

TYSON FOODS INC

FORM 10-Q (Quarterly Report)

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Address	2200 DON TYSON PARKWAY SPRINGDALE, AR 72762-6999
Telephone	479-290-4000
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Symbol	TSN
SIC Code	2015 - Poultry Slaughtering and Processing
Industry	Food Processing
Sector	Consumer/Non-Cyclical
Fiscal Year	09/30

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 3, 1999

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-3400

TYSON FOODS, INC.

(Exact name of registrant as specified in its charter)

Delaware 71-0225165

(State or other jurisdiction of (I.R.S. Employer Identification No.)

incorporation or organization)

2210 West Oaklawn Drive, Springdale, Arkansas 72762-6999

(Address of principal executive offices and zip code)

(501) 290-4000

(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 No

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

Class	Outstanding July 3, 1999
-----	-----
Class A Common Stock, \$.10 Par Value	126,939,806 Shares
Class B Common Stock, \$.10 Par Value	102,645,423 Shares

TYSON FOODS, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

**TYSON FOODS, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS**

(In millions except per share amounts)

	(Unaudited) July 3, 1999	October 3, 1998
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 55.0	\$ 46.5
Accounts receivable	612.0	631.0
Inventories	1,027.2	984.1
Assets held for sale	184.8	65.2
Other current assets	46.8	38.3
	<hr/>	<hr/>
Total Current Assets	1,925.8	1,765.1
Net Property, Plant, and Equipment	2,211.1	2,256.5
Excess of Investments over Net Assets Acquired	1,014.3	1,035.8
Investments and Other Assets	209.4	185.1
	<hr/>	<hr/>
Total Assets	\$5,360.6	\$5,242.5
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Notes payable	\$ 82.3	\$ 84.7
Current portion of long-term debt	226.7	77.6
Trade accounts payable	365.4	330.6
Other accrued liabilities	527.3	338.1
	<hr/>	<hr/>
Total Current Liabilities	1,201.7	831.0
Long-Term Debt	1,640.1	1,966.6
Deferred Income Taxes	357.7	434.4
Other Liabilities	52.8	40.1
Shareholders' Equity:		
Common stock (\$.10 par value):		
Class A-Authorized 900 million shares;		
issued 137.9 million shares at		
7-3-99 and 10-3-98	13.8	13.8
Class B-Authorized 900 million shares;		
issued 102.7 million shares at		
7-3-99 and 10-3-98	10.3	10.3
Capital in excess of par value	740.2	740.5
Retained earnings	1,566.6	1,394.2
Other accumulated comprehensive income	(4.1)	(1.0)
	<hr/>	<hr/>
Less treasury stock, at cost-		
11.1 million shares at 7-3-99 and		
9.7 million shares at 10-3-98	216.4	185.1
Less unamortized deferred compensation	2.1	2.3
	<hr/>	<hr/>
Total Shareholders' Equity	2,108.3	1,970.4
	<hr/>	<hr/>
Total Liabilities and Shareholders' Equity	\$5,360.6	\$5,242.5
	=====	=====

The accompanying notes are an integral part of these financial statements.

TYSON FOODS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(In millions except per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	July 3, 1999	June 27, 1998	July 3, 1999	June 27, 1998
Sales	\$1,881.3	\$1,953.6	\$5,547.3	\$5,345.2
Cost of Sales	1,531.1	1,645.2	4,569.6	4,507.3
Gross Profit	350.2	308.4	977.7	837.9
Expenses:				
Selling	150.2	156.0	441.9	436.8
General and administrative	34.2	36.5	99.9	101.4
Loss on sale of seafood assets	16.6	-	16.6	-
Amortization	9.2	8.3	26.7	22.5
Operating Income	140.0	107.6	392.6	277.2
Other Expense (Income):				
Interest	30.5	37.6	93.7	102.8
Foreign currency exchange	(0.5)		(4.5)	
Other	(2.2)	(4.0)	(4.9)	(7.8)
Income Before Taxes on Income	112.2	74.0	308.3	182.2
Provision for Income Taxes	40.7	27.4	110.5	67.4
Minority Interest	3.1		9.0	
Net Income	\$ 68.4	\$ 46.6	\$ 188.8	\$ 114.8
Basic Average Shares Outstanding	229.5	230.7	230.3	225.1
Basic Earnings Per Share	\$0.30	\$0.20	\$0.82	\$0.51
Diluted Average Shares Outstanding	230.7	232.5	231.5	226.4
Diluted Earnings Per Share	\$0.30	\$0.20	\$0.82	\$0.51
Cash Dividends Per Share:				
Class A	\$0.0250	\$0.0250	\$0.0750	\$0.0750
Class B	\$0.0225	\$0.0225	\$0.0675	\$0.0675

The accompanying notes are an integral part of these financial statements.

TYSON FOODS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(In millions)

(Unaudited)

	Nine Months Ended	
	July 3, 1999	June 27, 1998
Cash Flows from Operating Activities:		
Net income	\$188.8	\$114.8
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	191.7	175.3
Amortization	26.7	22.6
Loss on sale of seafood assets	16.6	-
Foreign currency exchange	(4.5)	-
Deferred income taxes	(76.2)	(61.4)
Gain on dispositions of assets	(0.3)	(3.2)
(Increase) decrease in accounts receivable	(1.8)	20.3
(Increase) decrease in inventories	(74.4)	15.3
Increase in trade accounts payable	43.2	7.9
Net change in other current assets and liabilities	169.0	61.2
Cash Provided by Operating Activities	478.8	352.8
Cash Flows from Investing Activities:		
Net cash paid for acquisitions	-	(257.4)
Additions to property, plant and equipment	(279.8)	(203.1)
Proceeds from sale of property, plant and equipment	60.0	130.6
Net change in other assets and liabilities	(25.8)	(12.9)
Cash Used for Investing Activities	(245.6)	(342.8)
Cash Flows from Financing Activities:		
Net change in notes payable	(2.4)	(77.2)
Proceeds from long-term debt	73.5	1,091.9
Repayments of long-term debt	(250.9)	(987.9)
Purchases of treasury shares	(34.8)	(16.4)
Other	(11.6)	(14.3)
Cash Used for Financing Activities	(226.2)	(3.9)
Effect of Exchange Rate Change on Cash	1.5	(0.1)
Increase in Cash and Cash Equivalents	8.5	6.0
Cash and Cash Equivalents at Beginning of Period	46.5	23.6
Cash and Cash Equivalents at End of Period	\$55.0	\$29.6
Supplemental Cash Flow Information		
Cash paid during the period for:		
Interest	\$94.0	\$119.0
Income taxes	\$67.1	\$ 62.4

The accompanying notes are an integral part of these financial statements.

TYSON FOODS, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

1. Accounting Policies

The consolidated condensed financial statements have been prepared by Tyson Foods, Inc. (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and accounting policies and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. Although the management of the Company believes that the disclosures are adequate to make the information presented not misleading, these consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's latest annual report for the fiscal year ended October 3, 1998. The preparation of consolidated condensed financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of the management of the Company, the accompanying consolidated condensed financial statements contain all adjustments, consisting of normal recurring accruals necessary to present fairly the financial position as of July 3, 1999 and October 3, 1998 and the results of operations for the three months and nine months ended July 3, 1999 and June 27, 1998 and cash flows for the nine months ended July 3, 1999 and June 27, 1998. The results of operations for the three months and nine months ended and cash flows for the nine months ended July 3, 1999 and June 27, 1998 are not necessarily indicative of the results to be expected for the full year.

Effective for fiscal 1999, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS No. 130). The provisions of SFAS No. 130 require companies to classify items of comprehensive income by their nature in a financial statement and display the accumulated balance of other comprehensive income separately from retained earnings and capital in excess of par value in the consolidated financial statements. The only difference between total comprehensive income and net income reported on the Consolidated Condensed Statements of Income arises from foreign currency translation adjustment. The Company's total comprehensive income for the three months ended July 3, 1999 and June 27, 1998 was \$66.1 million and \$46.2 million, respectively. The Company's total comprehensive income for the nine months ended July 3, 1999 and June 27, 1998 was \$185.7 million and \$114.8 million, respectively.

Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS No. 131) requires public business enterprises to report financial and descriptive information about its reportable segments. SFAS No. 131 is effective for fiscal 1999, but need not be applied to interim financial statements in the initial year of adoption. The Company recently announced a new organizational structure which will realign the Company into groups designed around the

marketplace and the Company's customers and consumers. Management is currently evaluating its new organizational structure to determine its reportable segments.

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). The provisions of SFAS No. 133 requires all derivatives to be recorded on the balance sheet at fair value. SFAS No. 133 establishes "special accounting" for fair value hedges, cash flow hedges, and hedges of foreign currency exposures of net investments in foreign operations. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged item through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Company has not yet determined what the effect of this statement will be on the earnings and financial position of the Company when it becomes effective for fiscal 2001.

The Notes to Consolidated Financial Statements for the fiscal year ended October 3, 1998, reflect the significant accounting policies, debt provisions, borrowing arrangements, dividend restrictions, contingencies and commitments of the Company. There were no material changes in such items during the nine months ended July 3, 1999, except as disclosed in these notes.

2. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share for the three and nine months ended:

		(In millions except per share amounts)			
		Three Months Ended		Nine Months Ended	
		July 3, 1999	June 27, 1998	July 3, 1999	June 27, 1998
		-----	-----	-----	-----
Numerator:	Net Income	\$68.4	\$46.6	\$188.8	\$114.8
		=====	=====	=====	=====
Denominator:					
	Denominator for basic earnings per share-weighted average shares	229.5	230.7	230.3	225.1
	Effect of dilutive securities:				
	Employee stock options	1.2	1.8	1.2	1.3
		-----	-----	-----	-----
	Denominator for diluted earnings per share-adjusted weighted average shares and assumed conversions	230.7	232.5	231.5	226.4
		=====	=====	=====	=====
	Basic earnings per share	\$0.30	\$0.20	\$0.82	\$0.51
		=====	=====	=====	=====
	Diluted earnings per share	\$0.30	\$0.20	\$0.82	\$0.51
		=====	=====	=====	=====

3. Inventories

Inventories, valued at the lower of cost (first-in, first-out) or market, consist of the following:

(In millions)

	July 3, 1999	October 3, 1998
	-----	-----
Finished and work-in-process	\$ 520.7	\$410.4
Live poultry and hogs	357.7	374.2
Seafood related products	-	49.2
Hatchery eggs and feed	61.0	71.5
Supplies	87.8	78.8
	-----	-----
Total	\$1,027.2	\$984.1
		=====

4. Dispositions

Effective July 17, 1999, the Company completed the sale of the assets in its seafood division, Tyson Seafood Group, in two separate transactions. The analog business was sold to Bumble Bee Seafoods, Inc., a wholly owned subsidiary of International Home Foods, Inc. of Parsippany, New Jersey. The remaining seafood assets, which includes vessels, associated fishing rights and shoreside processing plants, were sold to TT Acquisition, Inc., a wholly owned subsidiary of Trident Seafoods Corporation of Seattle,

Washington. Under the terms of both agreements, the Company received proceeds of approximately \$180 million, which will be used to reduce indebtedness. The Company recognized a loss of approximately \$16.6 million (\$10.5 million after-tax) on the sale of these assets.

5. Assets held for sale

Effective December 31, 1998, the Company sold Willow Brook Foods, its integrated turkey production and processing business, and its Albert Lea, Minn., processing facility which primarily produced the Schweigert brand of sausages, lunch and deli meats, to PLF Meats, Inc., a subsidiary of MCFI Food, Inc. of San Antonio, Texas (collectively, the "Willow Brook Sale"). In addition, on December 31, 1998, the Company sold its National Egg Products Company operations in Social Circle, Ga. to Rose Acre Farms, Inc. of Seymour, Indiana (the "NEPCO Sale"). These facilities were sold for amounts which approximated their carrying values. These operations, which were reflected in assets held for sale at October 3, 1998, were acquired as part of the acquisition of Hudson Foods, Inc. ("Hudson") in January 1998 (the "Hudson Acquisition"). The remaining balance of assets held for sale at July 3, 1999 relates to facilities identified for closing under the Company's restructuring program which are expected to be disposed of within the next twelve months and the seafood assets which were sold subsequent to July 3, 1999.

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

FINANCIAL CONDITION

For the nine months ended July 3, 1999 net cash totaling \$478.8 million was provided by all operating activities. Operations provided \$342.8 million in cash and \$136 million was provided by net changes in receivables, inventories, payables and other items. The Company used cash from operations to fund \$279.8 million of property, plant and equipment additions and pay down debt, net of borrowings, by \$179.8 million. The expenditures for property, plant and equipment were related to acquiring new equipment and upgrading facilities in order to maintain competitive standing and position the Company for future opportunities.

At July 3, 1999, working capital was \$724.1 million compared to \$934.1 million at 1998 fiscal year-end, a decrease of \$210 million. The current ratio at July 3, 1999 was to 1.60 to 1 compared to 2.12 to 1 at October 3, 1998. Working capital has decreased since year-end primarily due to increases in current liabilities. The increase in other current liabilities includes income taxes payable from the Willow Brook Sale and the NEPCO Sale that were previously provided for and reclassified from deferred income taxes payable. The increase in current portion of long-term debt relates to timing of debt payments. Finished inventories have increased since year end mainly due to seasonal demand during the summer months. Assets held for sale have increased since year end due to \$180 million of seafood assets sold subsequent to July 3, 1999. Total debt, including current portion of long-term debt, has decreased since year end. At July 3, 1999, total debt was 48% of total capitalization compared to 51.9% at October 3, 1998. The Company's foreseeable cash needs for operations and capital expenditures will continue to be met through cash flows from operations and borrowings supported by existing credit

facilities as well as additional credit facilities which the Company believes are available.

The Company has an unsecured revolving credit agreement totaling \$1 billion which supports the Company's commercial paper program. This \$1 billion facility expires in May 2002. At July 3, 1999, \$357.8 million was outstanding under this \$1 billion facility consisting of \$337.8 million in commercial paper and \$20 million drawn under the revolver. Additional outstanding long-term debt at July 3, 1999 consisted of \$879.1 million of public debt, \$164.8 million of institutional notes, \$158.5 million in leveraged equipment loans and \$79.9 million of other indebtedness. The Company may use funds borrowed under its revolving credit facilities, commercial paper program or through the issuance of additional debt securities from time to time in the future to finance acquisitions as opportunities may arise, to refinance other indebtedness or capital leases of the Company and for other general corporate purposes.

RESULTS OF OPERATIONS

Sales for the third quarter of fiscal 1999 decreased 3.7% from the same period of fiscal 1998. This decrease is mainly due to the sale of non-core businesses prior to the third quarter of fiscal 1999 offset somewhat by the inclusion of Tyson de Mexico on a consolidated basis. Third quarter sales were also impacted by an industry-wide over supply of chicken and other meats which affected sales prices. This over supply is expected to continue in the near future and as a result, the Company anticipates cutting back chicken production. Consumer poultry sales accounted for an increase of 2.9% of the total change in sales for the third quarter of fiscal 1999 as compared to the same period of fiscal 1998. This increase was due to an 8.5% increase in tonnage offset somewhat by a 4.5% decrease in average sales prices.

The prepared foods group sales accounted for an increase of 0.3% of the total change in sales for the third quarter of fiscal 1999 as compared to the same period of fiscal 1998. This increase was primarily due to a 6.1% increase in tonnage and a 2.7% increase in average sales prices. Seafood sales accounted for a decrease of 0.5% of the change in total sales for the third quarter of fiscal 1999 as compared to the same period of fiscal 1998. This decrease was due to a 21.6% decrease in tonnage offset slightly by a 3.3% increase in average sales prices. Sales of live swine and other as a group accounted for a decrease of 6.4% of the change in total sales for the third quarter of fiscal 1999 as compared to the same period of fiscal 1998. This decrease is mainly due to the Willow Brook Sale and the Nepco Sale at the end of the first quarter of fiscal 1999.

Sales for the first nine months of fiscal 1999 increased 3.8% from the same period of fiscal 1998. This increase is mainly due to volume gained from the Hudson Acquisition and the inclusion of Tyson de Mexico on a consolidated basis. Consumer poultry sales accounted for an increase of 7.1% of the total change in sales for the first nine months of fiscal 1999 as compared to the same period of fiscal 1998. This increase was due to a 16.1% increase in tonnage offset somewhat by a 6.3% decrease in average sales prices.

The prepared foods group sales accounted for an increase of 0.3% of the total change in sales for the first nine months of fiscal 1999 as compared to the same period of fiscal 1998. This increase was primarily due to a 9% increase in average sales prices slightly offset by a 0.4% decrease in tonnage. Seafood sales accounted for an increase of 0.6% of the change in total sales for the first nine months of fiscal 1999 as compared to the same period of fiscal 1998. This increase was due to a 19.4% increase in tonnage with average sales prices remaining steady. Sales of live swine and other as a group accounted for a decrease of 4.2% of the change in total sales for the first nine months of fiscal 1999 as compared to the same period of fiscal 1998.

The live swine business experienced a significant decrease in market prices for the first nine months of fiscal 1999 compared to the first nine months of fiscal 1998, resulting in a live swine group net loss for the third quarter and for the nine months of fiscal 1999. Management cannot predict future market prices for live swine, but anticipates continued losses from its live swine business into fiscal 2000. In addition, management is pursuing alternative courses of action for this business which includes closure of some production facilities and the possible divestiture of the remaining swine group assets.

Cost of goods sold decreased 6.9% for the third quarter of fiscal 1999 as compared to the same period of fiscal 1998. This decrease is a result of the decrease in sales and lower grain costs. As a percent of sales, cost of sales was 81.4% for the third quarter of fiscal 1999 compared to 84.2% for the third quarter of fiscal 1998.

Cost of goods sold increased 1.4% for the first nine months of fiscal 1999 as compared to the same period of fiscal 1998. This increase is mainly the result of the increase in sales offset somewhat by lower grain costs. As a percent of sales, cost of sales was 82.4% for the first nine months of fiscal 1999 compared to 84.3% for the first nine months of fiscal 1998.

Operating expenses increased 4.7% for the third quarter of fiscal 1999 over the same quarter of fiscal 1998 mainly due to the loss on sale of seafood assets. Selling expense, as a percent of sales, was 8% for the third quarter of fiscal 1999 and fiscal 1998. General and administrative expense, as a percent of sales, decreased to 1.8% in the third quarter of fiscal 1999 from 1.9% in the third quarter of fiscal 1998. Amortization expense, as a percent of sales, was 0.5% in the third quarter of fiscal 1999 and 0.4% in the third quarter of fiscal 1998. The increase in amortization expense is mainly due to additional amortization related to the Hudson Acquisition.

Operating expenses increased 4.4% for the first nine months of fiscal 1999 over the same period of fiscal 1998 mostly due to the Hudson Acquisition and the loss on sale of seafood assets. Selling expense, as a percent of sales, decreased to 8.0% for the first nine months of fiscal 1999 as compared to 8.2% for the first nine months of fiscal 1998. General and administrative expense, as a percent of sales, was 1.8% for the first nine months of fiscal 1999 compared to 1.9% for the same period last year. Amortization expense, as a percent of sales, was 0.5% for the first nine months of fiscal 1999 and 0.4% for the first nine months of fiscal 1998.

Interest expense decreased 18.9% for the third quarter of fiscal 1999 compared to the same quarter of fiscal 1998 primarily as a result of a 14% decrease in the Company's average indebtedness over the same period last year. Additionally, the net average effective interest rate of all Company debt for the third quarter of fiscal 1999 decreased to 6.1% compared to 6.5% for the same period last year primarily as a result of lower short-term borrowing costs.

Interest expense decreased 8.9% for the first nine months of fiscal 1999 compared to the first nine months of fiscal 1998 as a result of a 3.7% decrease in the Company's average indebtedness over the same period last year. Additionally, the net average effective interest rate of all Company debt for the first nine months of fiscal 1999 decreased to 6.2% compared to 6.5% for the same period last year.

The effective income tax rate for the third quarter of fiscal 1999 was 36.3% compared to 37% for the same period of fiscal 1998. The effective income tax rate for the first nine months of fiscal 1999 was 35.8% compared to 37% for the same period of fiscal 1998. The decrease in the effective income tax rate for the third quarter and first nine months of fiscal 1999 is due in part to foreign subsidiary earnings being taxed at their applicable foreign rate.

IMPACT OF YEAR 2000

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Company's computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

Because of the nature of the Year 2000 issue, older software is more likely to have issues with Year 2000 readiness, while newer software is more likely to be Year 2000 compliant. The Company has replaced its entire computer software applications portfolio since 1990. Nonetheless, the Company has been working on testing and ensuring application readiness since 1996. Many of the applications that are used to support core business processes have been taken to offsite computer testing facilities to ensure their Year 2000 readiness. This includes core application functionality as well as interfaces to other applications and outside partners.

In addition to the testing that has been done, the Company has been in contact with the providers of packaged software applications to ensure that these packages are also Year 2000 ready. To this point, all suppliers of software have provided some approach for the Company to ensure readiness, either through upgrades or new products. Most of these solutions have already been implemented.

In certain instances, software has been purchased to provide new functionality for the Company replacing software that was not compliant. These purchases were not predicated by the Year 2000 issue; however, the result is that the new systems are compliant and non-compliant systems are ultimately retired. An example of this is the implementation of new accounting software from SAP that the Company installed at the beginning of the 1999 fiscal year.

Because many of the systems were already compliant, did not require significant modifications to make them compliant, or were replaced for other business reasons, the costs incurred specifically to address Year 2000 readiness are not material to the Company. Since 1996, the expenses that resulted from Year 2000 readiness activities have been absorbed through the annual Management Information Systems operational budget and funded from internally generated funds. These costs can be primarily described as personnel costs and have increased each year since 1996 because of increased activity from testing. The costs incurred since 1996 are approximately \$1.5 million and are anticipated to be less than \$720,000 in 1999. No projects under consideration by the Company have been deferred because of Year 2000 efforts.

Because of the rapid pace of change in technology, especially in the area of hardware, the Company regularly upgrades and replaces hardware platforms such as database and application servers. Consequently, all of the servers are Year 2000 ready. More than 99 percent of the personal computers have been certified as being Year 2000 ready with the remainder to be replaced.

The telephone systems in use by the Company have also been surveyed. There are more than 170 of these systems currently in use. One of these systems currently has a Year 2000 issue that needs to be resolved. It is expected that this system will be addressed by the end of fiscal 1999.

The embedded technology in the production environment, such as programmable logic controllers, computer-controlled valves and other equipment, has been inventoried and the Company has contacted the vendors who supplied this technology with respect to their Year 2000 readiness. While not all of the responses have been received, those that have responded have given a positive response as to their Year 2000 readiness. Based on current evidence, the Company believes there to be no significant exposure with regard to production equipment.

The Company has initiated formal communications with all of its significant suppliers and large customers to determine the extent to which the Company's interface systems are vulnerable to those third parties' failure to remediate their own Year 2000 issues. Tyson has received responses from approximately 10,000 vendors, and less than 0.5% of the responses received have identified any type of non-compliance issues which need to be addressed further. The Company has initiated a second inquiry to the remaining vendors and expects all responses to be completed by September 30, 1999.

The Company's total Year 2000 project cost, which is not expected to have a material effect on the Company's results of operations, includes the estimated costs and time associated with the impact of third party Year 2000 issues based upon presently available information. However, there can be no guarantee that the systems of other companies on which the Company's systems rely will be converted timely or would not have an adverse effect on the Company's systems.

To date, the Company has completed 100 percent of the assessment phase and approximately 98 percent of the remediation phase. The Company is currently testing various applications and anticipates continuing this testing up to December 31, 1999. The Company has not established a contingency plan for possible Year 2000 issues. The Company will establish contingency plans, if needed, based on its actual testing experience with its supplier base and assessment of outside risks.

CAUTIONARY STATEMENTS RELEVANT TO FORWARD-LOOKING INFORMATION FOR THE PURPOSE OF "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The Company and its representatives may from time to time make written or oral forward-looking statements, including forward-looking statements made in this report, with respect to their current views and estimates of future economic circumstances, industry conditions, company performance and financial results. These forward-looking statements are subject to a number of factors and uncertainties which could cause the Company's actual results and experiences to differ materially from the anticipated results and expectations, expressed in such forward-looking statements. The Company wishes to caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. Among the factors that may affect the operating results of the Company are the following:

(i) fluctuations in the cost and availability of raw materials, such as feed grain costs in relation to historical levels; (ii) changes in the availability and relative costs of labor and contract growers; (iii) market conditions for finished products, including the supply and pricing of alternative proteins, all of which may impact the Company's pricing power; (iv) effectiveness of advertising and marketing programs; (v) the ability of the Company to make effective acquisitions and successfully integrate newly acquired businesses into existing operations; (vi) risks associated with leverage, including cost increases due to rising interest rates; (vii) changes in regulations and laws, including changes in accounting standards, environmental laws, occupational, health and safety laws, and laws regulating fishing and seafood processing activities; (viii) issues related to food safety, including costs resulting from product recalls, regulatory compliance and any related claims or litigation; (ix) access to foreign markets together with foreign economic conditions, including currency fluctuations; and (x) the effect of, or changes in, general economic conditions.

Item 3. Quantitative and Qualitative Disclosure About Market Risks

Market risks relating to the Company's operations result primarily from changes in commodity prices and interest rates. To address these risks the Company enters into various hedging transactions as described below. The Company does not use financial instruments for trading purposes and is not a party to any leveraged derivatives.

Commodities Risk

The Company is a purchaser of certain commodities, primarily corn, soybean meal and soybean oil. The Company periodically uses commodity futures and purchased options for hedging purposes to reduce the effect of changing commodity prices and as a mechanism to procure the commodities. The contracts that effectively meet risk reduction and correlation criteria are recorded using hedge accounting. Gains and losses on closed hedge transactions are recorded as a component of the underlying inventory purchase.

The following table provides information about the Company's commodity inventory and futures contracts for corn and soybean meal that are sensitive to changes in commodity prices. The table presents the carrying amounts and fair values at July 3, 1999. Additionally, for the futures contracts, the latest which matures 9 months from the reporting date, the table presents the notional amounts in units of purchase, the weighted average contract prices and the total dollar contract amounts. Contract amounts are used to calculate the contractual payments and quantity of corn and soybean meal to be exchanged under the futures contracts.

(dollars and volume in millions, except per unit amounts)

	Volume	Contract/ Book Value	Weighted Average Price Per Unit	Fair Value	Weighted Average Price Per Unit
Commodity Inventory	-	\$25.7	\$ -	\$25.7	\$ -
Futures Contracts					
Corn (in bushels)					
Long (Buy) Positions	25.9	\$59.4	\$2.30	\$57.6	\$2.23
Short (Sell) Positions	0.4	\$0.9	\$2.13	\$0.9	\$2.11
Soybean Meal					
Long (Buy) Positions	-	\$5.8	\$136.7	\$5.8	\$136.6
Puts/Calls					
Corn (in bushels)					
Short Put	5.0	\$0.2	\$0.045	\$0.6	\$0.12

Interest Rate Risks

The Company hedges exposure to changes in interest rates on certain of its financial instruments. Under the terms of various leveraged equipment loans, the Company enters into interest rate swap agreements to effectively lock in a fixed interest rate for these borrowings. The maturity dates of these leveraged equipment loans range from 2005 to 2008 with interest rates ranging from 4.7% to 6%.

The following table provides information about the Company's derivative financial instruments and other financial instruments that are sensitive to changes in interest rates. The table presents for the Company's debt obligations, principal cash flows, related weighted-average interest rates by expected maturity dates and fair values. For interest rate swaps, the table presents notional amounts, weighted-average interest rates or strike rates by contractual maturity dates and fair values. Notional amounts are used to calculate the contractual cash flows to be exchanged under the contract.

Interest Rate Sensitivity Principal (Notional) Amount by Expected Maturity Average Interest (Swap) Rate

(dollars in millions)	1999	2000	2001	2002	2003	There- after	Total	Fair Value 7/3/99
Liabilities								
Long-term Debt, including Current Portion								
Fixed Rate	176.4	125.3	73.4	177.4	29.0	809.0	1,390.5	1,395.7
Average Interest Rate	6.84%	8.20%	9.44%	6.18%	7.10%	6.82%	7.01%	
Variable Rate	68.5	-	357.8	-	-	50.0	476.3	476.3
Average Interest Rate	5.73%	-	5.13%	-	-	3.65%	5.06%	

Interest Rate

Derivative Financial

Instruments Related

to Debt

Interest Rate Swaps

Pay Fixed 4.8 17.2 18.4 19.6 21.6 50.2 131.7 (1.6) Average Pay Rate 6.55% 6.71% 6.69% 6.73% 6.73% 6.59% 6.66% Average Receive Rate-
USD 6 Month Libor.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On June 22, 1999, eleven current and/or former employees of the Company filed the case of "M.H. Fox, et al. v. Tyson Foods, Inc." in the United States District Court for the Northern District of Alabama claiming that the Company has violated the requirements of the Fair Labor Standards Act. The suit alleges that the Company has failed to pay employees for all hours worked and/or has improperly paid them for overtime hours. The suit alleges that employees should be paid for the time it takes them to put on and take off certain working supplies at the beginning and end of their shifts and breaks. The suit also alleges that the use of "mastercard" or "line" time fails to pay employees for all time actually worked. Plaintiffs purport to represent themselves and a class of all similarly situated current and former employees of the Company. A total of 159 consents were filed with the complaint on behalf of persons to join the lawsuit and, to date, approximately 850 consents have been filed with the court. This case is in the preliminary stages and the Company is presently required to file a response to the complaint on August 17, 1999. The Company believes it has substantial defenses to the claims made in this case and intends to vigorously defend the case. However, neither the likelihood of unfavorable outcome nor the amount of ultimate liability, if any, with respect to this case can be determined at this time.

Item 2. Changes in Securities and Use of Proceeds

Not Applicable

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable

Item 5. Other Information

2000 Annual Meeting

The Company's 2000 Annual Meeting is currently scheduled for January 14, 2000. Accordingly, pursuant to the Company's bylaws, for any business to be brought before the 2000 Annual Meeting by a proponent shareholder, written notice (in proper form as required by the Company's Bylaws) must be provided to R. Read Hudson, the Company's Secretary, at 2210 West Oaklawn Drive, Springdale, Arkansas 72762-6999, no later than October 31, 1999 and no earlier than October 6, 1999.

Mallard's Sale

Effective July 19, 1999, the Company signed a letter of intent for the sale of Mallard's Food Products, a division of the Company's Prepared Foods Group. The Company is still involved in negotiations concerning assumption of liabilities and reimbursable expenses which will be included in a definitive agreement. The sale is expected to be finalized in the fourth quarter of fiscal 1999.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

The exhibits filed with this report are listed in the exhibit index at the end of this Item 6.

(b) Reports on Form 8-K:

The Company did not file any reports on Form 8-K for the quarter ended July 3, 1999.

EXHIBIT INDEX

The following exhibits are filed with this report.

Exhibit No. -----	Page ----
3.1 Restated Certificate of Incorporation of the Company (previously filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 1998, Commission File No. 0-3400, and incorporated herein by reference).	
3.2 Amended and Restated Bylaws of the Company (previously filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended September 28, 1996, Commission File No. 0-3400, and incorporated herein by reference).	

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TYSON FOODS, INC.

Date: August 17, 1999

/s/ Steven Hankins

Steven Hankins
Executive Vice President and
Chief Financial Officer

Date: August 17, 1999

/s/ James G. Ennis

James G. Ennis
Vice President, Controller and
Chief Accounting Officer

ARTICLE 5

This schedule contains summary financial information extracted from the quarterly financial statements for the period ended July 3, 1999 and is qualified in its entirety by reference to such financial statements.

CIK: 0000100493

NAME: TYSON FOODS, INC.

MULTIPLIER: 1,000,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	OCT 02 1999
PERIOD END	JUL 03 1999
CASH	55
SECURITIES	0
RECEIVABLES	612
ALLOWANCES	0
INVENTORY	1,027
CURRENT ASSETS	1,926
PP&E	2,211
DEPRECIATION	0
TOTAL ASSETS	5,361
CURRENT LIABILITIES	1,202
BONDS	1,640
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	24
OTHER SE	2,084
TOTAL LIABILITY AND EQUITY	5,361
SALES	5,547
TOTAL REVENUES	5,547
CGS	4,570
TOTAL COSTS	4,570
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	94
INCOME PRETAX	308
INCOME TAX	111
INCOME CONTINUING	189
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	189
EPS BASIC	0.82
EPS DILUTED	0.82

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