

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a gold Greek letter alpha symbol to the right, all on a dark red background.

## Hormel Foods Corporation F2Q09 (Qtr End 04/26/09) Earnings Call Transcript

### Question-and-Answer Session

---

#### Operator

(Operator Instructions) Your first question comes from the line of Akshay Jagdale – Keybank

#### Akshay Jagdale – Keybank

Congratulations on a really good quarter first off and just a couple of questions, first of all your guidance, you said you intend to be in the high end of your range. If we take the high end it implies about 21% EPS growth over the prior years, for EPS, and that was down about 18%. So in my view it still seems a little conservative which is okay, but I just wanted to talk about that relative to your divisions. You highlighted some risks and for me, when I look at your Jennie-O turkey division the main risks there are corn and soybean prices as well as what's happening on the pricing and I think we're seeing an inflection point on the pricing side for commodity meat given what's happening on the supply side. So I just want you to talk a little bit about the risks in each section and what makes you a little bit conservative about your guidance, and the same thing on refrigerated foods, if you could talk about the cut out as being, its been weak, yet you had very good performance this quarter. I guess the bottom line is you had all those risks in this quarter yet you seem to have outperformed not only in the market but your own expectations so given that I'm just trying to see if there's any incremental risks going forward for each of those divisions.

#### Jeffrey Ettinger

At the divisional level a couple of quick comments, on pricing inflection point, we certainly see the industry supply and demand getting in balance but we're not seeing the move in pricing yet. Breast meat is still very low, cold storage stocks are still very high. We're starting to head into the summer season and so it certainly should start correcting itself.

But in the meantime the quarter has already started and so we're not there yet. In terms of the refrigerated outlook, entering into this year we never expected the negative cut outs situation that we've been experiencing and you're correct that we had an excellent quarter from the branded standpoint and recovering most of that.

Now the cut out issue is still with us for right now and you can add to that a little bit of uncertainty now with the export markets on the heels of the H1N1 issue and so it does make us concerned. If both of those things were to clear up and we got back to more normalized cut outs and the export issues went away then we probably would be being a little more optimistic.

Copyright © 2009 CBS Interactive, Inc. All Rights Reserved.