HORMEL FOODS CORP /DE/
Form 11-K
April 21, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 11-K

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

For the fiscal year ended October 25, 2015

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:

Capital Accumulation Plan

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

Hormel Foods Corporation

1 Hormel Place

Austin, MN 55912

507-437-5611

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Capital Accumulation Plan

Audited Financial Statements and Supplemental Schedule

Years Ended October 25, 2015 and October 26, 2014

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Report of Independent Registered Public Accounting Firm

The Hormel Foods Corporation Employee Benefits Committee

Capital Accumulation Plan

We have audited the accompanying statements of net assets available for benefits of the Capital Accumulation Plan (the Plan) as of October 25, 2015 and October 26, 2014, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at October 25, 2015 and October 26, 2014, and the changes in its net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying supplemental schedule of assets (held at end of year) as of October 25, 2015, has been subjected to audit procedures performed in conjunction with the audit of the Capital Accumulation Plan s financial statements. The information in the supplemental schedule is the responsibility of the Plan s management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Minneapolis, Minnesota

April 21, 2016

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Capital Accumulation Plan

Statements of Net Assets Available for Benefits

	October 25, 2015	October 26, 2014
Assets		
Investments:		
Investments at fair value	$ 51,739,190	$ 46,589,767
Investments at contract value	18,159,059	17,353,866
Total investments	69,898,249	63,943,633
Receivables:		
Contributions from Hormel Foods Corporation	54,715	53,348
Contributions from participants	76,789	69,449
Promissory notes from participants	5,896,498	5,428,656
Total receivables	6,028,002	5,551,453
Net assets available for benefits	$ 75,926,251	$ 69,495,086

See accompanying notes.

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Capital Accumulation Plan

Statements of Changes in Net Assets Available for Benefits

	Year Ended October 25, 2015	Year Ended October 26, 2014
Additions:		
Contributions from Hormel Foods Corporation	$ 3,012,814	$ 2,818,423
Contributions from participants	4,200,375	3,781,429
Employee rollover	668,149	595,013
Investment income	982,343	862,560
Interest income promissory notes receivable	292,354	257,326
Transfer of assets	-	19,402
Total additions	9,156,035	8,334,153
Deductions:		
Distributions	5,017,456	3,550,803
Administrative expenses	93,266	92,064
Total deductions	5,110,722	3,642,867
Net realized and unrealized appreciation in fair value of investments	2,385,852	2,696,033
Net additions	6,431,165	7,387,319
Net assets available for benefits at beginning of year	69,495,086	62,107,767
Net assets available for benefits at end of year	$ 75,926,251	$ 69,495,086

See accompanying notes.

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Capital Accumulation Plan

Notes to Financial Statements

October 25, 2015

1. Significant Accounting Policies

The accounting records of the Capital Accumulation Plan (the Plan) are maintained on an accrual basis.

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 measure for the portion of assets attributable to fully benefit-responsive investment contracts.

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent),* which removes the requirement to present investments for which the practical expedient is used to measure fair value at net asset value (NAV) within the fair value hierarchy table. Instead, an entity would be required to include those investments as a reconciling item so that the total fair value amount of investments in the disclosure is consistent with the fair value investment balance on the statement of net assets available for benefits. The Plan elected to early adopt ASU 2015-07 as of October 25, 2015, as permitted and has applied ASU 2015-07 retrospectively, as required. The adoption has been reflected in Note 3 Fair Value Measurements of the financial statements. The adoption had no impact on the statements of net assets available for benefits or the statement of changes in net assets available for benefits as of October 25, 2015 and October 26, 2014.

In July 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ASU 2015-12, *Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962),* *Health and Welfare Benefit Plans (Topic 965): (Part I) Fully Benefit-Responsive Investment Contract, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient,* which simplifies the required disclosures related to employee benefit plans. Part I eliminates the requirement to measure and disclose the fair value of fully benefit-responsive contracts, including common collective trust assets. Contract value is the only required measure for fully benefit-responsive investment contracts. Part II eliminates the requirement to disclose individual investments which comprise 5% or more of total net assets available for benefits, as well as the net appreciation or depreciation of fair values by type. Part II also requires plans to continue to disaggregate investments that are measured using fair value by general type; however, plans are no longer required to also disaggregate investments by nature, characteristics and risks. Furthermore, the disclosure of information about fair value

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Capital Accumulation Plan

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

measurements shall be provided by general type of plan asset. Part III allows plans to measure investments using values from the end of the calendar month closest to the plan s fiscal year end. The Plan elected to early adopt ASU 2015-12 Parts I and II as of October 25, 2015 and has applied the provisions retrospectively. The Plan is not adopting the provisions of ASU 2015-12 Part III.

The Hormel Foods Corporation Employee Benefits Committee (the Committee) is responsible for determining the Plan s valuation policies and analyzing information provided by the investment advisors and record keeper that is used to determine the fair value of the Plan s investments. The Committee is comprised of officers and a director of the Hormel Foods Corporation and reports to the Compensation Committee of the Board of Directors of the Hormel Foods Corporation. See Note 3 Fair Value Measurements for further discussion of fair value measurements.

All costs and expenses of administering the Plan are paid by the Plan unless paid by Rochelle Foods, LLC (the Sponsor).

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

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

2. Description of the Plan

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

The Plan, sponsored by Rochelle Foods, LLC, is a contributory defined-contribution plan covering certain employees of Rochelle Foods, LLC; Creative Contract Packaging, LLC; Diamond Crystal Brands, Inc. Quakertown and Duluth; Osceola Food, LLC; Burke Marketing Corporation; Provena Foods Inc.; Lloyd s Barbeque Company, LLC; Progressive Processing, LLC; Mexican Accent, LLC; Saag s Products, LLC; Skippy Foods, LLC; and CytoSport, Inc. Employees generally become participants in the Plan on the enrollment date following six months of eligibility service, with respect to employee deferral contributions.

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Capital Accumulation Plan

Notes to Financial Statements (continued)

2. Description of the Plan (continued)

Employees who elect to contribute to the Plan can authorize a deduction of 1% to 50% of their compensation for each pay period, subject to Internal Revenue Service (IRS) limitations. Certain eligible employees who have not made an election to contribute to the Plan shall be deemed to have automatically elected to contribute 2% to the Plan through payroll deductions. The automatic enrollment feature is not available to employees of Rochelle Foods, LLC; Provena Foods Inc.; and Saag s Products, LLC. The Plan contains a diversified selection of funds intended to satisfy Section 404(c) of ERISA. The Employer provides matching contributions, fixed incentive contributions and employer contributions. These contributions vary according to employee classification and employer.

Each participant s account is credited with the participant s and the employer s contributions and plan earnings and is charged with an allocation of administrative expenses if the employer does not pay those expenses from its own assets. Allocations are based on account balances, as defined. Forfeited balances of terminated participants non-vested accounts are used to reduce future company contributions. The benefit to which a participant is entitled is the benefit that can be provided from the participant s account.

Participant contributions are always fully vested. Participants become 100% vested after five years (20% per year) in the company fixed incentive and company match accounts. Forfeitures used to reduce employer contributions for the years ended October 25, 2015 and October 26, 2014, were $99,477 and $136,994, respectively.

Benefits are paid upon termination of service in various forms of distribution equal to the vested value of a participant s account. Complete details of payment provisions are described in a Summary Plan Description, available from the Sponsor. Benefits are recorded when paid.

Promissory notes receivable are loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Participants may borrow from their fund accounts a minimum of $500 up to a maximum of the lesser of

$50,000 or 50% of their 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. Participants are required to make repayments of principal and interest through payroll deductions. The loans are secured by the balance in a participant s account. 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.

On May 23, 2013, the Committee resolved to merge the participants and assets of the Saag s Products, LLC Employee Retirement Plan into the Plan. The Saag s Products, LLC plant

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Capital Accumulation Plan

Notes to Financial Statements (continued)

2. Description of the Plan (continued)

production employees are eligible participants in the Plan. Accordingly, those assets and participants were merged into the Plan based on their eligibility as of July 1, 2013.

On October 3, 2014, the Committee amended the Plan, effective August 11, 2014, the date Hormel Foods Corporation acquired CytoSport, Inc., to provide eligibility for the CytoSport, Inc. office hourly and plant hourly employees in the Plan; allow hours of service with CytoSport, Inc. prior to the acquisition date to count towards eligibility and vesting in the Plan; and allow an employer matching contribution to CytoSport, Inc. employees of 100% of the first three percent and 50% of the next two percent of pay the employees defer to the Plan.

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.

3. Fair Value Measurements

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

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

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

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

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Capital Accumulation Plan

Notes to Financial Statements (continued)

3. Fair Value Measurements (continued)

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. The Company has implemented a dividend pass through election for its participants.

Participants are authorized to invest up to 100% of the fair value of their net assets available for benefits in this fund. Each participant in this fund is entitled to exercise voting rights attributable to the shares allocated to their account and is notified by the Company prior to the time that such rights may be exercised. The trustee is not permitted to vote any allocated shares for which instructions have not been given by a participant. The trustee votes any unallocated shares in the same proportion as those shares that were allocated, unless the Committee directs the trustee otherwise. Participants have the same voting rights in the event of a tender or exchange offer.

This fund is approximately 10% and 7% of the total investments in the Plan at October 25, 2015 and October 26, 2014, 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.

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

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Capital Accumulation Plan

Notes to Financial Statements (continued)

3. Fair Value Measurements (continued)

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

- 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.

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Capital Accumulation Plan

Notes to Financial Statements (continued)

3. Fair Value Measurements (continued)

The investments of the Plan that are measured at fair value on a recurring basis as of October 25, 2015 and October 26, 2014, and their level within the fair value hierarchy, are as follows:

	Fair Value Measurements at October 25, 2015			
	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:				
Nonpooled separate account:				
Hormel Foods Corporation Stock Fund	$ 6,707,510	$ 6,707,510	$	$
Self-directed brokerage accounts	18,222			