Fair Value Measurements at October 28, 2018			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at fair value:				
Non-pooled separate account:				
Hormel Foods Corporation Stock Fund	$99,772,042	$99,772,042	$ —	$ —
Self-directed brokerage accounts	570,364	570,364	—	—
Total investments in the fair value hierarchy	100,342,406	$100,342,406	$ —	$ —
Investments measured at net asset value:				
Separate trust accounts:				
Mutual funds	22,142,985			
Collective trusts	56,587,710			
Total separate trust accounts	78,730,695			
Total investments at fair value	$179,073,101			

	Fair Value Measurements at October 29, 2017			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Inves				