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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 July 30, 2017

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)

(507) 437-5611

(Registrant s telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

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. _X_ 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). _X_ 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 _X_
Non-accelerated filer __ (Do not check if a smaller reporting company)

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 Exchange Act). __ Yes _X_ No

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	**Outstanding at September 8, 2017**	
Common Stock	$.01465 par value	527,828,196
Common Stock Non-Voting	$.01 par value	-0-

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

HORMEL FOODS CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands, except share and per share amounts)

	July 30, 2017 (Unaudited)	October 30, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 633,341	$ 415,143
Accounts receivable	549,011	591,310
Inventories	1,013,214	985,683
Income taxes receivable	-	18,282
Prepaid expenses	17,096	13,775
Other current assets	4,433	5,719
TOTAL CURRENT ASSETS	2,217,095	2,029,912
DEFERRED INCOME TAXES	-	6,223
GOODWILL	1,822,671	1,834,497
OTHER INTANGIBLES	882,717	903,258
PENSION ASSETS	98,893	68,901
INVESTMENTS IN AND RECEIVABLES FROM AFFILIATES	248,129	239,590
OTHER ASSETS	184,364	182,237
PROPERTY, PLANT AND EQUIPMENT		
Land	46,847	67,557
Buildings	757,190	805,858
Equipment	1,665,520	1,675,549
Construction in progress	152,217	218,351
Less: Allowance for depreciation	(1,567,678)	(1,661,866)
Net property, plant and equipment	1,054,096	1,105,449
TOTAL ASSETS	$ 6,507,965	$ 6,370,067

See Notes to Consolidated Financial Statements

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HORMEL FOODS CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands, except share and per share amounts)

	July 30, 2017 (Unaudited)	October 30, 2016
LIABILITIES AND SHAREHOLDERS INVESTMENT		
CURRENT LIABILITIES		
Accounts payable	$ 421,170	$ 481,826
Accrued expenses	71,284	82,145
Accrued workers compensation	24,842	36,612
Accrued marketing expenses	77,151	119,583
Employee related expenses	188,327	251,433
Taxes payable	1,990	4,331
Interest and dividends payable	93,007	77,266
TOTAL CURRENT LIABILITIES	877,771	1,053,196
LONG-TERM DEBT less current maturities	250,000	250,000
PENSION AND POST-RETIREMENT BENEFITS	529,107	522,356
OTHER LONG-TERM LIABILITIES	88,336	93,109
DEFERRED INCOME TAXES	9,571	-
SHAREHOLDERS INVESTMENT		
Preferred stock, par value $.01 a share authorized 160,000,000 shares; issued none		
Common stock, non-voting, par value $.01 a share authorized 400,000,000 shares; issued none		
Common stock, par value $.01465 a share authorized 1,600,000,000 shares; issued 527,739,696 shares July 30, 2017 issued 528,483,868 shares October 30, 2016	7,732	7,742
Additional paid-in capital	-	-
Accumulated other comprehensive loss	(291,964)	(296,303)
Retained earnings	5,033,945	4,736,567
HORMEL FOODS CORPORATION SHAREHOLDERS INVESTMENT	4,749,713	4,448,006
NONCONTROLLING INTEREST	3,467	3,400
TOTAL SHAREHOLDERS INVESTMENT	4,753,180	4,451,406
TOTAL LIABILITIES AND SHAREHOLDERS INVESTMENT	$ 6,507,965	$ 6,370,067

See Notes to Consolidated Financial Statements

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HORMEL FOODS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	July 30, 2017	**July 24, 2016**	**July 30, 2017**	**July 24, 2016**
Net sales	$ 2,207,375	$ 2,302,376	$ 6,674,911	$ 6,895,283
Cost of products sold	1,754,966	1,827,091	5,183,302	5,335,628
GROSS PROFIT	452,409	475,285	1,491,609	1,559,655
Selling, general and administrative	176,660	206,876	567,886	627,968
Goodwill impairment charge	-	-	-	991
Equity in earnings of affiliates	3,956	6,381	27,376	27,449
OPERATING INCOME	279,705	274,790	951,099	958,145
Other income and expense:				
Interest and investment income	1,376	2,474	6,643	3,920
Interest expense	(3,057)	(3,147)	(9,106)	(9,583)
EARNINGS BEFORE INCOME TAXES	278,024	274,117	948,636	952,482
Provision for income taxes	95,473	78,341	319,896	306,155
NET EARNINGS	182,551	195,776	628,740	646,327
Less: Net earnings attributable to noncontrolling interest	43	122	159	215
NET EARNINGS ATTRIBUTABLE TO HORMEL FOODS CORPORATION	$ 182,508	$ 195,654	$ 628,581	$ 646,112
NET EARNINGS PER SHARE:				
BASIC	$ 0.35	$ 0.37	$ 1.19	$ 1.22
DILUTED	$ 0.34	$ 0.36	$ 1.17	$ 1.19
WEIGHTED-AVERAGE SHARES OUTSTANDING:				
BASIC	528,165	529,660	528,487	529,473
DILUTED	538,814	542,163	539,504	542,890
DIVIDENDS DECLARED PER SHARE:	$ 0.170	$ 0.145	$ 0.510	$ 0.435

See Notes to Consolidated Financial Statements

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HORMEL FOODS CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	July 30, 2017	**July 24, 2016**	**July 30, 2017**	**July 24, 2016**
NET EARNINGS	$ 182,551	$ 195,776	$ 628,740	$ 646,327
Other comprehensive income (loss), net of tax:				
Foreign currency translation	4,143	(2,960)	(3,037)	(4,681)
Pension and other benefits	3,314	(835)	9,961	2,705
Deferred hedging	(170)	5,017	(2,677)	3,069
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	7,287	1,222	4,247	1,093
COMPREHENSIVE INCOME	189,838	196,998	632,987	647,420
Less: Comprehensive income attributable to noncontrolling interest	143	40	67	1
COMPREHENSIVE INCOME ATTRIBUTABLE TO HORMEL FOODS CORPORATION	$ 189,695	$ 196,958	$ 632,920	$ 647,419

See Notes to Consolidated Financial Statements

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HORMEL FOODS CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS INVESTMENT

(in thousands, except per share amounts)

(Unaudited)

	Hormel Foods Corporation Shareholders						
	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total Shareholders Investment
Balance at October 25, 2015	$ 7,741	$ -	$ -	$ 4,216,125	$ (225,668)	$ 3,195	$ 4,001,393
Net earnings				890,052		465	890,517
Other comprehensive loss					(70,635)	(260)	(70,895)
Purchases of common stock		(87,885)					(87,885)
Stock-based compensation expense	1		17,828				17,829
Exercise of stock options/nonvested shares	35		7,476				7,511
Shares retired	(35)	87,885	(25,304)	(62,546)			-
Declared cash dividends $0.58 per share				(307,064)			(307,064)
Balance at October 30, 2016	$ 7,742	$ -	$ -	$ 4,736,567	$ (296,303)	$ 3,400	$ 4,451,406
Net earnings				628,581		159	628,740
Other comprehensive income (loss)					4,339	(92)	4,247
Purchases of common stock		(94,487)					(94,487)
Stock-based compensation expense	1		13,866				13,867
Exercise of stock options/nonvested shares	29		18,881				18,910
Shares retired	(40)	94,487	(32,747)	(61,700)			-
Declared cash dividends $0.51 per share				(269,503)			(269,503)
Balance at July 30, 2017	$ 7,732	$ -	$ -	$ 5,033,945	$ (291,964)	$ 3,467	$ 4,753,180

See Notes to Consolidated Financial Statements

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HORMEL FOODS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

	July 30, 2017	**July 24, 2016**
OPERATING ACTIVITIES		
Net earnings	$ 628,740	$ 646,327
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	89,930	89,996
Amortization of intangibles	6,191	6,524
Goodwill impairment charge	-	991
Equity in earnings of affiliates, net of dividends	(7,855)	(2,905)
Provision for deferred income taxes	11,359	4,428
Gain on property/equipment sales and plant facilities	1,283	138
Non-cash investment activities	(3,790)	(1,247)
Stock-based compensation expense	13,867	16,091
Excess tax benefit from stock-based compensation	(24,859)	(39,190)
Changes in operating assets and liabilities, net of acquisitions:		
Decrease in accounts receivable	18,348	47,767
Increase in inventories	(72,598)	(60,579)
(Increase) decrease in prepaid expenses and other current assets	(22,333)	6,603
Decrease in pension and post-retirement benefits	(6,370)	(26,266)
Decrease in accounts payable and accrued expenses	(166,509)	(105,466)
Increase in net income taxes payable	46,069	38,474
NET CASH PROVIDED BY OPERATING ACTIVITIES	511,473	621,686
INVESTING ACTIVITIES		
Proceeds from sale of business	135,944	110,149
Acquisitions of businesses/intangibles	-	(281,655)
Purchases of property/equipment	(118,511)	(165,828)
Proceeds from sales of property/equipment	2,532	2,590
(Increase) decrease in investments, equity in affiliates, and other assets	(1,154)	6,865
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	18,811	(327,879)
FINANCING ACTIVITIES		
Proceeds from short-term debt	-	145,000
Principal payments on short-term debt	-	(185,000)
Dividends paid on common stock	(256,341)	(219,744)
Share repurchase	(94,487)	(44,976)
Proceeds from exercise of stock options	14,337	9,233
Excess tax benefit from stock-based compensation	24,859	39,190
NET CASH USED IN FINANCING ACTIVITIES	(311,632)	(256,297)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(454)	(5,152)
INCREASE IN CASH AND CASH EQUIVALENTS	218,198	32,358
Cash and cash equivalents at beginning of year	415,143	347,239
CASH AND CASH EQUIVALENTS AT END OF QUARTER	$ 633,341	$ 379,597

See Notes to Consolidated Financial Statements

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HORMEL FOODS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE A GENERAL

Basis of Presentation

The accompanying unaudited consolidated financial statements of Hormel Foods Corporation (the Company) have been prepared in accordance with generally accepted accounting principles for interim financial information, and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the interim period are not necessarily indicative of the results that may be expected for the full year. The balance sheet at October 30, 2016, has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes included in the Company s Annual Report on Form 10-K for the fiscal year ended October 30, 2016. Fiscal 2017 is a 52-week year as compared with fiscal 2016, which was 53 weeks, with the additional week occurring in the fourth quarter.

Reclassifications

Certain reclassifications of previously reported amounts have been made to conform to the current year presentation. The reclassifications had no impact on net earnings or operating cash flows as previously reported.

Assets Held for Sale

The Company classifies assets as held for sale when management approves and commits to a formal plan of sale with the expectation the sale will be completed within one year. The net assets of the business held for sale are then recorded at the lower of their current carrying value or the fair market value, less costs to sell. See additional discussion regarding the Company s assets held for sale in Note E.

Investments

The Company maintains a rabbi trust to fund certain supplemental executive retirement plans and deferred income plans. Under the plans, the participants can defer certain types of compensation and elect to receive a return on the deferred amounts based on the changes in fair value of various investment options, primarily a variety of mutual funds. The Company has corporate-owned life insurance policies on certain participants in the deferred compensation plans. The cash surrender value of the policies is included in other assets on the Consolidated Statements of Financial Position. The securities held by the trust are classified as trading securities. Therefore, unrealized gains and losses associated with these investments are included in the Company s earnings. Securities held by the trust generated gains of $1.5 million and $4.8 million for the third quarter and nine months ended July 30, 2017, respectively, compared to gains of $1.2 million and $2.4 million for the third quarter and nine months ended July 24, 2016.

Supplemental Cash Flow Information

Non-cash investment activities presented on the Consolidated Statements of Cash Flows primarily consist of unrealized gains or losses on the Company s rabbi trust. The noted investments are included in other assets on the Consolidated Statements of Financial Position. Changes in the value of these investments are included in the Company s net earnings and are presented in the Consolidated Statements of Operations as either interest and investment income (loss) or interest expense, as appropriate.

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Guarantees

The Company enters into various agreements guaranteeing specified obligations of affiliated parties. The Company s guarantees either terminate in one year or remain in place until such time as the Company revokes the agreement. The Company currently provides revocable standby letters of credit totaling $4.0 million to guarantee obligations that may arise under workers compensation claims of an affiliated party. This potential obligation is not reflected in the Company s Consolidated Statements of Financial Position.

New Accounting Pronouncements

In May 2014, the FASB issued ASC 606, *Revenue from Contracts with Customers*. This topic converges the guidance within U.S. generally accepted accounting principles (GAAP) and international financial reporting standards and supersedes ASC 605, *Revenue Recognition*. The new standard requires companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions which were not previously addressed comprehensively, and improve guidance for multiple-element arrangements. On July 8, 2015, the FASB approved a one-year deferral of the effective date. The new guidance is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period, and early adoption is permitted for annual reporting periods beginning after December 15, 2016. The updated guidance is to be applied either retrospectively or by using a cumulative effect adjustment. The Company expects to adopt the provisions of this new accounting standard at the beginning of fiscal year 2019, and is currently assessing the impact on its consolidated financial statements with a focus on arrangements with customers.

In April 2015, the FASB updated the guidance within ASC 835, *Interest*. The update provides guidance on simplifying the presentation of debt issuance costs. The amendments require debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The updated guidance is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years, with early adoption permitted. The Company retrospectively adopted the new provisions of this accounting standard at the beginning of fiscal year 2017, and adoption did not have a material impact on its consolidated financial statements.

In May 2015, the FASB updated the guidance within ASC 820, *Fair Value Measurements and Disclosures*. The update provides guidance on the disclosures for investments in certain entities that calculate net asset value (NAV) per share (or its equivalent). The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share (or its equivalent) as a practical expedient. The updated guidance is to be applied retrospectively and is effective for annual reporting periods beginning after December 15, 2015, and interim periods within those fiscal years, with early adoption permitted. The Company adopted the new provisions of this accounting standard at the beginning of fiscal year 2017, and adoption did not have a material impact on its consolidated financial statements.

In February 2016, the FASB updated the guidance within ASC 842, *Leases*. The update requires lessees to put most leases on their balance sheets while recognizing expenses on their income statements in a manner similar to current U.S. GAAP. The guidance also eliminates current real estate-specific provisions for all entities. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. The updated guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted and the modified retrospective method is to be applied. The Company expects to adopt the provisions of this new accounting standard at the beginning of fiscal year 2020, and is currently assessing the impact on its consolidated financial statements.

In March 2016, the FASB updated the guidance within ASC 718, *Compensation Stock Compensation.* The update simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The updated guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted in any interim or annual period, with adjustments reflected as of the beginning of the fiscal year. The Company expects to adopt the provisions of this new accounting

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standard at the beginning of fiscal year 2018, and is currently assessing the impact on its consolidated financial statements.

In June 2016, the FASB updated the guidance within ASC 326, *Financial Instruments Credit Losses*. The update provides guidance on the measurement of credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The amendments replace the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to explain credit loss estimates. The updated guidance is to be applied on a modified retrospective approach and is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for all entities for fiscal years beginning after December 15, 2018, and interim periods therein. The Company is currently assessing the timing and impact of adopting the updated provisions.

In August 2016, the FASB updated the guidance within ASC 230, *Statement of Cash Flows.* The update makes eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The updated guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted provided all amendments are adopted in the same period. The guidance requires application using a retrospective transition method. The Company is currently assessing the timing and impact of adopting the updated provisions.

In October 2016, the FASB updated the guidance within ASC 740, *Income Taxes*. The updated guidance requires the recognition of the income tax consequences of an intra-entity asset transfer, other than transfers of inventory, when the transfer occurs. For intra-entity transfers of inventory, the income tax effects will continue to be deferred until the inventory has been sold to a third party. The updated guidance is effective for reporting periods beginning after December 15, 2017, with early adoption permitted only within the first interim period of a fiscal year. The guidance is required to be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company is currently assessing the timing and impact of adopting the updated provisions.

In January 2017, the FASB updated the guidance within ASC 350, *Intangibles Goodwill and Other.* The updated guidance eliminates the second step of the two-step impairment test. The updated guidance modifies the concept of impairment from the condition that exists when the carrying amount of goodwill exceeds its implied fair value to the condition that exists when the carrying amount of a reporting unit exceeds its fair value. An impairment charge should be made if a reporting unit s carrying amount exceeds its fair value, limited to the amount of goodwill allocated to that reporting unit. The updated guidance is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The updated guidance is required to be adopted on a prospective basis. The Company is currently assessing the timing and impact of adopting the updated provisions.

In March 2017, the FASB updated the guidance within ASC 715, *Compensation Retirement Benefits.* The updated guidance requires an employer to report the service cost component of net periodic pension cost and net periodic postretirement benefit cost in the same line item or items as other compensation costs. The updated guidance also requires the other components of net periodic pension cost and net periodic postretirement benefit cost to be presented in the income statement separately from the service cost component and outside income from operations. Additionally, only the service cost component is eligible for capitalization, when applicable. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The updated guidance should be applied retrospectively for the presentation of the service cost component and other components of net benefit cost in the income statement and prospectively, on and after the effective date, for the capitalization of the service cost component of net benefit cost. The Company is currently assessing the timing and impact of adopting the updated provisions.

In August 2017, the FASB updated the guidance within ASC 815, *Derivatives and Hedging.* The updated guidance expand an entity s ability to hedge nonfinancial and financial risk components and reduce complexity in fair value hedges of interest rate risk. The guidance eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. The guidance also eases certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of

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hedge effectiveness. Entities will apply the amendments to cash flow and net investment hedge relationships that exist on the date of adoption using a modified retrospective approach. The presentation and disclosure requirements apply prospectively. The updated guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those years. Early adoption is permitted in any interim or annual period. The Company is currently assessing the timing and impact of adopting the updated provisions.

NOTE B ACQUISITIONS

On August 22, 2017, subsequent to the end of the third quarter, the Company acquired Cidade do Sol (Ceratti) for a preliminary purchase price of approximately $104.0 million, subject to customary working capital adjustments. The transaction was funded by the Company with cash on hand.

Ceratti is a growing, branded, value-added meats company in Brazil offering more than 70 products in 15 categories including authentic meats such as mortadella, sausage, and salami for Brazilian retail and foodservice markets under the popular *Ceratti*® brand. 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.

Operating results for this acquisition will be included in the Company s Consolidated Statements of Operations from the date of acquisition and will be reflected in the International & Other segment.

On August 16, 2017, subsequent to the end of the third quarter, the Company acquired Fontanini Italian Meats and Sausages (Fontanini), a branded foodservice business, from Capitol Wholesale Meats, Inc. for a purchase price of $425.0 million, subject to customary working capital adjustments. The transaction provides a cash flow benefit resulting from the amortization of the tax basis of assets, the net present value of which is approximately $90.0 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.

Operating results for this acquisition will be included in the Company s Consolidated Statements of Operations from the date of acquisition and will be reflected in the Refrigerated Foods segment.

On May 26, 2016, the Company acquired Justin s, LLC (Justin s) for a final purchase price of $280.9 million. The transaction provides a cash flow benefit resulting from the amortization of the tax basis of assets, the net present value of which is approximately $70.0 million. The purchase price was funded by the Company with cash on hand and by utilizing short-term financing. Primary assets acquired include goodwill of $186.4 million and intangibles of $89.9 million.

Justin s is a pioneer in nut butter-based snacking and this acquisition allows the Company to enhance its presence in the specialty natural and organic nut butter category, complementing the Company s *SKIPPY* peanut butter products.

Operating results for this acquisition are included in the Company s Consolidated Statements of Operations from the date of acquisition and are reflected in the Grocery Products segment.

NOTE C INVENTORIES

Principal components of inventories are:

(in thousands)	July 30, 2017	October 30, 2016
Finished products	$ 580,835	$ 553,634
Raw materials and work-in-process	261,926	253,662
Materials and supplies	170,453	178,387
Total	$ 1,013,214	$ 985,683

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NOTE D GOODWILL AND INTANGIBLE ASSETS

The carrying amounts of goodwill for the nine months ended July 30, 2017, are presented in the table below. There were no changes to the carrying amount of goodwill in the third quarter of fiscal 2017. The reduction during the first nine months is due to the sale of Farmer John on January 3, 2017. See additional discussion regarding the Company s assets held for sale in Note E.

(in thousands)	Grocery Products	Refrigerated Foods	JOTS	Specialty Foods	International & Other	Total
Balance as of October 30, 2016	$ 508,800	$ 584,443	$ 203,214	$ 373,782	$ 164,258	$ 1,834,497
Goodwill sold	-	(11,826)	-	-	-	(11,826)
Balance as of July 30, 2017	$ 508,800	$ 572,617	$ 203,214	$ 373,782	$ 164,258	$ 1,822,671

The gross carrying amount and accumulated amortization for definite-lived intangible assets are presented in the table below.

	July 30, 2017		October 30, 2016	
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer lists/relationships	$ 85,440	$ (23,931)	$ 88,240	$ (20,737)
Formulas and recipes	1,950	(1,943)	1,950	(1,796)
Other intangibles	3,100	(1,918)	3,520	(1,677)
Total	$ 90,490	$ (27,792)	$ 93,710	$ (24,210)

Amortization expense was $2.1 million and $6.2 million for the third quarter and nine months ended July 30, 2017, respectively, compared to $2.5 million and $6.5 million for the third quarter and nine months ended July 24, 2016.

Estimated annual amortization expense for the five fiscal years after October 30, 2016, is as follows:

(in millions)	
2017	$ 8.1
2018	7.6
2019	7.4
2020	7.4
2021	7.4

The carrying amounts for indefinite-lived intangible assets are presented in the table below.

(in thousands)	July 30, 2017	October 30, 2016
Brands/tradenames/trademarks	$ 819,835	$ 825,774
Other intangibles	184	7,984
Total	$ 820,019	$ 833,758

NOTE E ASSETS HELD FOR SALE

At the end of fiscal year 2016, the Company was actively marketing Clougherty Packing, LLC, parent company of Farmer John and Saag s Specialty Meats, along with PFFJ, LLC, farm operations in California, Arizona, and Wyoming (Farmer John). Through this process, the Company identified the specific assets and liabilities to be sold and allocated goodwill based on the relative fair values of the assets held for sale and the assets that would be retained by the Company. In November 2016, the Company entered into an agreement for the sale and the transaction closed on January 3, 2017. The purchase price was $145 million in cash. The assets held for sale were

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reported within the Company s Refrigerated Foods segment. The assets held for sale were not material to the Company s annual net sales, net earnings, or earnings per share.

Amounts classified as assets and liabilities held for sale on October 30, 2016, were presented on the Company s Consolidated Statement of Financial Position within their respective accounts, and include the following:

Assets held for sale (in thousands)		
Current assets	$	80,861
Goodwill		12,703
Intangibles		14,321
Property, plant and equipment		74,812
Total assets held for sale	$	182,697
Liabilities held for sale (in thousands)		
Total current liabilities held for sale	$	44,066

NOTE F PENSION AND OTHER POST-RETIREMENT BENEFITS

Net periodic benefit cost for pension and other post-retirement benefit plans consists of the following:

	Pension Benefits							
	Three Months Ended				Nine Months Ended			
(in thousands)	July 30, 2017		July 24, 2016		July 30, 2017		July 24, 2016	
Service cost	$	7,564	$	6,645	$	22,692	$	20,005
Interest cost		13,565		13,674		40,697		41,030
Expected return on plan assets		(22,734)		(21,716)		(68,202)		(65,071)
Amortization of prior service cost		(750)		(1,037)		(2,250)		(3,169)
Recognized actuarial loss		6,542		4,787		19,625		13,958
Curtailment gain		-		(4,438)		-		(4,438)
Net periodic cost	$	4,187	$	(2,085)	$	12,562	$	2,315

	Post-retirement Benefits							
	Three Months Ended				Nine Months Ended			
(in thousands)	July 30, 2017		July 24, 2016		July 30, 2017		July 24, 2016	
Service cost	$	275	$	317	$	824	$	950
Interest cost		2,871		3,236		8,613		9,708
Amortization of prior service cost		(1,069)		(1,050)		(3,206)		(3,151)
Recognized actuarial loss		598		392		1,825		1,176
Net periodic cost	$	2,675	$	2,895	$	8,056	$	8,683

During the third quarter of fiscal 2017, the Company made discretionary contributions of $16.1 million to fund its pension plans, compared to discretionary contributions of $25.7 million during the third quarter of fiscal 2016. The curtailment gain recognized in the third quarter of fiscal 2016 is due to plan amendments related to the sale of Diamond Crystal Brands (DCB).

NOTE G DERIVATIVES AND HEDGING

The Company uses hedging programs to manage price risk associated with commodity purchases. These programs utilize futures contracts to manage the Company s exposure to price fluctuations in the commodities markets. The Company has determined its programs which are designated as hedges are highly effective in offsetting the changes in fair value or cash flows generated by the items hedged.

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Cash Flow Hedges: The Company utilizes corn and lean hog futures to offset price fluctuations in the Company s future direct grain and hog purchases. The financial instruments are designated and accounted for as cash flow hedges, and the Company measures the effectiveness of the hedges at least quarterly. Effective gains or losses related to these cash flow hedges are reported in accumulated other comprehensive loss (AOCL) and reclassified into earnings, through cost of products sold, in the period or periods in which the hedged transactions affect earnings. Any gains or losses related to hedge ineffectiveness are recognized in the current period cost of products sold. The Company typically does not hedge its grain exposure beyond the next two upcoming fiscal years and its hog exposure beyond the next fiscal year. As of July 30, 2017, and October 30, 2016, the Company had the following outstanding commodity futures contracts that were entered into to hedge forecasted purchases:

	Volume	
Commodity	**July 30, 2017**	**October 30, 2016**
Corn	12.1 million bushels	22.4 million bushels
Lean hogs	0.1 million cwt	-

As of July 30, 2017, the Company has included in AOCL, hedging gains of $4.9 million (before tax) relating to these positions, compared to gains of $9.2 million (before tax) as of October 30, 2016. The Company expects to recognize the majority of these gains over the next 12 months.

Fair Value Hedges: The Company utilizes futures to minimize the price risk assumed when forward priced contracts are offered to the Company s commodity suppliers. The intent of the program is to make the forward priced commodities cost nearly the same as cash market purchases at the date of delivery. The futures contracts are designated and accounted for as fair value hedges, and the Company measures the effectiveness of the hedges at least quarterly. Changes in the fair value of the futures contracts, along with the gain or loss on the hedged purchase commitment, are marked-to-market through earnings and are recorded on the Consolidated Statements of Financial Position as a current asset and liability, respectively. Effective gains or losses related to these fair value hedges are recognized through cost of products sold in the period or periods in which the hedged transactions affect earnings. Any gains or losses related to hedge ineffectiveness are recognized in the current period cost of products sold. As of July 30, 2017, and October 30, 2016, the Company had the following outstanding commodity futures contracts designated as fair value hedges:

	Volume	
Commodity	**July 30, 2017**	**October 30, 2016**
Corn	3.9 million bushels	3.6 million bushels
Lean hogs	0.4 million cwt	0.2 million cwt

Other Derivatives: The Company holds certain futures and options contract positions as part of a merchandising program and to manage the Company s exposure to fluctuations in commodity markets. The Company has not applied hedge accounting to these positions.

As of July 30, 2017, and October 30, 2016, the Company had the following outstanding futures and options contracts related to these programs:

	Volume	
Commodity	**July 30, 2017**	**October 30, 2016**
Corn	0.3 million bushels	4.0 million bushels
Soybean meal	-	11,000 tons

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Fair Values: The fair values of the Company s derivative instruments (in thousands) as of July 30, 2017, and October 30, 2016, were as follows:

	Location on Consolidated Statements of Financial Position	Fair Value (1) July 30, 2017	Fair Value (1) October 30, 2016
Asset Derivatives:			
Derivatives Designated as Hedges:			
Commodity contracts	Other current assets	$ 1,109	$ (194)
Derivatives Not Designated as Hedges:			
Commodity contracts	Other current assets	19	144
Total Asset Derivatives		$ 1,128	$ (50)

(1) Amounts represent the gross fair value of derivative assets and liabilities. The Company nets the derivative assets and liabilities for each of its hedging programs, including cash collateral, when a master netting arrangement exists between the Company and the counterparty to the derivative contract. The amount or timing of cash collateral balances may impact the classification of the derivative in the Consolidated Statements of Financial Position. See Note L Fair Value Measurements for a discussion of these net amounts as reported in the Consolidated Statements of Financial Position.

Derivative Gains and Losses: Gains or losses (before tax, in thousands) related to the Company s derivative instruments for the third quarter ended July 30, 2017, and July 24, 2016, were as follows:

Cash Flow Hedges:	Gain/(Loss) Recognized in AOCL (Effective Portion) (1) Three Months Ended July 30, 2017	Gain/(Loss) Recognized in AOCL (Effective Portion) (1) Three Months Ended July 24, 2016	Location on Consolidated Statements of Operations	Gain/(Loss) Reclassified from AOCL into Earnings (Effective Portion) (1) Three Months Ended July 30, 2017	Gain/(Loss) Reclassified from AOCL into Earnings (Effective Portion) (1) Three Months Ended July 24, 2016	Gain/(Loss) Recognized in Earnings (Ineffective Portion) (2) (4) Three Months Ended July 30, 2017	Gain/(Loss) Recognized in Earnings (Ineffective Portion) (2) (4) Three Months Ended July 24, 2016
Commodity contracts	$ 1,490	$ 7,702	Cost of products sold	$ 1,758	$ (346)	$ (22)	$ (14,277)

	Location on Consolidated	Gain/(Loss) Recognized in Earnings (Effective Portion) (3) Three Months Ended	Gain/(Loss) Recognized in Earnings (Ineffective Portion) (2) (5) Three Months Ended

Fair Value Hedges:	Statements of Operations	July 30, 2017	July 24, 2016	July 30, 2017	July 24, 2016
Commodity contracts	Cost of products sold	$ (730)	$ (1)	$ 51	$ 4,658

Derivatives Not Designated as Hedges:	Location on Consolidated Statements of Operations	Gain/(Loss) Recognized in Earnings Three Months Ended July 30, 2017	July 24, 2016
Commodity contracts	Cost of products sold	$ 9	$ (244)

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Derivative Gains and Losses: Gains or losses (before tax, in thousands) related to the Company s derivative instruments for the nine months ended July 30, 2017, and July 24, 2016, were as follows:

	Gain/(Loss) Recognized in AOCL (Effective Portion) (1) Nine Months Ended		Location on Consolidated Statements	Gain/(Loss) Reclassified from AOCL into Earnings (Effective Portion) (1) Nine Months Ended		Gain/(Loss) Recognized in Earnings (Ineffective Portion) (2) (4) Nine Months Ended	
Cash Flow Hedges:	**July 30, 2017**	**July 24, 2016**	**of Operations**	**July 30, 2017**	**July 24, 2016**	**July 30, 2017**	**July 24, 2016**
Commodity contracts	$ 703	$ 3,234	Cost of products sold	$ 4,980	$ (1,690)	$ 17	$ (14,255)

	Location on Consolidated Statements	Gain/(Loss) Recognized in Earnings (Effective Portion) (3) Nine Months Ended		Gain/(Loss) Recognized in Earnings (Ineffective Portion) (2) (5) Nine Months Ended	
Fair Value Hedges:	**of Operations**	**July 30, 2017**	**July 24, 2016**	**July 30, 2017**	**July 24, 2016**
Commodity contracts	Cost of products sold	$ (1,321)	$ 1,905	$ 52	$ 4,419

	Location on Consolidated Statements	Gain/(Loss) Recognized in Earnings Nine Months Ended	
Derivatives Not Designated as Hedges:	**of Operations**	**July 30, 2017**	**July 24, 2016**
Commodity contracts	Cost of products sold	$ (228)	$ (674)

(1) Amounts represent gains or losses in AOCL before tax. See Note I Accumulated Other Comprehensive Loss or the Consolidated Statements of Comprehensive Income for the after-tax impact of these gains or losses on net earnings.

(2) There were no gains or losses excluded from the assessment of hedge effectiveness during the third quarter or first nine months. Due to market volatility, the Company temporarily suspended the use of the special hedge accounting exemption for its JOTS corn futures contracts in the third quarter of fiscal 2016 due to ineffectiveness. During the time of suspension, all gains or losses related to these contracts were recorded in earnings as incurred.

(3) Amounts represent losses on commodity contracts designated as fair value hedges that were closed during the third quarter or the first nine months, which were offset by a corresponding gain on the underlying hedged purchase commitment. Additional gains or losses related to changes in the fair value of open commodity contracts, along with the offsetting gain or loss on the hedged purchase commitment, are also marked-to-market through earnings with no impact on a net basis.

(4) There were no gains or losses resulting from the discontinuance of cash flow hedges during the third quarter or the first nine months.

(5) There were no gains or losses recognized as a result of a hedged firm commitment no longer qualifying as a fair value hedge during the third quarter or first nine months.

NOTE H INVESTMENTS IN AND RECEIVABLES FROM AFFILIATES

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 any related receivables from affiliates, are included in the Consolidated Statements of Financial Position as investments in and receivables from affiliates.

Investments in and receivables from affiliates consists of the following:

(in thousands)	Segment	% Owned	July 30, 2017	October 30, 2016
MegaMex Foods, LLC	Grocery Products	50%	$ 184,470	$ 180,437
Foreign Joint Ventures	International & Other	Various (26-40%)	63,659	59,153
Total			$ 248,129	$ 239,590

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Equity in earnings of affiliates consists of the following:

		Three Months Ended		Nine Months Ended	
(in thousands)	Segment	July 30, 2017	July 24, 2016	July 30, 2017	July 24, 2016
MegaMex Foods, LLC	Grocery Products	$ 2,528	$ 5,039	$ 20,715	$ 20,812
Foreign Joint Ventures	International & Other	1,428	1,342	6,661	6,637
Total		$ 3,956	$ 6,381	$ 27,376	$ 27,449

Dividends received from affiliates for the three and nine months ended July 30, 2017, were $7.0 million and $19.5 million, respectively, compared to $10.0 million and $24.5 million dividends received for the three and nine months ended July 24, 2016.

The Company recognized a basis difference of $21.3 million associated with the formation of MegaMex Foods, LLC, of which $14.6 million is remaining as of July 30, 2017. This difference is being amortized through equity in earnings of affiliates.

NOTE I ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of accumulated other comprehensive loss are as follows:

(in thousands)	Foreign Currency Translation	Pension & Other Benefits	Deferred Gain (Loss) - Hedging	Accumulated Other Comprehensive Loss
Balance at April 30, 2017	$ (12,477)	$ (289,905)	$ 3,231	$ (299,151)
Unrecognized gains (losses)				
Gross	4,043	-	1,490	5,533
Tax effect	-	-	(559)	(559)
Reclassification into net earnings				
Gross	-	5,321(1)	(1,758)(2)	3,563
Tax effect	-	(2,007)	657	(1,350)
Net of tax amount	4,043	3,314	(170)	7,187
Balance at July 30, 2017	$ (8,434)	$ (286,591)	$ 3,061	$ (291,964)

(in thousands)	Foreign Currency Translation	Pension & Other Benefits	Deferred Gain (Loss) - Hedging	Accumulated Other Comprehensive Loss
Balance at October 30, 2016	$ (5,489)	$ (296,552)	$ 5,738	$ (296,303)

Unrecognized gains (losses)								
Gross		(2,945)		-		703		(2,242)
Tax effect		-		-		(265)		(265)
Reclassification into net earnings								
Gross		-		15,994(1)		(4,980)(2)		11,014
Tax effect		-		(6,033)		1,865		(4,168)
Net of tax amount		(2,945)		9,961		(2,677)		4,339
Balance at July 30, 2017	$	(8,434)	$	(286,591)	$	3,061	$	(291,964)

(1) Included in the computation of net periodic cost (see Note F Pension and Other Post-Retirement Benefits for additional details).

(2) Included in cost of products sold in the Consolidated Statements of Operations.

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NOTE J INCOME TAXES

The amount of unrecognized tax benefits, including interest and penalties, is recorded in other long-term liabilities. If recognized as of July 30, 2017, and July 24, 2016, $20.3 million and $18.4 million, respectively, would impact the Company s effective tax rate. The Company includes accrued interest and penalties related to uncertain tax positions in income tax expense. Interest and penalties included in income tax expense for the third quarter and first nine months of fiscal 2017 was $0.1 million and $0.2 million, respectively, compared to $0.1 million expense and $0.3 million benefit for the comparable quarter and first nine months of fiscal 2016. The amount of accrued interest and penalties at July 30, 2017, and July 24, 2016, associated with unrecognized tax benefits was $2.8 million and $3.0 million, respectively.

The Company is regularly audited by federal and state taxing authorities. The United States Internal Revenue Service (I.R.S.) concluded its examination of fiscal year 2015 in the first quarter of fiscal 2017. The Company has elected to participate in the Compliance Assurance Process (CAP) for fiscal years 2016 and 2017. The objective of CAP is to contemporaneously work with the I.R.S. to achieve federal tax compliance and resolve all or most of the issues prior to filing of the tax return. The Company may elect to continue participating in CAP for future tax years; the Company may withdraw from the program at any time.

The Company is in various stages of audit by several state taxing authorities on a variety of fiscal years, as far back as 2011. While it is reasonably possible that one or more of these audits may be completed within the next 12 months and that the related unrecognized tax benefits may change, based on the status of the examinations it is not possible to reasonably estimate the effect of any amount of such change to previously recorded uncertain tax positions.

NOTE K STOCK-BASED COMPENSATION

The Company issues stock options and nonvested shares as part of its stock incentive plans for employees and non-employee directors. The Company s policy is to grant options with the exercise price equal to the market price of the common stock on the date of grant. Options typically vest over four years and expire ten years after the date of the grant. The Company recognizes stock-based compensation expense ratably over the shorter of the requisite service period or vesting period. The fair value of stock-based compensation granted to retirement-eligible individuals is expensed at the time of grant.

A reconciliation of the number of options outstanding and exercisable (in thousands) as of July 30, 2017, and changes during the nine months then ended, is as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value

Outstanding at October 30, 2016	31,998	$ 16.05		
Granted	2,360	33.58		
Exercised	2,935	10.17		
Forfeited	36	9.35		
Outstanding at July 30, 2017	31,387	$ 17.93	4.8 years	$ 518,421
Exercisable at July 30, 2017	25,228	$ 14.54	3.9 years	$ 496,814

The weighted-average grant date fair value of stock options granted and the total intrinsic value of options exercised (in thousands) during the third quarter and first nine months of fiscal years 2017 and 2016, are as follows. There were no stock options granted during the third quarter of fiscal year 2017.

	Three Months Ended		Nine Months Ended	
	July 30, 2017	**July 24, 2016**	**July 30 2017**	**July 24, 2016**
Weighted-average grant date fair value	$ -	$ 7.46	$ 6.41	$ 7.82
Intrinsic value of exercised options	$ 12,385	$ 7,895	$ 73,473	$ 111,111

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The fair value of each option award is calculated on the date of grant using the Black-Scholes valuation model utilizing the following weighted-average assumptions:

	Three Months Ended		Nine Months Ended	
	July 30, 2017	July 24, 2016	July 30, 2017	July 24, 2016
Risk-free interest rate	-	1.9%	2.4%	2.1%
Dividend yield	-	1.5%	2.0%	1.5%
Stock price volatility	-	19.0%	19.0%	19.0%
Expected option life	-	8 years	8 years	8 years

As part of the annual valuation process, the Company reassesses the appropriateness of the inputs used in the valuation models. The Company establishes the risk-free interest rate using stripped U.S. Treasury yields as of the grant date where the remaining term is approximately the expected life of the option. The dividend yield is set based on the dividend rate approved by the Company s Board of Directors and the stock price on the grant date. The expected volatility assumption is set based primarily on historical volatility. As a reasonableness test, implied volatility from exchange traded options is also examined to validate the volatility range obtained from the historical analysis. The expected life assumption is set based on an analysis of past exercise behavior by option holders. In performing the valuations for option grants, the Company has not stratified option holders as exercise behavior has historically been consistent across all employee and non-employee director groups.

Nonvested shares vest on the earlier of the day before the Company s next annual meeting date or one year from grant date. A reconciliation of the nonvested shares (in thousands) as of July 30, 2017, and changes during the nine months then ended, is as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at October 30, 2016	47	$ 41.01
Granted	58	35.62
Vested	47	41.01
Nonvested at July 30, 2017	58	$ 35.62

The weighted-average grant date fair value of nonvested shares granted, the total fair value (in thousands) of nonvested shares granted, and the fair value (in thousands) of shares that have vested during the first nine months of fiscal years 2017 and 2016, are as follows:

	Nine Months Ended	
	July 30, 2017	July 24, 2016
Weighted-average grant date fair value	$ 35.62	$ 41.01
Fair value of nonvested shares granted	2,080	1,920
Fair value of shares vested	1,920	1,920

Stock-based compensation expense, along with the related income tax benefit, for the third quarter and first nine months of fiscal years 2017 and 2016, is presented in the table below.

	Three Months Ended		Nine Months Ended	
(in thousands)	July 30, 2017	July 24, 2016	July 30, 2017	July 24, 2016
Stock-based compensation expense recognized	$ 2,006	$ 1,913	$ 13,867	$ 16,091
Income tax benefit recognized	(757)	(726)	(5,231)	(6,105)
After-tax stock-based compensation expense	$ 1,249	$ 1,187	$ 8,636	$ 9,986

At July 30, 2017, there was $13.2 million of total unrecognized compensation expense from stock-based compensation arrangements granted under the plans. This compensation is expected to be recognized over a weighted-average period of approximately 2.3 years. During the third quarter and nine months ended July 30, 2017, cash received from stock option exercises was $5.4 million and $14.3 million, respectively, compared to $0.8 million and $9.2 million for the third quarter and nine months ended July 24, 2016. The total tax benefit to be

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realized for tax deductions from these option exercises for the third quarter and nine months ended July 30, 2017, was $4.7 million and $27.7 million, respectively, compared to $3.0 million and $42.2 million in the comparable periods of fiscal 2016.

Shares issued for option exercises and nonvested shares may be either authorized but unissued shares, or shares of treasury stock acquired in the open market or otherwise.

NOTE L FAIR VALUE MEASUREMENTS

Pursuant to the provisions of ASC 820, *Fair Value Measurements and Disclosures* (ASC 820), the Company measures certain assets and liabilities at fair value or discloses the fair value of certain assets and liabilities recorded at cost in the consolidated financial statements. Fair value is calculated 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). ASC 820 establishes a fair value hierarchy which 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 Company s financial assets and liabilities are measured at fair value on a recurring basis as of July 30, 2017, and October 30, 2016, and their level within the fair value hierarchy, are presented in the tables below.

		Fair Value Measurements at July 30, 2017		
(in thousands)	Fair Value at July 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets at Fair Value				

Cash and cash equivalents (1)	$	633,341	$	633,341	$	-	$	-
Other trading securities (2)		127,114		-		127,114		-
Commodity derivatives (3)		3,005		3,005		-		-
Total Assets at Fair Value	$	763,460	$	636,346	$	127,114	$	-
Liabilities at Fair Value								
Deferred compensation (2)	$	60,029	$	-	$	60,029	$	-
Total Liabilities at Fair Value	$	60,029	$	-	$	60,029	$	-

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(in thousands)	Fair Value at October 30, 2016	Fair Value Measurements at October 30, 2016 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets at Fair Value				
Cash and cash equivalents (1)	$ 415,143	$ 415,143	$ -	$ -
Other trading securities (2)	122,305	-	122,305	-
Commodity derivatives (3)	3,094	3,094	-	-
Total Assets at Fair Value	$ 540,542	$ 418,237	$ 122,305	$ -
Liabilities at Fair Value				
Deferred compensation (2)	$ 60,949	$ -	$ 60,949	$ -
Total Liabilities at Fair Value	$ 60,949	$ -	$ 60,949	$ -

The following methods and assumptions were used to estimate the fair value of the financial assets and liabilities above:

(1) The Company s cash equivalents consist primarily of bank deposits, money market funds rated AAA, or other highly liquid investment accounts. As these investments have a maturity date of three months or less, the carrying value approximates fair value.

(2) A majority of the funds held in the rabbi trust relate to the supplemental executive retirement plans and have been invested in fixed income funds managed by a third party. The declared rate on these funds is set based on a formula using the yield of the general account investment portfolio supporting the fund, adjusted for expenses and other charges. The rate is guaranteed for one year at issue, and may be reset annually on the policy anniversary, subject to a guaranteed minimum rate. As the value is based on adjusted market rates, and the fixed rate is only reset on an annual basis, these funds are classified as Level 2. The funds held in the rabbi trust are included in other assets on the Consolidated Statements of Financial Position. The remaining funds held are also managed by a third party insurance policy, the values of which represent their cash surrender value based on the fair value of the underlying investments in the account and include equity securities, money market accounts, bond funds, or other portfolios for which there is an active quoted market. Therefore these policies are also classified as Level 2. The related deferred compensation liabilities are included in other long-term liabilities on the Consolidated Statements of Financial Position with investment options generally mirroring those funds held by the rabbi trust. Therefore these investment balances are classified as Level 2. The Company also offers a fixed rate investment option to participants. The rate earned on these investments is adjusted annually based on a specified percentage of the United States Internal Revenue Service (I.R.S.) Applicable Federal Rates. These balances are classified as Level 2.

(3) The Company s commodity derivatives represent futures contracts used in its hedging or other programs to offset price fluctuations associated with purchases of corn, soybean meal, and hogs, and to minimize the price risk assumed when forward priced contracts are offered to the Company s commodity suppliers. The Company s futures contracts for corn and soybean meal are traded on the Chicago Board of Trade, while futures contracts for lean hogs are traded on the Chicago Mercantile Exchange. These are active markets with quoted prices available, and these contracts are classified as Level 1. All derivatives are reviewed for potential credit risk and risk of nonperformance. The Company nets the derivative assets and liabilities for each of its hedging programs, including cash collateral, when a master netting arrangement exists between the Company and the counterparty to the derivative contract. The net balance for each program is included in other current assets or accounts payable, as appropriate, in the Consolidated Statements of Financial Position. As of July 30, 2017, the Company has recognized the right to reclaim net cash collateral of $1.9 million from various counterparties (including $11.4 million of realized gains offset by cash owed of $9.5 million on closed positions). As of October 30, 2016, the Company had recognized the right to reclaim net cash collateral of $3.1 million from various counterparties (including $7.1 million of realized gains offset by cash owed of $4.0 million on closed positions).

The Company s financial assets and liabilities include accounts receivable, accounts payable, and other liabilities, for which carrying value approximates fair value. The Company does not carry its long-term debt at fair value in its Consolidated Statements of Financial Position. Based on borrowing rates available to the Company for long-term financing with similar terms and average maturities, the fair value of long-term debt, utilizing discounted cash flows (Level 2), was $271.6 million as of July 30, 2017, and $274.9 million as of October 30, 2016.

In accordance with the provisions of ASC 820, the Company measures certain nonfinancial assets and liabilities at fair value, which are recognized or disclosed on a nonrecurring basis (e.g. goodwill, intangible assets, and property, plant and equipment). During the second quarter of fiscal year 2016, a $1.0 million goodwill impairment charge was recorded for the portion of DCB assets held for sale which was based on the valuation of

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these assets as implied by the agreed-upon sales price. See additional discussion regarding the Company s assets held for sale in Note E. During the nine months ended July 30, 2017, there were no material remeasurements of assets or liabilities at fair value on a nonrecurring basis subsequent to their initial recognition

NOTE M EARNINGS PER SHARE DATA

The reported net earnings attributable to the Company were used when computing basic and diluted earnings per share. The following table sets forth the shares used as the denominator for those computations:

	Three Months Ended		Nine Months Ended	
(in thousands)	July 30, 2017	July 24, 2016	July 30, 2017	July 24, 2016
Basic weighted-average shares outstanding	528,165	529,660	528,487	529,473
Dilutive potential common shares	10,649	12,503	11,017	13,417
Diluted weighted-average shares outstanding	538,814	542,163	539,504	542,890

For the third quarter and nine months ended July 30, 2017, 2.4 million and 3.4 million weighted-average stock options, respectively, were not included in the computation of dilutive potential common shares since their inclusion would have had an antidilutive effect on earnings per share, compared to 1.8 million and 0.9 million for the third quarter and nine months ended July 24, 2016.

NOTE N SEGMENT REPORTING

The Company develops, processes, and distributes a wide array of food products in a variety of markets. The Company reports its results in the following five segments: Grocery Products, Refrigerated Foods, Jennie-O Turkey Store, Specialty Foods, and International & Other.

The Grocery Products segment consists primarily of the processing, marketing, and sale of shelf-stable food products sold predominantly in the retail market. This segment also includes the results from the Company s MegaMex Foods, LLC joint venture.

The Refrigerated Foods segment consists primarily of the processing, marketing, and sale of branded and unbranded pork, beef, chicken, and turkey products products for retail, foodservice, and fresh product customers.

The Jennie-O Turkey Store segment consists primarily of the processing, marketing, and sale of branded and unbranded turkey products for retail, foodservice, and fresh product customers.

The Specialty Foods segment consists of the processing, marketing, and sale of nutritional and private label shelf-stable products to retail, foodservice, and industrial customers.

The International & Other 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.

Intersegment sales are recorded at approximate cost and are eliminated in the Consolidated Statements of Operations. The Company does not allocate investment income, interest expense, and interest income to its segments when measuring performance. The Company also retains various other income and unallocated expenses at corporate. Equity in earnings of affiliates is included in segment operating profit; however, earnings attributable to the Company s noncontrolling interests are excluded. These items are included below as net interest and investment expense (income), general corporate expense, and noncontrolling interest when reconciling to earnings before income taxes.

Sales and operating profits for each of the Company s reportable segments and reconciliation to earnings before income taxes 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

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these segments, if operated independently, would report the operating profit and other financial information shown below.

	Three Months Ended		Nine Months Ended	
(in thousands)	July 30, 2017	July 24, 2016	July 30, 2017	July 24, 2016
Sales to Unaffiliated Customers				
Grocery Products	$ 421,986	$ 399,342	$ 1,271,936	$ 1,193,032
Refrigerated Foods	1,086,546	1,155,297	3,237,071	3,409,897
Jennie-O Turkey Store	369,078	403,953	1,178,304	1,199,559
Specialty Foods	196,873	212,197	597,716	722,460
International & Other	132,892	131,587	389,884	370,335
Total	$ 2,207,375	$ 2,302,376	$ 6,674,911	$ 6,895,283
Intersegment Sales				
Grocery Products	$ -	$ -	$ -	$ -
Refrigerated Foods	1,223	1,648	5,039	7,635
Jennie-O Turkey Store	29,264	27,921	85,080	88,604
Specialty Foods	7	8	22	17
International & Other	-	-	-	-
Total	$ 30,494	$ 29,577	$ 90,141	$ 96,256
Intersegment elimination	(30,494)	(29,577)	(90,141)	(96,256)
Total	$ -	$ -	$ -	$ -
Net Sales				
Grocery Products	$ 421,986	$ 399,342	$ 1,271,936	$ 1,193,032
Refrigerated Foods	1,087,769	1,156,945	3,242,110	3,417,532
Jennie-O Turkey Store	398,342	431,874	1,263,384	1,288,163
Specialty Foods	196,880	212,205	597,738	722,477
International & Other	132,892	131,587	389,884	370,335
Intersegment elimination	(30,494)	(29,577)	(90,141)	(96,256)
Total	$ 2,207,375	$ 2,302,376	$ 6,674,911	$ 6,895,283
Segment Operating Profit				
Grocery Products	$ 58,780	$ 53,344	$ 201,894	$ 185,727
Refrigerated Foods	138,314	120,702	442,316	417,612
Jennie-O Turkey Store	44,986	56,147	176,952	237,128
Specialty Foods	23,336	27,089	80,895	90,735
International & Other	17,111	20,308	62,191	58,839
Total segment operating profit	$ 282,527	$ 277,590	$ 964,248	$ 990,041
Net interest and investment expense	1,681	673	2,463	5,663
General corporate expense	2,865	2,922	13,308	32,111
Less: Noncontrolling interest	43	122	159	215
Earnings before income taxes	$ 278,024	$ 274,117	$ 948,636	$ 952,482

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

CRITICAL ACCOUNTING POLICIES

There have been no material changes in the Company s Critical Accounting Policies, as disclosed in its Annual Report on Form 10-K for the fiscal year ended October 30, 2016.

RESULTS OF OPERATIONS

Overview

The Company is a processor of branded and unbranded food products for retail, foodservice, and fresh product customers. It operates in five reportable segments as described in Note N in the Notes to Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

The Company reported net earnings per diluted share of $0.34 for the third quarter of fiscal 2017, compared to $0.36 per diluted share in the third quarter of fiscal 2016. Significant factors impacting the quarter were:

- The Company delivered record earnings before income tax as strong earnings growth in the Refrigerated Foods and Grocery Products segments was able to offset lower earnings in the Company s other segments.
- Refrigerated Foods segment profit rose as strong demand for pork and operational improvements offset higher input costs and the divestiture of Farmer John.
- Grocery Products segment profit increased as higher input costs were offset by advertising reductions and incremental earnings from an additional period of *Justin s* specialty nut butters.
- Specialty Foods segment profit declined as pricing of contract packaging sales did not keep pace with input cost increases along with lower sales of *Muscle Milk* ready-to-drink protein products.
- International & Other segment profit decreased driven by lower results in China, reflecting startup costs for the Company s new Jiaxing production facility and the closing of the Shanghai facility.
- Jennie-O Turkey Store (JOTS) segment profit decreased during the quarter due to lower turkey commodity prices, pricing pressure from competing proteins, and increased operating expenses.

Consolidated Results

Net Earnings and Diluted Earnings per Share

	Three Months			Nine Months		
(in thousands, except per share amounts)	**July 30, 2017**	**July 24, 2016**	**% Change**	**July 30, 2017**	**July 24, 2016**	**% Change**
Net earnings	$ 182,508	$ 195,654	(6.7)	$ 628,581	$ 646,112	(2.7)
Diluted earnings per share	0.34	0.36	(5.6)			