

TYSON FOODS INC

FORM 10-Q (Quarterly Report)

Filed 02/16/99 for the Period Ending 01/02/99

Address	2200 DON TYSON PARKWAY SPRINGDALE, AR 72762-6999
Telephone	479-290-4000
CIK	0000100493
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 January 2, 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 January 2, 1999
-----	-----
Class A Common Stock, \$.10 Par Value	128,056,701 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) January 2, 1999	October 3, 1998
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 53.6	\$ 46.5
Accounts receivable	633.6	631.0
Inventories	1,008.9	984.1
Assets held for sale	8.6	65.2
Other current assets	31.9	38.3
	<hr/>	<hr/>
Total Current Assets	1,736.6	1,765.1
Net Property, Plant, and Equipment	2,275.7	2,256.5
Excess of Investments over Net Assets Acquired	1,046.4	1,035.8
Investments and Other Assets	189.8	185.1
	<hr/>	<hr/>
Total Assets	\$5,248.5	\$5,242.5
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Notes payable	\$ 119.7	\$ 84.7
Current portion of long-term debt	74.1	77.6
Trade accounts payable	385.6	330.6
Other accrued liabilities	375.9	338.1
	<hr/>	<hr/>
Total Current Liabilities	955.3	831.0
Long-Term Debt	1,823.5	1,966.6
Deferred Income Taxes	411.1	434.4
Other Liabilities	42.4	40.1
Shareholders' Equity:		
Common stock (\$.10 par value):		
Class A-Authorized 900 million shares; issued 137.9 million shares at 1-2-99 and 10-3-98	13.8	13.8
Class B-Authorized 900 million shares; issued 102.7 million shares at 1-2-99 and 10-3-98	10.3	10.3
Capital in excess of par value	740.4	740.5
Retained earnings	1,444.5	1,394.2
Currency translation adjustment		(1.0)
	<hr/>	<hr/>
	2,209.0	2,157.8
Less treasury stock, at cost-		
9.9 million shares at 1-2-99 and 9.7 million shares at 10-3-98	190.6	185.1
Less unamortized deferred compensation	2.2	2.3
	<hr/>	<hr/>
Total Shareholders' Equity	2,016.2	1,970.4
	<hr/>	<hr/>
Total Liabilities and Shareholders' Equity	\$5,248.5	\$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	
	January 2, 1999	December 27, 1997
Sales	\$1,824.7	\$1,520.8
Cost of Sales	1,519.4	1,260.1
	-----	-----
Gross Profit	305.3	260.7
Expenses:		
Selling	145.7	125.6
General and administrative	32.6	31.3
Amortization	8.6	5.9
	-----	-----
Operating Income	118.4	97.9
Other Expense (Income):		
Interest	31.3	27.2
Foreign currency exchange	(1.7)	
Other	(2.8)	(0.6)
	-----	-----
Income Before Taxes on Income	91.6	71.3
Provision for Income Taxes	32.8	26.4
Minority Interest	3.0	
	-----	-----
Net Income	\$ 55.8	\$ 44.9
	=====	=====
Basic Average Shares Outstanding	230.8	213.3
	=====	=====
Basic Earnings Per Share	\$0.24	\$0.21
	=====	=====
Diluted Average Shares Outstanding	232.1	215.0
	=====	=====
Diluted Earnings Per Share	\$0.24	\$0.21
	=====	=====
Cash Dividends Per Share:		
Class A	\$0.0250	\$0.0250
Class B	\$0.0225	\$0.0225

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

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

(Unaudited)

	Three Months Ended	
	January 2, 1999	December 27, 1997
Cash Flows from Operating Activities:		
Net income	\$ 55.8	\$ 44.9
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	64.9	51.7
Amortization	8.6	5.9
Foreign currency exchange	(1.7)	
Deferred income taxes	(23.3)	(3.4)
(Gain)loss on dispositions of assets	(0.9)	0.6
Decrease in accounts receivable	43.9	28.1
Increase in inventories	(24.8)	(28.4)
Increase(decrease) in trade accounts payable	54.4	(21.3)
Net change in other current assets and liabilities	44.1	(9.9)
Cash Provided by Operating Activities	221.0	68.2
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(107.8)	(50.3)
Proceeds from sale of property, plant and equipment	19.1	2.4
Net change in other assets and liabilities	(3.6)	(10.6)
Cash Used for Investing Activities	(92.3)	(58.5)
Cash Flows from Financing Activities:		
Net change in notes payable	34.9	101.5
Proceeds from long-term debt	14.2	20.4
Repayments of long-term debt	(160.8)	(121.2)
Purchases of treasury shares	(6.1)	(5.5)
Other	(2.2)	(4.2)
Cash Used for Financing Activities	(120.0)	(9.0)
Effect of Exchange Rate Change on Cash	(1.6)	(0.1)
Increase in Cash and Cash Equivalents	7.1	0.6
Cash and Cash Equivalents at Beginning of Period	46.5	23.6
Cash and Cash Equivalents at End of Period	\$ 53.6	\$ 24.2
	=====	=====
Supplemental Cash Flow Information		
Cash paid during the period for:		
Interest	\$29.9	\$45.8
Income taxes	\$27.7	\$2.1

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 January 2, 1999 and October 3, 1998 and the results of operations and cash flows for the three months ended January 2, 1999 and December 27, 1997. The results of operations and cash flows for the three months ended January 2, 1999 and December 27, 1997 are not necessarily indicative of the results to be expected for the full year.

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 three months ended January 2, 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 months ended:

	Quarter Ended	
	(In millions except per share amounts)	
	January 2, 1999	December 27, 1997
	-----	-----
Numerator:		
Net Income	\$55.8	\$44.9
	=====	=====
Denominator:		
Denominator for basic earnings per share- weighted average shares	230.8	213.3
Effect of dilutive securities:		
Employee stock options	1.3	1.7
	-----	-----
Denominator for diluted earnings per share- adjusted weighted average shares and assumed conversions	232.1	215.0
	=====	=====
Basic earnings per share	\$0.24	\$0.21
	=====	=====
Diluted earnings per share	\$0.24	\$0.21
	=====	=====

3. Inventories

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

(In millions)

	January 2, 1999	October 3, 1998
	-----	-----
Finished and work-in-process	\$ 434.6	\$410.4
Live poultry and hogs	385.5	374.2
Seafood related products	38.6	49.2
Hatchery eggs and feed	65.6	71.5
Supplies	84.6	78.8
	-----	-----
Total	\$1,008.9	\$984.1
	=====	=====

4. 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 January 2, 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.

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

FINANCIAL CONDITION

For the three months ended January 2, 1999, net cash totaling \$221 million was provided by all operating activities. Operations provided \$103.4 million in cash and \$117.6 million was provided by net changes in receivables, inventories, payables and other items. The Company used cash from operations to fund \$107.8 million of property, plant and equipment additions and pay down debt by \$160.8 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 January 2, 1999, working capital was \$781.3 million compared to \$934.1 million at 1998 fiscal year-end, a decrease of \$152.8 million. The current ratio at January 2, 1999 was 1.82 to 1 compared to 2.12 to 1 at October 3, 1998. Working capital has decreased since year-end primarily due to a decrease in assets held for sale and increases in notes payable, accounts payable and other current liabilities. The decrease in assets held for sale is mainly due to completion of the Willow Brook Sale and the NEPCO Sale effective December 31, 1998. At January 2, 1999, total debt was 50% 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 January 2, 1999, \$372.5 million was outstanding under this \$1 billion facility consisting of \$242.5 million in commercial paper and \$130 million drawn under the revolver. Additional outstanding long-term debt at January 2, 1999 consisted of \$1,028.4 million of public debt, \$221.6 million of institutional notes, \$181.9 million in leveraged equipment loans and \$93.2 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 first quarter of fiscal 1999 increased 20% from the same period of fiscal 1998. This increase is mainly due to an increase in total volume. Consumer poultry sales, excluding turkey, accounted for an increase of 15.5% of the total change in sales for the first quarter of fiscal 1999 as compared to the same period of fiscal 1998. This increase was due to a 28% increase in tonnage offset somewhat by a 7.3% decrease in average sales prices. A significant portion of the increase in total sales and consumer poultry sales for the first quarter of fiscal 1999 compared to the first quarter of fiscal 1998 is due to volume gained from the Hudson Acquisition and the inclusion of Tyson de Mexico on a consolidated basis.

The prepared foods group sales accounted for an increase of 0.6% of the total change in sales for the first quarter of fiscal 1999 as compared to the same period of fiscal 1998. This increase was primarily due to a 15.5% increase in average sales prices slightly offset by a 1.3% decrease in tonnage. Seafood sales accounted for an increase of 1% of the change in total sales for the first quarter of fiscal 1999 as compared to the same period of fiscal 1998. This increase was due to a 49.4% increase in tonnage mostly offset by a 9.6% decrease in average sales prices. The seafood operations continue to be affected by the availability of some species of fish as well as reduced pricing on some products and other regulations which limit its source of supply. Sales of live swine and other as a group accounted for an increase of 2.9% of the change in total sales for the first quarter of fiscal 1999 as compared to the same period of fiscal 1998.

The live swine business experienced a significant decrease in market prices in the first quarter of fiscal 1999 compared to the same quarter last year, resulting in a live swine group net loss of \$.06 per share. Management cannot predict future market prices for live swine, but anticipates continued losses at least through the second quarter of fiscal 1999.

In fiscal 1998, the Company announced a strategy of focusing on its core business - producing and marketing chicken and poultry based food products

- while reviewing the possibility of divesting other non-core assets. On January 18, 1999, the Company announced that it is exploring the possibility of divesting its live swine and seafood assets. The Company is in the early stages of this process but has received indications of interest on certain of these assets. During this process, the Company intends to manage these operations in a manner that maximizes value, regardless of whether the live swine and seafood assets are sold or continue to be part of the Company.

Cost of goods sold increased 20.6% for the first quarter of fiscal 1999 as compared to the same period of fiscal 1998. This increase is mainly the result of the increase in sales. As a percent of sales, cost of sales was 83.3% for the first quarter of fiscal 1999 compared to 82.9% for the first quarter of fiscal 1998.

Operating expenses increased 14.8% for the first quarter of fiscal 1999 over the same quarter of fiscal 1998 mostly due to the Hudson Acquisition. Selling expense, as a percent of sales, decreased to 8% for the first quarter of fiscal 1999 as compared to 8.3% for the first quarter of fiscal 1998. General and administrative expense, as a percent of sales, was 1.8% in the first quarter of fiscal 1999 compared to 2.1% in the same quarter last year. Included in general and administrative expense for the first

quarter of fiscal 1998 is a charge of \$6 million for penalties and costs associated with the plea agreement by the Company with respect to the investigation by the Office of Independent Counsel in connection with former Secretary of Agriculture Michael Espy. Amortization expense, as a percent of sales, was 0.5% in the first quarter of fiscal 1999 and 0.4% in the first quarter of fiscal 1998. The increase in amortization expense is mainly due to additional amortization related to the Hudson Acquisition.

Interest expense increased 15.1% for the first quarter of fiscal 1999 compared to the same quarter of fiscal 1998 primarily as a result of a 17.2% increase in the Company's average indebtedness over the same period last year. The net average effective interest rate of all Company debt decreased to 6.3% compared to 6.4% for the same period last year.

The effective income tax rate for the first quarter of fiscal 1999 was 35.8% compared to 37% for the same period of fiscal 1998 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. Those remaining will be completed by March 31, 1999.

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 \$1.4 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 90 percent of the personal computers have been certified as being Year 2000 ready with the remainder to be completed by mid year or replaced.

The telephone systems in use by the Company have also been surveyed. There are more than 170 of these systems currently in use. Three of these systems currently have Year 2000 issues that need to be resolved. It is expected that these systems will be addressed by March 31, 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 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. 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 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 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, including those related to the Company's ability to effectively assimilate Hudson, 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, including Hudson, 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) access to foreign markets together with foreign economic conditions, including currency fluctuations; and (ix) 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, interest rates and foreign exchange 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 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 corn, soybean oil and other feed ingredient inventory and futures contracts that are sensitive to changes in commodity prices. The table presents the carrying amounts and fair values at January 2, 1999. Additionally, for the futures contracts, the latest which matures 12 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 oil 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	-	\$29.9	\$ -	\$29.9	\$ -
Corn Futures Contracts (volume in bushels)					
Long (Buy) Positions	6.9	\$15.9	\$2.30	\$15.7	\$2.27
Short (Sell) Positions	7.5	\$16.8	\$2.24	\$16.6	\$2.21

Foreign Currency and Interest Rate Risks

The Company periodically enters into foreign exchange forward contracts and option contracts to hedge some of its foreign currency exposure. The Company uses such contracts to hedge exposure to changes in foreign currency exchange rates, primarily Japanese Yen, associated with sales denominated in foreign currency. Gains and losses on these contracts are recognized as an adjustment of the subsequent transaction when it occurs. Forward and option contracts generally have maturities not exceeding 12 months.

The Company also 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- Total Fair after Value 1/2/99

Liabilities

Long-term Debt,
including
Current Portion

Fixed Rate \$74.1 \$277.3 \$74.4 \$27.3 \$178.8 \$818.6 \$1,450.5 \$1,497.0 Average Interest 9.36% 6.40% 9.48% 7.31% 6.19% 6.80% 6.93%

	Rate							
Variable Rate	-	\$24.6	-	\$372.5	-	\$50.0	\$447.1	\$447.1
Average Interest Rate	-	7.38%	-	5.65%	-	4.15%	5.58%	
Interest Rate Derivative Financial Instruments Related to Debt								
Interest Rate Swaps								
Pay Fixed	\$12.2	\$17.2	\$18.4	\$19.6	\$21.6	\$50.2	\$139.2	(\$6.8)
Average Pay Rate	6.59%	6.71%	6.69%	6.73%	6.73%	6.59%	6.66%	

Average Receive Rate- USD 6 Month Libor.

The following table summarizes information on instruments and transactions that are sensitive to foreign currency exchange rates. The table presents the notional amounts, weighted-average exchange rates by expected (contractual) maturity dates and fair values. These notional amounts generally are used to calculate the contractual payments to be exchanged under the contract.

Exposures Related to Derivative Contracts with United States Dollar Functional Currency Principal (Notional) Amount by Expected Maturity
Average Forward Foreign Currency Exchange Rate (USD/Foreign Currency)

(dollars in millions)

	1999	2000 - 2003	There- after	Total	Fair Value 1/2/99
Sold Option Contracts to Sell Foreign Currencies for US\$ Japanese Yen					
Notional Amount	\$6.5	-		\$6.5	-
Weighted Average					

Strike Price (Yen)109.48

Purchased Option

Contracts to Sell

Foreign Currencies

for US\$

Japanese Yen

Notional Amount \$5.6 - \$5.6 - Weighted Average

Strike Price (Yen)126.69

Foreign Forward

Exchange Contracts

Japanese Yen

Notional Amount \$10.0 - \$10.0 \$(0.4) Weighted Average

Strike Price (Yen)116.21

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On December 16, 1998, Hudson, Michael Gregory, Hudson's former Director of Customer Relations and Quality Control, and Brent Wolke, the former plant manager of Hudson's Columbus, Nebraska facility, were indicted by a federal grand jury in Omaha, Nebraska on two counts-making false statements to the USDA and conspiracy to make such statements-in connection with the August 1997 recall of Hudson beef products suspected of containing E-coli 0157:H7. The charges arise out of presentations made on behalf of Hudson between August 12 and August 20, 1997 (prior to the Hudson Acquisition) to USDA FSIS officials during Hudson's cooperation with the government in attempting to identify potentially contaminated product. The government has conceded that the contamination did not originate in the Hudson plant and it does not appear that any statements at issue in the indictment resulted in or are alleged to have resulted in any illnesses. All defendants have entered not guilty pleas and intend to vigorously defend the case at trial which will be held in the federal courthouse in Lincoln, Nebraska on a date yet to be determined by the court. According to the government, the potential penalty for Hudson is a fine of up to \$500,000 and the individual defendants each face the possibility of up to 5 years imprisonment and fines of up to \$250,000.

Item 2. Changes in Securities

Not Applicable

Item 3. Defaults Upon Senior Securities

Not Applicable

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

The following directors were elected at the annual meeting of shareholders held January 8, 1999:

DIRECTORS	VOTES FOR	VOTES WITHHELD
Wayne Britt	1,129,222,245	1,828,539
Neely Cassidy	1,129,217,062	1,833,722
Lloyd V. Hackley	1,129,203,161	1,847,623
Gerald M. Johnston	1,129,207,135	1,843,649
Shelby Massey	1,129,202,589	1,848,195
Joe F. Starr	1,129,195,168	1,855,616
Leland Tollett	1,129,198,484	1,852,300
Barbara Tyson	1,129,203,725	1,847,059
Don Tyson	1,129,193,529	1,857,255
John Tyson	1,129,192,575	1,858,209
Fred S. Vorsanger	1,129,193,297	1,857,487
Donald E. Wray	1,129,209,003	1,841,781

No other items were voted on at the annual meeting of shareholders or during the quarter ended January 2, 1999.

Item 5. Other Information

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. The groups, each of which will have a Group President reporting to the Company's Chief Executive Officer, are:

(1) Tyson Foodservice Group, (2) Tyson Consumer Products Group, (3) Tyson Prepared Foods Group, and (4) Tyson International Group. Each Group will be aligned with specific plants and will have profit and loss responsibility. Additionally, the various administrative and support functions of the Company have been realigned in six functional areas with an Executive Vice President in charge of each area also reporting to the Company's Chief Executive Officer. The Company believes that these changes will better align its personnel, products and assets with customer demands. This new organizational structure is not anticipated to have any material costs in its initial implementation.

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 January 2, 1999.

EXHIBIT INDEX

The following exhibits are filed with this report.

Exhibit No. -----	Page ----
3.1 Certificate of Incorporation of the Company as amended (previously filed as Exhibit 3(a) to the Company's Registration Statement on Form S-4 filed with the Commission on July 8, 1992, Commission File No. 33-49368, 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).	

27 Financial Data Schedule

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: February 16, 1999

/s/ Steven Hankins

Steven Hankins
Executive Vice President and
Chief Financial Officer

Date: February 16, 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 JANUARY 2, 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	3 MOS
FISCAL YEAR END	OCT 02 1999
PERIOD END	JAN 02 1999
CASH	54
SECURITIES	0
RECEIVABLES	634
ALLOWANCES	0
INVENTORY	1,009
CURRENT ASSETS	1,737
PP&E	2,276
DEPRECIATION	0
TOTAL ASSETS	5,249
CURRENT LIABILITIES	955
BONDS	1,824
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	24
OTHER SE	1,992
TOTAL LIABILITY AND EQUITY	5,249
SALES	1,825
TOTAL REVENUES	1,825
CGS	1,519
TOTAL COSTS	1,519
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	31
INCOME PRETAX	92
INCOME TAX	33
INCOME CONTINUING	0
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	56
EPS PRIMARY	0.24
EPS DILUTED	0.24

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