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 June 30, 2015

or

o 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: 1-16129

FLUOR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**33-0927079**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6700 Las Colinas Boulevard **Irving, Texas**	**75039**
(Address of principal executive offices)	(Zip Code)

469-398-7000
(Registrant s telephone number, including area code)

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

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). Yes x No o

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of July 24, 2015, 144,943,262 shares of the registrant s common stock, $0.01 par value, were outstanding.

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FLUOR CORPORATION

FORM 10-Q

June 30, 2015

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PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

FLUOR CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF EARNINGS

UNAUDITED

(in thousands, except per share amounts)	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
TOTAL REVENUE	$ 4,810,106	$ 5,251,664	$ 9,358,755	$ 10,636,300
TOTAL COST OF REVENUE	4,516,125	4,906,352	8,767,314	9,978,656
OTHER (INCOME) AND EXPENSES				
Corporate general and administrative expense	47,785	56,711	88,895	94,484
Interest expense	11,401	7,445	23,569	14,342
Interest income	(4,054)	(4,133)	(8,750)	(7,939)
Total cost and expenses	4,571,257	4,966,375	8,871,028	10,079,543
EARNINGS FROM CONTINUING OPERATIONS BEFORE TAXES	238,849	285,289	487,727	556,757
INCOME TAX EXPENSE	78,105	90,126	161,379	168,284
EARNINGS FROM CONTINUING OPERATIONS	160,744	195,163	326,348	388,473
LOSS FROM DISCONTINUED OPERATIONS, NET OF TAXES		(85,183)		(85,183)
NET EARNINGS	160,744	109,980	326,348	303,290
LESS: NET EARNINGS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	12,237	32,190	33,762	76,426
NET EARNINGS ATTRIBUTABLE TO FLUOR CORPORATION	$ 148,507	$ 77,790	$ 292,586	$ 226,864
AMOUNTS ATTRIBUTABLE TO FLUOR CORPORATION				
Earnings from continuing operations	$ 148,507	$ 162,973	$ 292,586	$ 312,047
Loss from discontinued operations, net of taxes		(85,183)		(85,183)
Net earnings	$ 148,507	$ 77,790	$ 292,586	$ 226,864

BASIC EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO FLUOR CORPORATION								
Earnings from continuing operations	$	1.02	$	1.03	$	1.99	$	1.96
Loss from discontinued operations, net of taxes				(0.54)				(0.54)
Net earnings	$	1.02	$	0.49	$	1.99	$	1.42
DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO FLUOR CORPORATION								
Earnings from continuing operations	$	1.00	$	1.02	$	1.96	$	1.93
Loss from discontinued operations, net of taxes				(0.54)				(0.52)
Net earnings	$	1.00	$	0.48	$	1.96	$	1.41
SHARES USED TO CALCULATE EARNINGS PER SHARE								
BASIC		146,261		158,465		146,996		159,339
DILUTED		147,921		160,454		148,918		161,407
DIVIDENDS DECLARED PER SHARE	$	0.21	$	0.21	$	0.42	$	0.42

See Notes to Condensed Consolidated Financial Statements.

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FLUOR CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

UNAUDITED

(in thousands)	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
NET EARNINGS	$ 160,744	$ 109,980	$ 326,348	$ 303,290
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:				
Foreign currency translation adjustment	12,885	13,438	(35,839)	709
Ownership share of equity method investees other comprehensive income (loss)	1,653	12,343	(2,828)	10,345
Defined benefit pension and postretirement plan adjustments	2,677	1,509	5,365	3,157
Unrealized gain on derivative contracts	496	934	1,390	505
Unrealized gain (loss) on available-for-sale securities	(235)	231	374	213
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	17,476	28,455	(31,538)	14,929
COMPREHENSIVE INCOME	178,220	138,435	294,810	318,219
LESS: COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	11,626	32,555	33,742	72,452
COMPREHENSIVE INCOME ATTRIBUTABLE TO FLUOR CORPORATION	$ 166,594	$ 105,880	$ 261,068	$ 245,767

See Notes to Condensed Consolidated Financial Statements.

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FLUOR CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEET

UNAUDITED

(in thousands, except share and per share amounts)		**June 30, 2015**		**December 31, 2014**
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents ($281,828 and $352,996 related to variable interest entities (VIEs))	$	1,723,760	$	1,993,125
Marketable securities, current ($70,065 and $14,082 related to VIEs)		166,082		105,131
Accounts and notes receivable, net ($235,075 and $193,565 related to VIEs)		1,265,879		1,471,705
Contract work in progress ($196,177 and $166,334 related to VIEs)		1,507,880		1,587,275
Deferred taxes		201,895		340,223
Other current assets ($18,407 and $38,848 related to VIEs)		337,221		260,588
Total current assets		5,202,717		5,758,047
Marketable securities, noncurrent		242,570		343,644
Property, plant and equipment (PP&E) ((net of accumulated depreciation of $1,078,281 and $1,081,198) (net PP&E of $84,848 and $77,579 related to VIEs))		964,409		980,263
Investments and goodwill		352,735		302,757
Deferred taxes		210,961		201,004
Deferred compensation trusts		369,269		405,022
Other assets ($24,618 and $24,003 related to VIEs)		217,712		203,692
TOTAL ASSETS	$	7,560,373	$	8,194,429
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade accounts payable ($178,738 and $213,837 related to VIEs)	$	1,212,814	$	1,422,084
Convertible senior notes and other borrowings				28,742
Advance billings on contracts ($183,831 and $151,321 related to VIEs)		577,376		569,418
Accrued salaries, wages and benefits ($51,947 and $51,749 related to VIEs)		688,219		725,586
Other accrued liabilities ($17,420 and $21,709 related to VIEs)		264,140		585,023
Total current liabilities		2,742,549		3,330,853
LONG-TERM DEBT DUE AFTER ONE YEAR		992,460		991,685
NONCURRENT LIABILITIES		603,762		648,061
CONTINGENCIES AND COMMITMENTS				
EQUITY				
Shareholders equity				
Capital stock				
Preferred authorized 20,000,000 shares ($0.01 par value); none issued				
		1,454		1,486

Common authorized 375,000,000 shares ($0.01 par value); issued and outstanding 145,384,573 and 148,633,640 shares in 2015 and 2014, respectively				
Additional paid-in capital				
Accumulated other comprehensive loss		(515,730)		(484,212)
Retained earnings		3,630,881		3,593,597
Total shareholders equity		3,116,605		3,110,871
Noncontrolling interests		104,997		112,959
Total equity		3,221,602		3,223,830
TOTAL LIABILITIES AND EQUITY	$	7,560,373	$	8,194,429

See Notes to Condensed Consolidated Financial Statements.

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FLUOR CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

UNAUDITED

(in thousands)	Six Months Ended June 30, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$ 326,348	$ 303,290
Adjustments to reconcile net earnings to cash provided (utilized) by operating activities:		
Loss from discontinued operations, net of taxes		85,183
Depreciation of fixed assets	94,695	94,863
Amortization of intangibles	445	446
Loss on sales of equity method investments		2,158
(Earnings) loss from equity method investments, net of distributions	(7,377)	1,027
Gain on sale of property, plant and equipment	(18,034)	(12,146)
Restricted stock and stock option amortization	27,774	23,761
Deferred compensation trust	35,754	(13,155)
Deferred compensation obligation	3,169	16,446
Deferred taxes	146,941	(22,892)
Excess tax benefit from stock-based plans		(3,857)
Net retirement plan accrual (contributions)	6,968	(3,628)
Changes in operating assets and liabilities	(111,957)	(38,785)
Cash outflows from discontinued operations	(306,490)	(3,115)
Other items	5,953	(3,867)
Cash provided by operating activities	204,189	425,729
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities	(182,561)	(197,656)
Proceeds from the sales and maturities of marketable securities	220,728	164,903
Capital expenditures	(133,487)	(148,916)
Proceeds from disposal of property, plant and equipment	54,890	47,105
Proceeds from sales of equity method investments		44,000
Investments in partnerships and joint ventures	(47,458)	(17,999)
Other items	911	1,959
Cash utilized by investing activities	(86,977)	(106,604)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of common stock	(214,253)	(323,500)
Dividends paid	(63,531)	(59,681)
Repayment of convertible debt and other borrowings	(28,425)	(73)
Distributions paid to noncontrolling interests	(41,766)	(44,284)
Capital contributions by noncontrolling interests	2,294	190
Taxes paid on vested restricted stock	(8,392)	(11,141)
Stock options exercised	1,162	15,378
Excess tax benefit from stock-based plans		3,857
Other items	(3,495)	(1,870)
Cash utilized by financing activities	(356,406)	(421,124)
Effect of exchange rate changes on cash	(30,171)	1,226
Decrease in cash and cash equivalents	(269,365)	(100,773)
Cash and cash equivalents at beginning of period	1,993,125	2,283,582

Cash and cash equivalents at end of period	$	1,723,760	$	2,182,809

See Notes to Condensed Consolidated Financial Statements.

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FLUOR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED

(1) Principles of Consolidation

The Condensed Consolidated Financial Statements do not include footnotes and certain financial information normally presented annually under accounting principles generally accepted in the United States and, therefore, should be read in conjunction with the company s December 31, 2014 Annual Report on Form 10-K. Accounting measurements at interim dates inherently involve greater reliance on estimates than at year-end. The results of operations for the three and six months ended June 30, 2015 may not necessarily be indicative of results that can be expected for the full year.

The Condensed Consolidated Financial Statements included herein are unaudited; however, they contain all adjustments of a normal recurring nature which, in the opinion of management, are necessary to present fairly its consolidated financial position as of June 30, 2015 and its consolidated results of operations and cash flows for the interim periods presented. All significant intercompany transactions of consolidated subsidiaries are eliminated. Management has evaluated all material events occurring subsequent to the date of the financial statements up to the filing date of this Form 10-Q.

(2) Recent Accounting Pronouncements

New accounting pronouncements implemented by the company during the first six months of 2015 or requiring implementation in future periods are discussed below or elsewhere in the notes, where appropriate.

In the second quarter of 2015, the company adopted Accounting Standards Update (ASU) 2015-08, Pushdown Accounting: Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 115, which provides an acquired entity with an option to apply pushdown accounting in its separate financial statements upon acquisition. The adoption of ASU 2015-08 did not have an impact on the company s financial position, results of operations or cash flows.

In the first quarter of 2015, the company adopted ASU 2014-11, Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures, which makes limited amendments to the guidance in Accounting Standards Codification (ASC) 860, Transfers and Servicing, on accounting for certain repurchase agreements (repos). The ASU (1) requires entities to account for repurchase-to-maturity transactions as secured borrowings (rather than as sales with forward repurchase agreements); (2) eliminates accounting guidance on linked repurchase financing transactions; and (3) expands disclosure requirements related to certain transfers of financial assets that are accounted for as sales and certain transfers (specifically, repos, securities lending transactions and repurchase-to-maturity transactions) accounted for as secured borrowings. The adoption of ASU 2014-11 did not have a material impact on the company s financial position, results of operations or cash flows.

In the first quarter of 2015, the company adopted ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which amends the definition of a discontinued operation and requires entities to provide additional disclosures about disposal transactions that do not meet the discontinued operations criteria. This ASU requires discontinued operations treatment for disposals of a component or group of components of an entity that represent a strategic shift that has or will have a major impact on an entity s operations or financial results. ASU 2014-08 also expands the scope of ASC 205-20, Discontinued Operations, to disposals of equity method investments and acquired businesses held for sale. The adoption of ASU 2014-08 did not have a material impact on the company s financial position, results of operations or cash flows.

In the first quarter of 2015, the company adopted ASU 2014-05, Service Concession Arrangements. This ASU clarifies that, unless certain circumstances are met, operating entities should not account for certain concession arrangements with public-sector entities as leases and should not recognize the related infrastructure as property, plant and equipment. The adoption of ASU 2014-05 did not have a material impact on the company s financial position, results of operations or cash flows.

In April 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-05, Customer s Accounting for Fees Paid in a Cloud Computing Arrangement. This ASU clarifies the circumstances under which a cloud computing customer would account for the arrangement as a license of internal-use software. ASU 2015-05 is effective for interim and annual reporting periods beginning after December 15, 2015. Management does not expect the adoption of ASU 2015-05 to have a material impact on the company s financial position, result of operations or cash flows.

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FLUOR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

UNAUDITED

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs. This ASU changes the presentation of debt issuance costs on the balance sheet by requiring entities to present such costs as a direct deduction from the related debt liability rather than as an asset. ASU 2015-03 is effective for interim and annual reporting periods beginning after December 15, 2015. Management does not expect the adoption of ASU 2015-03 to have a material impact on the company s financial position, results of operations or cash flows.

In February 2015, the FASB issued ASU 2015-02, Amendments to the Consolidation Analysis. This ASU amends the consolidation guidance for VIEs and general partners investments in limited partnerships and modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities. ASU 2015-02 is effective for interim and annual reporting periods beginning after December 15, 2015. Management does not expect the adoption of ASU 2015-02 to have a material impact on the company s financial position, results of operations or cash flows.

In January 2015, the FASB issued ASU 2015-01, Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items. Under this ASU, an entity will no longer be allowed to separately disclose extraordinary items, net of tax, in the income statement after income from continuing operations if an event or transaction is unusual in nature and occurs infrequently. ASU 2015-01 is effective for interim and annual reporting periods beginning after December 15, 2015 with early adoption permitted. Upon adoption, the company may elect prospective or retrospective application. Management does not expect the adoption of ASU 2015-01 to have a material impact on the company s financial position, results of operations or cash flows.

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern. This ASU requires management to perform interim and annual assessments of an entity s ability to continue as a going concern within one year of the date the financial statements are issued and to provide certain disclosures if conditions or events raise substantial doubt about the entity s ability to continue as a going concern. ASU 2014-15 is effective for annual reporting periods ending after December 15, 2016 and subsequent interim reporting periods. Management does not expect the adoption of ASU 2014-15 to have a material impact on the company s financial position, results of operations or cash flows.

In June 2014, the FASB issued ASU 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period. This ASU requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. ASU 2014-12 is effective for interim and annual reporting periods beginning after December 15, 2015. Management does not expect the adoption of ASU 2014-12 to have a material impact on the company s financial position, results of operations or cash flows.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 outlines a five-step process for revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards, and also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. Major provisions include determining which goods and services are distinct and require separate accounting, how variable consideration (which may include change orders and claims) is recognized, whether revenue should be recognized at a point in time or over time and ensuring the time value of money is considered in the transaction price. This ASU is currently effective for interim and annual reporting periods beginning after December 15, 2016 and can be applied either retrospectively to each prior period presented or as a cumulative-effect adjustment as of the date of adoption. Management is currently evaluating the impact of adopting ASU 2014-09 on the company s financial position, results of operations and cash flows.

(3) Discontinued Operations

The company recorded a loss from discontinued operations of $85 million (net of taxes of $47 million) during the three months ended June 30, 2014 in connection with the reassessment of estimated loss contingencies related to the lead business of St. Joe Minerals Corporation (St. Joe) and The Doe Run Company (Doe Run) in Herculaneum, Missouri, which are discontinued operations. In 1994, the company sold its interests in St. Joe and Doe Run, along with all liabilities associated with its lead business, pursuant to a sale agreement in which the buyer agreed to indemnify the company for those liabilities.

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FLUOR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

UNAUDITED

(4) Other Comprehensive Income (Loss)

The tax effects of the components of other comprehensive income (loss) (OCI) for the three months ended June 30, 2015 and 2014 are as follows:

(in thousands)	Three Months Ended June 30, 2015 Before-Tax Amount	Three Months Ended June 30, 2015 Tax Benefit (Expense)	Three Months Ended June 30, 2015 Net-of-Tax Amount	Three Months Ended June 30, 2014 Before-Tax Amount	Three Months Ended June 30, 2014 Tax Benefit (Expense)	Three Months Ended June 30, 2014 Net-of-Tax Amount
Other comprehensive income (loss):						
Foreign currency translation adjustment	$ 21,082	$ (8,197)	$ 12,885	$ 21,359	$ (7,921)	$ 13,438
Ownership share of equity method investees other comprehensive income	1,838	(185)	1,653	19,176	(6,833)	12,343
Defined benefit pension and postretirement plan adjustments	4,283	(1,606)	2,677	2,415	(906)	1,509
Unrealized gain on derivative contracts	648	(152)	496	1,426	(492)	934
Unrealized gain (loss) on available-for-sale securities	(375)	140	(235)	369	(138)	231
Total other comprehensive income	27,476	(10,000)	17,476	44,745	(16,290)	28,455
Less: Other comprehensive income (loss) attributable to noncontrolling interests	(611)		(611)	365		365
Other comprehensive income attributable to Fluor Corporation	$ 28,087	$ (10,000)	$ 18,087	$ 44,380	$ (16,290)	$ 28,090

The tax effects of the components of OCI for the six months ended June 30, 2015 and 2014 are as follows:

(in thousands)	Six Months Ended June 30, 2015 Before-Tax Amount	Six Months Ended June 30, 2015 Tax Benefit (Expense)	Six Months Ended June 30, 2015 Net-of-Tax Amount	Six Months Ended June 30, 2014 Before-Tax Amount	Six Months Ended June 30, 2014 Tax Benefit (Expense)	Six Months Ended June 30, 2014 Net-of-Tax Amount
Other comprehensive income (loss):						

Foreign currency translation adjustment	$	(57,189)	$	21,350	$	(35,839)	$	3,559	$	(2,850)	$	709
Ownership share of equity method investees other comprehensive income (loss)		(4,164)		1,336		(2,828)		18,232		(7,887)		10,345
Defined benefit pension and postretirement plan adjustments		8,584		(3,219)		5,365		5,051		(1,894)		3,157
Unrealized gain on derivative contracts		2,062		(672)		1,390		781		(276)		505
Unrealized gain on available-for-sale securities		599		(225)		374		340		(127)		213
Total other comprehensive income (loss)		(50,108)		18,570		(31,538)		27,963		(13,034)		14,929
Less: Other comprehensive loss attributable to noncontrolling interests		(20)				(20)		(3,974)				(3,974)
Other comprehensive income (loss) attributable to Fluor Corporation	$	(50,088)	$	18,570	$	(31,518)	$	31,937	$	(13,034)	$	18,903

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FLUOR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

UNAUDITED

The changes in accumulated other comprehensive income (AOCI) balances by component (after-tax) for the three months ended June 30, 2015 are as follows:

(in thousands)	Foreign Currency Translation	Ownership Share of Equity Method Investees Other Comprehensive Income (Loss)	Defined Benefit Pension and Postretirement Plans	Unrealized Gain (Loss) on Derivative Contracts	Unrealized Gain (Loss) on Available-for-Sale Securities	Accumulated Other Comprehensive Income (Loss), Net
Attributable to Fluor Corporation:						
Balance as of March 31, 2015	$ (168,660)	$ (34,917)	$ (322,457)	$ (8,131)	$ 348	$ (533,817)
Other comprehensive income (loss) before reclassifications	13,660	1,653		(120)	(234)	14,959
Amounts reclassified from AOCI			2,677			

In connection with the NQDCP, the Company has created a grantor trust, commonly known as a rabbi trust. The Company is under no obligation to further fund this trust and would do so only at its discretion. The assets of the trust will be used to pay benefits under the plan, but the assets of the trust are subject to the claims of general creditors of the Company.

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The Compensation Committee believes that the SERP and the NQDCP together provide a competitive retirement package for executives that is consistent with the retirement benefits provided to all Company employees.

Survivor Income Protection Plan

Why have a SIPE?

The Hormel Survivor Income Plan for Executives (**SIPE**) is provided in addition to the life insurance plan which is available to all salaried employees. As with the qualified pension plans, there are limits on the levels of insurance provided under the broad-based plan. The Company offers the SIPE to provide a death benefit commensurate with the income levels of the participants. The SIPE is available to a designated group of management employees, including all NEOs.

The SIPE pays a benefit to the employee s spouse or dependent child of 60% of average salary (based on a five-year average) for up to 20 years if the eligible employee died while actively employed. If the payment is made to a beneficiary instead of a spouse or dependent child, the maximum duration is five years (for participants joining the SIPE in 2000 or after) or 20 years (for participants joining the SIPE prior to 2000). If the eligible employee died after retirement, payment to the spouse or dependent child is 1% per year of service up to 40% of average salary for 15 years. If the payment is made to a beneficiary, not to a spouse or dependent child, the maximum duration is five years (for participants joining the SIPE in 2000 or after) or ten years (for participants joining the SIPE prior to 2000). The SIPE was amended in fiscal 2009 to discontinue the post-retirement benefit for new officers effective on or after October 26, 2009.

Perquisites

The Company provides limited perquisites to its executive officers. The Company maintains two corporate aircraft, but executive use of the aircraft is strictly limited to business purposes.

The Company maintains a condominium in Vail, Colorado. The condominium is made available to 139 members of senior management as a vacation destination. The taxable value, according to IRS regulations, of the use of this property is charged as taxable income to the employee.

The Company provides cars to executive officers. Due to business travel needs, the Company has chosen to provide a Company car in lieu of paying mileage for the use of a personal vehicle. The annual taxable value, according to IRS regulations, of the vehicle is charged as taxable income to the employee.

The Company provides a designated group of managers, including executive officers, an annual medical physical. Assuring these key managers are in good health minimizes the chance business operations will be interrupted due to an unexpected health condition.

How Annual Compensation Decisions are Made

The Compensation Committee reviews and approves recommendations for pay changes for the CEO, each of his 11 direct reports and a group of 19 additional executive officers who hold key positions within the Company. Each year, the Committee asks its outside consultant to update the competitive analysis for each of these positions.

For the NEOs, the consultant develops market consensus data using both a peer group of companies similar to the Company in size and industry (listed below) and a combination of several compensation surveys. The use of peer group data (1) provides the Compensation Committee with more specific information regarding market practices than is available from surveys and (2) allows the Committee to compare the Company s relative pay positioning in relation to the Company s relative performance positioning to ensure a proper pay-for-performance alignment. The use of survey data (1) provides information based on specific position responsibilities rather than pay level and (2) provides pay information for positions that fall below the NEOs. The consultant works with the Company s Vice President - Human Resources to ensure a proper understanding of the roles, responsibilities and revenue scope of each position reviewed.

Hormel Foods Pay and Performance Peer Group	
Campbell Soup Company	McCormick & Company, Inc.
Chiquita Brands International, Inc.	PepsiAmericas, Inc.
ConAgra Foods, Inc.	Pilgrim s Pride Corporation
Dean Foods Company	Sanderson Farms, Inc.
Del Monte Foods Company	Sara Lee Corporation
General Mills, Inc.	Seaboard Corporation
H.J. Heinz Company	Seneca Foods Corporation
Hershey Company	Smithfield Foods, Inc.
J.M. Smucker Company	Tyson Foods, Inc.
Kellogg Company	

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2008/2009 Data ($ in millions)	Hormel Foods	25th Percentile	Median	75th Percentile
Revenues	$6,755	$3,692	$7,998	$12,609
Market Capitalization	$4,959	$1,564	$3,680	$7,909

The companies in this Pay and Performance Peer Group are different than the LTIP Peer Companies because the purpose of each list is different. The Pay and Performance Peer Group consists of food companies which are more similar in size to the Company. This makes them a better match to use for compensation comparison purposes. The LTIP Peer Companies are a broader group of food companies which are publicly traded, allowing for determination of total shareholder return. Since total shareholder return is not dependent on company size, a broader group of companies can be included. This broader group assures there will be a sufficient number of comparison companies at the end of the three-year LTIP performance cycle if some of the companies are eliminated by acquisition, bankruptcy, or similar events.

Upon completing the competitive analysis, the consultant provides the Compensation Committee with a report of the relative pay and performance findings. Based on the results of this analysis, the Committee discusses strategic goals for the program and establishes broad parameters for annual pay decisions, including desired changes in overall pay mix. The consultant then works with the CEO and the Committee Chair to develop an initial set of recommendations for annual pay decisions, consistent with the guidelines established by the Committee. The consultant presents preliminary recommendations to the CEO and Chair based on each executive s market positioning and relative internal positioning. The CEO and Chair then modify those recommendations based on their assessment of each individual s performance and contribution. The initial results are then submitted to the Committee for review and discussion. Based on the Committee discussion, modifications are made to the initial recommendations, as appropriate, and the Committee approves the final recommendations at a subsequent meeting. The CEO does not participate in the Committee s process for establishing the CEO s compensation.

For fiscal year 2009, the Compensation Committee approved salary increases, changes to Operators Shares grants, LTIP award target amounts and stock option grants for the NEOs and other key executives. Both Mr. Ettinger and Ms. Feragen are relatively new to their positions as CEO and CFO, respectively. When an executive is relatively new to their position, it is the Committee s practice to make meaningful increases to compensation levels over a two-to-four year period to reflect the new position and responsibilities. Accordingly, both Mr. Ettinger and Ms. Feragen received significant increases to their base salaries and stock options for fiscal 2009. Ms. Feragen also received a significant increase in her number of Operators Shares. Notwithstanding these increases, the target total compensation opportunity for both Mr. Ettinger and Ms. Feragen is just over the 50th percentile level. The Committee considers their positioning appropriate in light of their position tenure and will look to improve their competitive positioning over time, as warranted by experience and performance in their respective roles.

Mr. Fielding is experienced in his position. As such the annual increase to his target total compensation opportunity was more modest. Mr. Binder received additional responsibilities at the start of the year. In recognition of these added duties and his performance, he received increases to both his salary and Operators Shares. Mr. Tegt assumed his current position at the start of fiscal 2009. In recognition of this new responsibility, he received increases to his salary, Operators Shares and stock options. The target total compensation opportunities for each of these three executives is near the 75th percentile level. The Compensation Committee considers this positioning appropriate in light of the experience, expertise, responsibilities and performance of these three individuals.

Tax Deductibility

Compensation decisions for our executive officers are made with full consideration of the tax implications, including deductibility under Section 162(m) of the Internal Revenue Code. Section 162(m) limits the deductibility of compensation paid to certain executive officers in excess of $1 million annually, but excludes performance-based compensation from this limit.

Our stockholders have approved the Company s Operators Share Plan and LTIP for the purpose of qualifying those plans as performance-based compensation under Section 162(m). The Compensation Committee believes that compensation paid pursuant to these plans will be deductible, except for dividend equivalents paid under the Operators Share Plan. Such dividends may not be deductible in full for any NEO in a given year.

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COMPENSATION OF NAMED EXECUTIVE OFFICERS (NEOs)

The following tables and narrative disclosure should be read in conjunction with the Compensation Discussion and Analysis, which presents the objectives of our executive compensation and benefit programs. The table below presents compensation for fiscal year 2009 for individuals who served as Chief Executive Officer and Chief Financial Officer and for each of the other three most highly compensated executive officers who were serving as executive officers at the end of fiscal 2009.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)	Stock Awards ($)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(4)	All Other Compensation ($)(5)	Total ($)
Jeffrey M. Ettinger	2009	956,040	-	-	2,514,212	2,903,175	915,123	56,049	7,344,599
Chairman, President	2008	912,075	-	-	2,244,292	3,526,180	318,487	56,586	7,057,620
and Chief Executive Officer	2007	815,335	-	-	1,551,794	1,765,371	560,635	67,223	4,760,358
Jody H. Feragen	2009	380,920	-	-	461,573	648,945	123,122	32,605	1,647,165
Senior Vice President and	2008	337,000	-	-	384,882	609,932	40,429	36,137	1,408,380
Chief Financial Officer	2007	261,220	-	-	224,745	290,767	56,676	29,961	863,369
Steven G. Binder	2009	318,530	-	-	420,558	592,400	381,189	41,282	1,753,959
Group Vice President									
Ronald W. Fielding	2009	333,170	-	-	312,174	669,438	244,022	39,282	1,598,086
Executive Vice President	2008	319,825	-	-	970,603	1,033,993	19,689	41,701	2,385,811
	2007	289,025	-	-	638,729	425,624	126,480	30,084	1,509,942
Robert A. Tegt	2009	307,045	-	-	220,277	574,989	417,308	44,169	1,563,788
Group Vice President									

(1) Includes amounts voluntarily deferred under the Company s Tax Deferred Investment Plan A - 401(k) and the Executive Deferred Income Plan.

(2) Consists of the compensation cost recognized during each fiscal year for the option awards granted in that fiscal year and prior fiscal years, calculated in accordance with ASC 718 on the same basis used for financial reporting purposes. Assumptions used to calculate these amounts in fiscal 2009 are included in Note A, Summary of Significant Accounting Policies Employee Stock Options, and Note I, Stock-Based Compensation, of the audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended October 25, 2009.

(3) For fiscal 2009 and fiscal 2007, consists entirely of Operators Share Incentive Compensation Plan payments earned in such fiscal year, the majority of which was paid subsequent to fiscal year end. For fiscal 2008, consists of Operators Share Incentive Compensation Plan payments earned in fiscal 2008, the majority of which was paid subsequent to fiscal year end, and payouts under the October 31, 2005 to October 26, 2008 LTIP performance cycle paid subsequent to fiscal year end, as shown in the table below. Includes amounts voluntarily deferred under the Executive Deferred Income Plan.

Name	Fiscal 2008 Operators Share Plan Payment ($)	LTIP (10/05 10/08) Payout ($)	Fiscal 2008 Total Non-Equity Incentive Plan Compensation ($)
Jeffrey M. Ettinger	1,343,680	2,182,500	3,526,180
Jody H. Feragen	276,640	333,292	609,932
Ronald W. Fielding	401,310	632,683	1,033,993

(4) Includes the annual increase in the actuarial present value of accumulated benefits under the Pension Plan and the SERP. In accordance with SEC rules, the present value was determined using the same assumptions applicable for valuing pension benefits for purposes of our financial statements. See Pension Benefits on page 27. The NEOs had no above-market or preferential earnings on deferred compensation.

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(5) All other compensation, including perquisites and other personal benefits, consists of the following:

ALL OTHER COMPENSATION

Name	Year	Joint Earnings Profit Sharing ($)(a)	Director Fees ($)(b)	Company 401k Match ($)(c)	Use of Company Car ($)(d)	Financial Planning ($)(e)	Use of Company Properties ($)(f)	Air Lounge Membership ($)(g)	Physical Exams ($)(h)	Life & Health Insurance ($)(i)	Total ($)
Jeffrey M. Ettinger	2009	40,537	600	900	11,733	-	-	-	2,279	-	56,049
	2008	38,249	600	900	11,424	3,000	-	373	2,040	-	56,586
	2007	41,680	600	900	11,082	-	6,557	373	6,031	-	67,223
Jody H. Feragen	2009	16,316	600	900	11,805	-	-	298	2,686	-	32,605
	2008	14,470	600	900	7,812	3,000	4,176	298	4,881	-	36,137
	2007	13,490	100	900	7,829	-	-	400	7,242	-	29,961
Steven G. Binder	2009	13,578	-	900	11,461	-	4,467	298	8,930	1,648	41,282
Ronald W. Fielding	2009	14,104	-	900	16,286	-	-	208	6,175	1,609	39,282
	2008	13,438	-	900	14,628	3,000	2,386	-	5,836	1,513	41,701
	2007	14,471	-	900	13,828	-	-	-	-	885	30,084
Robert A. Tegt	2009	13,052	-	900	17,202	-	-	405	11,929	681	44,169

(a) Consists of Joint Earnings Profit Sharing distributions for each fiscal year that were authorized and paid subsequent to fiscal year end. Company Joint Earnings Profit Sharing distributions may be authorized by the Board of Directors in its discretion based on Company profits. The total amount of Company distributions declared available to all participants by the Board is allocated in the same proportion as each person s base weekly wage bears to the total base wage for all eligible persons. Distributions to the NEOs are calculated using the same formula as is used for all eligible employees. Distributions to the NEOs include both a contribution to the Joint Earnings Profit Sharing Trust and a Joint Earnings profit sharing cash payment.

(b) Consists of employee director fee payments of $100 for each Board of Directors meeting attended.

(c) Consists of Company matching payments under the Hormel Tax Deferred Investment Plan A - 401(k). This matching payment, in the same amount, is available to all other eligible employees.

(d) Consists of the aggregate incremental cost to the Company of a vehicle provided to the NEO for business and personal use. This cost includes the depreciation expense of the vehicle, and insurance, license and maintenance costs.

(e) In fiscal 2008 the Company made a one time final payment of $3,000 to executives to apply against financial planning expenditures and then discontinued this perquisite.

(f) Consists of the aggregate incremental cost to the Company of use of a Company-owned condominium in Vail, Colorado. This cost is the total costs of the property allocated between the two units in the condominium and then divided by the number of weeks the units are available for use. Costs of the property include property management, insurance, utilities, remodeling, repairs and property taxes.

(g) Consists of reimbursements paid by the Company for air travel lounge membership expenditures. Such expenditures are allocated evenly over the term of the membership.

(h) Consists of costs of physical medical examinations paid by the Company.

(i) Consists of Company contributions to a life insurance program. This program is available to all other eligible employees with benefits proportional to annual compensation.

The following table describes each stock option and non-equity incentive plan award made to an NEO in fiscal 2009.

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GRANTS OF PLAN-BASED AWARDS FOR FISCAL 2009

				Estimated Future Payouts Under Non-Equity Incentive Plan Awards(7)			All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards(8)
Name	Grant Date	Award Approval Date	Operators Shares(5) (#)	Threshold ($)	Target ($)	Maximum ($)	(#)	($/Sh.)	($)
Jeffrey M.		12/2/2008	850,000		1,343,680(5)				
Ettinger	2/2/2009(1)	12/2/2008					350,000	30.39	2,366,000
		12/2/2008(2)		600,000	1,200,000	3,600,000			
		12/2/2008(3)		400,000	800,000	2,400,000			
		7/27/2009(4)		400,000	800,000	2,400,000			
Jody H.		11/24/2008	190,000		300,352(5)				
Feragen	12/2/2008(1)	11/24/2008					75,000	25.26	411,000
		11/24/2008(2)		225,000	450,000	1,350,000			
		11/24/2008(3)		150,000	300,000	900,000			
		7/27/2009(4)		150,000	300,000	900,000			
Steven G.		11/24/2008	210,000		519,792(5)				
Binder	12/2/2008(1)	11/24/2008					45,000	25.26	246,600
		11/24/2008(2)		187,500	375,000	1,125,000			
		11/24/2008(3)		125,000	250,000	750,000			
		7/27//2009(4)		125,000	250,000	750,000			
Ronald W.		11/24/2008	210,000		401,310(5)				
Fielding	12/2/2008(1)	11/24/2008					55,000	25.26	301,400
		11/24/2008(2)		187,500	375,000	1,125,000			
		11/24/2008(3)		125,000	250,000	750,000			
		7/27/2009(4)		125,000	250,000	750,000			
Robert A.		11/24/2008	150,000(6)		380,280(5)				
Tegt	12/2/2008(1)	11/24/2008					40,000	25.26	219,200
		11/24/2008(2)		131,250	262,500	787,500			
		11/24/2008(3)		87,500	175,000	525,000			
		7/27//2009(4)		87,500	175,000	525,000			

(1) Consists of stock options granted under the Company s 2000 Stock Incentive Plan. These options vest at 25% per year on the anniversary of the grant date. See Potential Payments Upon Termination on page 28 for a discussion of how equity awards are treated under various termination scenarios.

(2) These awards are the first of three LTIP performance awards made in fiscal 2009 in connection with the transition from the previous discreet three-year LTIP performance cycle to annual overlapping three-year LTIP performance cycles. The performance period is October 13, 2008 through the 20th trading day after the Company s 2nd fiscal quarter 2010 earnings release, ending June 30, 2010 at the latest. See Long-Term Incentives on page 17 for a description of the LTIP awards.

(3) These awards are the second of three LTIP performance awards made in fiscal 2009 in connection with the transition from the previous discreet three-year LTIP performance cycle to annual overlapping three-year LTIP performance cycles. The performance period is October 13, 2008 through the 20th trading day after the Company s 2nd fiscal quarter 2011 earnings release, ending June 30, 2011 at the latest. See Long-Term Incentives on page 17 for a description of the LTIP awards.

(4) These awards are the third of three LTIP performance awards made in fiscal 2009 in connection with the transition from the previous discreet three-year LTIP performance cycle to annual overlapping three-year LTIP performance cycles. The performance period is June 8, 2009 through the 20th trading day after the Company s 2nd fiscal quarter 2012 earnings release, ending June 30, 2012 at the latest. See Long-Term Incentives on page 17 for a description of the LTIP awards.

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(5) The Operators Shares column discloses the number of Operators Shares granted to each NEO for fiscal 2009. The target column shows the estimated possible Operators Share payment for fiscal 2009 based on fiscal 2008 EPS of $2.08 and fiscal 2008 EVA results. In accordance with SEC rules, this estimated possible payment is based on the previous fiscal year s performance since the fiscal 2009 EPS and EVA results are not determinable when the award is made at the beginning of fiscal 2009. The actual Operators Share payment earned in fiscal 2009 for each NEO was paid subsequent to fiscal year end and is included under Non-Equity Plan Incentive Compensation in the Summary Compensation Table on page 22. See Operators Share Incentive Compensation Plan on page 15 for a description of Operators Shares.

(6) A portion of Mr. Tegt s Operators Shares were tied to the accomplishment of four specific objectives. In addition, $100,000 was added to the target Operators Shares value for the EVA component payment. The full $100,000 target opportunity is included in the estimated possible Operators Share payment in the target column. See Operators Share Incentive Compensation Plan on page 15 for a description of Mr. Tegt s bonus plan.

(7) The actual cash amounts payable under an LTIP performance award, if any, at the end of a performance period cannot be determined because the amount earned will be based on the Company s future performance and the future performance of the peer group. See Long-Term Incentives on page 17 for a description of the potential payouts for LTIP awards.

(8) The grant date fair value of options granted to Mr. Ettinger in fiscal 2009 is based on the Black-Scholes model valuation of $6.76 per share. The following assumptions were used in the calculation: options will be held for 8 years; dividend yield of 2.50% annually; a risk-free interest rate of 3.39%; and expected price volatility of 22%. This value has not been reduced to reflect that these options are subject to forfeiture. The grant date fair value of options granted to each NEO, other than Mr. Ettinger, in fiscal 2009 is based on the Black-Scholes model valuation of $5.48 per share. The following assumptions were used in the calculation: options will be held for 8 years; dividend yield of 2.50% annually; a risk-free interest rate of 3.17%; and expected price volatility of 22%. This value has not been reduced to reflect that these options are subject to forfeiture.

The following table summarizes the total outstanding equity awards as of October 25, 2009 for each of the NEOs.

OUTSTANDING EQUITY AWARDS AT FISCAL 2009 YEAR END

	OPTION AWARDS			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable(1)(2)	Option Exercise Price ($)	Option Expiration Date
Jeffrey M. Ettinger	45,000		$26.93	12/2/2013
	125,000		$30.07	12/7/2014
	187,500	62,500	$32.74	12/6/2015
	125,000	125,000	$38.71	12/5/2016
		100(3)	$37.41	1/8/2017
	75,000	225,000	$40.14	12/4/2017
		350,000	$30.39	2/2/2019
Jody H. Feragen	15,000		$26.93	12/2/2013
	17,500		$30.07	12/7/2014
	15,000	5,000	$32.74	12/6/2015

	22,500	22,500	$38.71	12/5/2016
		100(3)	$37.41	1/8/2017
	16,250	48,750	$40.14	12/4/2017
		75,000	$25.26	12/2/2018
Steven G. Binder	30,000		$22.35	12/2/2012
	40,000		$26.93	12/2/2013
	45,000		$30.07	12/7/2014
	33,750	11,250	$32.74	12/6/2015
	22,500	22,500	$38.71	12/5/2016
		100(3)	$37.41	1/8/2017
	11,250	33,750	$40.14	12/4/2017
		45,000	$25.26	12/2/2018

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Ronald W. Fielding	24,000		$19.25	1/26/2010
	28,000		$17.69	12/6/2010
	30,000		$26.09	1/17/2012
	30,000		$22.35	12/2/2012
	40,000		$26.93	12/2/2013
	45,000		$30.07	12/7/2014
	33,750	11,250	$32.74	12/6/2015
	22,500	22,500	$38.71	12/5/2016
		100(3)	$37.41	1/8/2017
	13,750	41,250	$40.14	12/4/2017
		55,000	$25.26	12/2/2018
Robert A. Tegt	5,000		$26.93	12/2/2013
	4,500		$30.07	12/7/2014
	15,000	5,000	$32.74	12/6/2015
	10,000	10,000	$38.71	12/5/2016
		100(3)	$37.41	1/8/2017
	5,000	15,000	$40.14	12/4/2017
		40,000	$25.26	12/2/2018

(1) Stock option grants generally vest in four equal annual installments, starting with one-fourth of the grant vesting on the first anniversary of the grant date. The stock options have a term of ten years. The grant date is thus ten years prior to the option expiration date shown in this table. Specific vesting dates are listed in the footnotes 2 and 3 below. See Potential Payments Upon Termination on page 28 for a discussion of how equity awards are treated under various termination scenarios.

(2) The table below shows the vesting schedule for all unexercisable options except for the universal options described in footnote 3. These options vest on the anniversary of the grant date in the year indicated. For example, the December 2, 2008 option grant for Ms. Feragen vested as to 18,750 shares on December 2, 2009 and will vest as to 18,750 shares on each of December 2, 2010, December 2, 2011 and December 2, 2012.

VESTING SCHEDULE FOR UNEXERCISABLE OPTIONS

Name	Option Grant Date	Vested in December 2009	Will Vest in 2010	Will Vest in 2011	Will Vest in 2012	Will Vest in 2013
Jeffrey M. Ettinger	12/6/2005	62,500				
	12/5/2006	62,500	62,500			
	12/4/2007	75,000	75,000	75,000		
	2/2/2009	0	87,500	87,500	87,500	87,500
Jody H. Feragen	12/6/2005	5,000				
	12/5/2006	11,250	11,250			
	12/4/2007	16,250	16,250	16,250		
	12/2/2008	18,750	18,750	18,750	18,750	
Steven G. Binder	12/6/2005	11,250				
	12/5/2006	11,250	11,250			
	12/4/2007	11,250	11,250	11,250		
	12/2/2008	11,250	11,250	11,250	11,250	
Ronald W. Fielding	12/6/2005	11,250				
	12/5/2006	11,250	11,250			
	12/4/2007	13,750	13,750	13,750		
	12/2/2008	13,750	13,750	13,750	13,750	
Robert A. Tegt	12/6/2005	5,000				

12/5/2006	5,000	5,000		
12/4/2007	5,000	5,000	5,000	
12/2/2008	10,000	10,000	10,000	10,000

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(3) These universal stock options vest upon the earlier of (1) the Company s stock price closing at $50 or higher for five consecutive trading days, or (2) January 8, 2012.

The following table summarizes the option awards exercised during fiscal 2009 for each of the NEOs.

OPTION EXERCISES FOR FISCAL 2009

Name	Number of Shares Acquired on Exercise (#)	Value Realized Upon Exercise ($)(1)
Jeffrey M. Ettinger	-	-
Jody H. Feragen	-	-
Steven G. Binder	30,000	336,300
Ronald W. Fielding	20,000	187,075
Robert A. Tegt	-	-

(1) Amount is the difference between the market price (NYSE prior day closing price) of the Company stock at the time of exercise and the exercise price of the options.

The following table shows present value of accumulated benefits that NEOs are entitled to under the Pension Plan and SERP.

PENSION BENEFITS

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit ($)	Payments During Last Fiscal Year ($)
Jeffrey M. Ettinger	Pension Plan	19-11/12	252,600	0
	SERP	19-11/12	2,546,846	0
Jody H. Feragen	Pension Plan	9-1/12	135,486	0
	SERP	9-1/12	207,873	0
Steven G. Binder	Pension Plan	30-4/12	408,321	0
	SERP	30-4/12	1,015,166	0
Ronald W. Fielding(1)	Pension Plan	15-10/12	278,460	0
	SERP	15-10/12	727,715	0
Robert A. Tegt(1)	Pension Plan	36-6/12	685,377	0
	SERP	36-6/12	713,018	0

(1) Mr. Fielding and Mr. Tegt are eligible for early retirement under both the Pension Plan and the SERP. Early retirement provisions of these plans are described under Pension Plan on page 19 and Supplemental Executive Retirement Plan on page 19.

In accordance with SEC rules, the present value of accumulated benefits that NEOs are entitled to under these plans was determined using the same assumptions applicable for valuing pension benefits for purposes of our financial statements. See Note F, Pension and Other Post-retirement Benefits, of the audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended October 25, 2009. The material terms of these plans are described under Pension Plan on page 19 and Supplemental Executive Retirement Plan on page 19.

The following table shows information about each NEO s participation in the Company s Executive Deferred Income Plan.

NONQUALIFIED DEFERRED COMPENSATION

Name	Executive Contributions in Last Fiscal Year ($)(1)	Company Contributions in Last Fiscal Year ($)	Aggregate Earnings in Last Fiscal Year ($)(1)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at October 25, 2009 ($)(1)
Jeffrey M. Ettinger	1,326,474	-	501,745	-	2,620,675
Jody H. Feragen	480,432	-	106,163	-	1,470,985
Steven G. Binder	124,650	-	159,985	-	830,081
Ronald W. Fielding	383,495	-	139,585	-	3,751,392
Robert A. Tegt	-	-	31,704	-	750,983

(1) The following table identifies amounts that have already been reported as compensation in our Summary Compensation Table for the current and prior years:

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Name	Amount of Fiscal 2009 Contributions and Earnings Reported as Compensation in Fiscal 2009 Summary Compensation Table ($)	Amounts in Aggregate Balance at October 25, 2009 Column Reported as Compensation in Summary Compensation Tables for Prior Years ($)
Jeffrey M. Ettinger	1,326,474	807,716
Jody H. Feragen	480,432	849,268
Steven G. Binder	124,650	497,307
Ronald W. Fielding	383,495	2,319,323
Robert A. Tegt	-	620,765

The material terms of the Company s Executive Deferred Income Plan are described under Nonqualified Deferred Compensation Plan on page 19.

POTENTIAL PAYMENTS UPON TERMINATION

Our executive officers do not have employment or severance agreements with the Company. Consequently, no executive officer has any right to cash severance of any kind.

Our stock option awards include standard provisions that result in the vesting or forfeiture of awards upon termination of employment, depending on the reason for termination. These provisions are summarized as follows:

- All options vest immediately upon death or disability of the executive;

- Retirement results in the continued vesting of options per the original vesting schedule;

- Voluntary termination of employment results in the continued vesting of options per the original vesting schedule, but all options expire three months after such termination;

- Upon a change in capital structure of the Company, including a change in control of the Company, the Compensation Committee may in its discretion take action which the Committee deems appropriate, including accelerating vesting of options or permitting the exchange of options for a cash payment or substitute options; and

- Options are forfeited immediately upon termination for cause or breach of a confidentiality or noncompete agreement, both as determined by the Compensation Committee. All NEOs have signed a confidentiality agreement. Of the NEOs, Ms. Feragen and Mr. Fielding have signed a noncompete agreement which prohibits them from working on competing products for a competitor of the Company for one year following termination of employment.

Our universal stock option award granted on January 8, 2007 includes the following provisions for vesting or forfeiture upon termination of employment:

- Options vest immediately upon death;

- Retirement results in the continued vesting of options per the original vesting schedule; and

- Unvested options are forfeited immediately upon termination for any reason other than death or retirement.

Our LTIP performance award agreements include standard provisions that result in the vesting or forfeiture of awards upon termination of employment, depending on the reason for termination. These provisions are summarized as follows:

- Death results in calculation of an award as if the performance period ended on the date of death and payment to the employee s beneficiary of a prorated amount based on the employee s actual period of employment during the performance period;

- Change in control of the Company results in calculation of an award as if the performance period ended on the date change in control occurred and payment to the employee of that award without proration;

- Retirement or disability results in a payment after the end of the performance period equal to the amount that would have been earned over the entire performance period prorated based on the employee s actual period of employment; and

- Termination of employment for any reason other than retirement, disability or death results in forfeiture of all award rights.

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The following table shows the potential payment of LTIP performance awards and the potential value of unexercisable stock option awards for the NEOs upon death, retirement, disability, or change in control of the Company as of October 25, 2009.

POTENTIAL PAYMENTS UPON TERMINATION AT FISCAL 2009 YEAR END

Name	Death Potential Value or Payment ($)(1)(3)	Retirement or Disability Potential Value or Payment ($)(1)(3) Threshold ($)	Target ($)	Maximum ($)	Change in Control Potential Value or Payment ($)(1)(2)(4)
Jeffrey M. Ettinger					
Stock Options	2,295,125	2,295,125	2,295,125	2,295,125	2,295,125
LTIP award (10/08-6/10)	1,025,820	369,000	738,000	2,214,000	1,668,000
LTIP award (10/08-6/11)	427,425	153,750	307,500	922,500	1,112,000
LTIP award (6/09-6/12)	0	50,000	100,000	300,000	0
Total	3,748,370	2,867,875	3,440,625	5,731,625	5,075,125
Jody H. Feragen					
Stock Options	846,600	846,600	846,600	846,600	846,600
LTIP award (10/08-6/10)	384,682	138,375	276,750	830,250	625,500
LTIP award (10/08-6/11)	160,284	57,656	115,312	345,938	417,000
LTIP award (6/09-6/12)	0	18,750	37,500	112,500	0
Total	1,391,566	1,061,381	1,276,162	2,135,288	1,889,100
Steven G. Binder					
Stock Options	537,412	537,412	537,412	537,412	537,412
LTIP award (10/08-6/10)	320,569	115,312	230,625	691,875	521,250
LTIP award (10/08-6/11)	133,570	48,047	96,094	288,281	347,500
LTIP award (6/09-6/12)	0	15,625	31,250	93,750	0
Total	991,551	716,396	895,371	1,611,318	1,406,162
Ronald W. Fielding					
Stock Options	647,912	647,912	647,912	647,912	647,912
LTIP award (10/08-6/10)	320,569	115,312	230,625	691,875	521,250
LTIP award (10/08-6/11)	133,570	48,047	96,094	288,281	347,500
LTIP award (6/09-6/12)	0	15,625	31,250	93,750	0
Total	1,102,051	826,896	1,005,871	1,721,818	1,516,662
Robert A. Tegt					
Stock Options	459,850	459,850	459,850	459,850	459,850
LTIP award (10/08-6/10)	224,398	80,719	161,438	484,312	364,875
LTIP award (10/08-6/11)	93,499	33,633	67,266	201,797	243,250
LTIP award (6/09-6/12)	0	10,938	21,875	65,625	0
Total	777,747	585,140	710,429	1,211,584	1,067,975

(1) Stock options are valued based on the difference between the closing price of the Company s stock on October 23, 2009, which was the last trading day of the fiscal year, and the applicable exercise price of the stock options. Options with an exercise price in excess of the $36.31 closing price on October 23, 2009 have no value for this purpose. Amounts shown for stock options represent the value of all unexercisable options. Exercisable options would not be affected by this termination event.

(2) Payments for LTIP performance awards upon death or change in control of the Company are based on actual Company performance through October 25, 2009. Such awards upon death are prorated based on employment from the beginning of the performance period through October 25, 2009.

(3) Retirement or disability results in a payment for LTIP performance awards after the end of the performance period equal to the amount that would have been earned over the entire performance period prorated based on the employee s actual period of employment. These columns thus show the potential threshold, target and maximum payments for such awards, each prorated based on employment from the beginning of the performance period through October 25, 2009. The actual payment would not be determined until after the performance period end date for each award.

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(4) For this table, it is assumed that the Compensation Committee exercised its discretion to accelerate vesting of all options upon a change in control of the Company. Alternative assumptions which provide the same result are that the Committee exercised its discretion to permit the exchange of options for a cash payment or substitute options, in either case with a value equal to the difference between the closing price of the Company s stock on October 23, 2009 (the last trading day of the fiscal year) and the applicable exercise price of the stock options.

Following termination of employment for any reason, our executive officers receive payment of retirement benefits and nonqualified deferred compensation benefits under the plans in which they participate. The value of those benefits are set forth in the sections above entitled Pension Benefits and Nonqualified Deferred Compensation.

Upon termination of employment caused by the death of an executive officer, the SIPE would provide a death benefit to the executive s survivors. The value of those benefits is described under Survivor Income Protection Plan on page 20.

RELATED PARTY TRANSACTIONS

During fiscal year 2009, employees of the Company provided administrative services to The Hormel Foundation, which beneficially owns more than five percent of the Company s common stock. The Foundation paid the Company $189,966 for such services, reimbursing the Company for its fully allocated cost for the employee time expended.

The Board of Directors has adopted a written related party transaction policy. This policy applies to all transactions that qualify for disclosure under Item 404(a) of Regulation S-K of the Exchange Act. Information about transactions involving related persons is reviewed by the Audit Committee. Related persons include Company directors and executive officers, as well as their immediate family members. If a related person has a direct or indirect material interest in any Company transaction, then the Audit Committee would decide whether or not to approve or ratify the transaction. The Audit Committee will use any process and review any information that it determines is appropriate. All related person transactions will be disclosed in accordance with SEC rules.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The Company s directors, executive officers, and any persons holding more than ten percent of the Company s common stock are required to report their initial ownership of the Company s common stock and any subsequent changes in that ownership to the SEC and the NYSE. This requirement is contained in Section 16(a) of the Exchange Act. Specific due dates for these reports have been established. The Company is required to disclose in this proxy statement any failure to file by those dates during fiscal 2009.

In making this disclosure, the Company has relied on the representations of its directors and officers and copies of the reports that they have filed with the SEC. Based on those representations and reports, the Company believes that all Section 16(a) filing requirements applicable to the Company s directors, officers and greater than ten percent stockholders were met, except as described below. Mr. Bross filed a late Form 5 report reporting the gift of Company stock made in fiscal 2008. Due to administrative oversight, Mr. Ray filed two late Form 4 reports, one reporting the distribution of Company stock from the Company s Executive Deferred Income Plan after Mr. Ray s retirement as an officer of the Company, and the other reporting the liquidation of Company stock owned indirectly through the 401(k) Plan and Joint Earnings Profit Sharing

Trust in connection with Mr. Ray s retirement as an officer of the Company.

ITEM 3 STOCKHOLDER PROPOSAL REGARDING ANIMAL WELFARE STANDARDS

Stockholder Proposal

People for the Ethical Treatment of Animals (PETA), 501 Front Street, Norfolk, Virginia 23510, beneficial owner of 100 shares of the Company s common stock, as the sponsor, has notified the Company that it intends to present the following resolution at the Annual Meeting of Stockholders. As required by the rules of the SEC, the resolution and supporting statement are reprinted here as they were submitted to the Company:

RESOLVED, to improve the welfare of its animals and Hormel s brand reputation, shareholders encourage the company to require all suppliers to phase out the use of cruel gestation crates for all pigs, ban electric shock devices, install cameras in all animal areas, improve training for supervisors, and implement transparent annual audits to ensure that animal welfare standards are followed.

Supporting Statement

When a PETA undercover investigation of a pig farm that breeds piglets who are raised and slaughtered for Hormel uncovered rampant cruelty to animals committed by workers and supervisors, Hormel s brand reputation was seriously damaged. During the three-month investigation, abuse and neglect were found to be

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routine, and as a result, 22 charges of livestock neglect and abuse were filed against six former employees of the Hormel supplier. Five defendants have admitted guilt, and the case against the sixth is pending.

The following are just some of the abuses documented in the investigation:

- A supervisor shoved a cane into a sow s vagina, struck her on the back about 17 times, and then struck another sow.
- Pigs were beaten with metal gate rods, and lacerations were found on more than 30 sows, evidence of further abuse.
- A worker hit a young pig in the face four times with the edge of a board, and investigators witnessed dozens of similar incidents involving 11 other workers.
- Two men, including a supervisor, jabbed clothespins into pigs eyes and faces. A supervisor also poked two animals in the eyes with his fingers.
- A supervisor kicked a young pig in the face, abdomen, and genitals to make her move, saying, You gotta beat on the bitch. Make her cry.

These abuses received considerable media attention; as a result, Hormel reported receiving more than 30,000 calls, e-mails and letters relating to the investigation, compared to a mere 1,500 responses to the largest-ever product promotion by Hormel. Additionally, positive or neutral coverage of Hormel on blogs dropped from 71 percent to 8 percent.

Adopting the improved animal welfare standards will help ensure that similar reputation-damaging incidents do not occur again on any farms that supply Hormel. Accordingly, we urge shareholders to support this socially and ethically responsible public policy resolution.

Board of Directors Statement in Opposition to the Stockholder Proposal

The proposal requests that the Company require all suppliers to phase out the use of gestation crates for all pigs, ban electric shock devices, install cameras in all animal areas, improve training for supervisors and implement annual audits to ensure animal welfare standards are followed. The Company already treats animal welfare as a top priority and has implemented a number of practices to ensure animal welfare standards are followed.

All producers who supply hogs to the Company, and the employees of those producers, will be certified in the National Pork Board s Pork Quality Assurance Plus® (PQA Plus®) program by December 31, 2009. In addition, all producers, employees of producers and individuals who transport hogs to the Company will have Transport Quality Assurance® (TQA®) certification. These industry-leading programs encompass producer responsibilities for all aspects of animal well-being. In addition, the Company requires all pork producers who sign a contract to stipulate they participate in these programs and have an animal welfare quality assurance program in place.

As the Company s 2008 Corporate Responsibility Report states, We base our animal husbandry practices on the best scientific data available, new technologies and hands-on experience. The combination of these factors allows us to have a consistent, successful and measurable animal welfare program. These practices include the manner in which hogs are processed. The Company continues to monitor science-based research and industry best practices, which continue to support both stalls (*i.e.*, crates) and group pens for sows.

The Company invests in employee training to ensure that its workers are educated about the proper way to handle and move animals throughout its facilities. All personnel involved in receiving animals at processing facilities review and agree on a quarterly basis to abide by a Personal Pledge of Conduct, which outlines principles for animal welfare and handling. In addition to training, the Company conducts routine internal and third-party audits at its facilities designed to continuously improve animal handling procedures. The Company believes in training and supervision to hold employees accountable for compliance with animal welfare standards.

In sum, the stockholder proposal is not necessary because the Company s practices already ensure that recognized animal welfare standards are followed. The Board of Directors believes the Company s stockholders will be better served by having the Company continue its efforts to employ industry best practices and stay apprised of leading research in order to make informed decisions regarding animal welfare.

Vote Required; Board Recommendation

Adoption of the proposal will require the affirmative vote of holders of a majority of the shares of common stock entitled to vote and represented in person or by proxy at the meeting. **The Board of Directors recommends that you vote AGAINST this proposal. Properly dated and signed proxies will be so voted unless stockholders specify otherwise.**

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VIEWING AND DELIVERY OF PROXY MATERIALS

Viewing of Proxy Materials Via The Internet - We are able to distribute our annual report and this proxy statement to our stockholders in a fast and efficient manner via the Internet. This reduces the amount of paper delivered to a stockholder s address and eliminates the cost of sending these documents by mail. Stockholders may elect to view all future annual reports and proxy statements on the Internet instead of receiving them by mail. You may make this election when voting your proxy this year. Simply follow the instructions to vote via the Internet or go directly to www.ematerials.com/hrl to register your consent. You will continue to have the option to vote your shares by mail, telephone or the Internet.

Delivery of Proxy Materials - Only one Notice of Internet Availability of Proxy Materials or only one copy of our annual report and proxy statement are being delivered to multiple stockholders sharing an address, unless the Company received contrary instructions from one of the stockholders. If you wish to receive a separate copy of the Notice of Internet Availability of Proxy Materials or the annual report and proxy statement, as applicable, this year or in future years, please call 507-437-5944 or mail a request to the Corporate Secretary, Brian D. Johnson, 1 Hormel Place, Austin, Minnesota 55912.

If your household currently receives multiple copies of the Notice of Internet Availability of Proxy Materials or the annual report and proxy statement and you wish to receive only a single copy, please contact the transfer agent with the names in which all accounts are registered and the one account for which you wish to receive mailings. The transfer agent is Wells Fargo Bank, N.A., who may be contacted at P.O. Box 64874, St. Paul, Minnesota 55164-0874, or by phone at 1-877-536-3559. This will not affect dividend check mailings.

STOCKHOLDER PROPOSALS FOR 2011 ANNUAL MEETING OF STOCKHOLDERS

Any stockholder intending to present a proposal at the 2011 Annual Meeting of Stockholders must deliver the proposal to the Company by August 18, 2010, in order to have the proposal considered for inclusion in the Company s proxy statement and the form of proxy for that meeting.

The Company s Bylaws provide certain requirements which must be met in order for a stockholder to bring any proposals or nominations for election as Directors for consideration at the Annual Meeting of Stockholders. These requirements apply whether or not the proposal or nomination is requested to be included in the proxy statement and proxy. The requirements include a written notice to the Corporate Secretary to be received at the Company s principal executive offices at least 90 days before the date that is one year after the prior year s annual meeting. For business or nominations intended to be brought to the 2011 Annual Meeting of Stockholders, the notice deadline is October 28, 2010. Stockholder proposals or director nominations submitted after this date may not be presented at the 2011 Annual Meeting of Stockholders.

OTHER MATTERS

The management of the Company does not know of any matters to be presented at the meeting other than those identified above. If other matters properly come before the meeting, the holders of the proxies will vote on such matters in their discretion under the authority granted in the proxy.

By Order of the Board of Directors

BRIAN D. JOHNSON

Corporate Secretary

December 16, 2009

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