

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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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 June 27, 1998

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 June 27, 1998
-----	-----
Class A Common Stock, \$.10 Par Value	128,508,302 Shares
Class B Common Stock, \$.10 Par Value	102,645,513 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) June 27, 1998	September 27, 1997
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 29.6	\$ 23.6
Accounts receivable	701.3	617.8
Inventories	1,080.1	886.1
Assets held for sale	12.8	6.2
Other current assets	48.9	38.8
Total Current Assets	<u>1,872.7</u>	<u>1,572.5</u>
Net Property, Plant, and Equipment	2,380.4	1,924.8
Excess of Investments over Net Assets Acquired	989.7	731.1
Investments and Other Assets	224.8	182.6
Total Assets	<u>\$5,467.6</u>	<u>\$4,411.0</u>
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Notes payable	\$ 45.1	\$ 37.3
Current portion of long-term debt	57.5	94.6
Trade accounts payable	348.8	290.3
Other accrued liabilities	432.6	298.8
Total Current Liabilities	<u>884.0</u>	<u>721.0</u>
Long-Term Debt	1,993.6	1,558.2
Deferred Income Taxes	489.2	506.1
Other Liabilities	31.6	4.2
Shareholders' Equity:		
Common stock (\$.10 par value):		
Class A-Authorized 900 million shares;		
issued 137.9 million shares at 6-27-98		
and 119.5 million shares at 9-27-97	13.8	11.9
Class B-Authorized 900 million shares;		
issued 102.7 million shares at 6-27-98		
and 102.7 million shares at 9-27-97	10.3	10.3
Capital in excess of par value	740.5	379.1
Retained earnings	1,489.4	1,390.8
Currency translation adjustment	(2.5)	(2.5)
	<u>2,251.5</u>	<u>1,789.6</u>
Less treasury stock, at cost-		
9.4 million shares at 6-27-98 and		
8.8 million shares at 9-27-97	180.0	165.6
Less unamortized deferred compensation	2.3	2.5
Total Shareholders' Equity	<u>2,069.2</u>	<u>1,621.5</u>
Total Liabilities and Shareholders' Equity	<u>\$5,467.6</u>	<u>\$4,411.0</u>
	=====	=====

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	
	June 27, 1998	June 28, 1997	June 27, 1998	June 28, 1997
Sales	\$1,953.6	\$1,591.2	\$5,345.2	\$4,693.4
Cost of Sales	1,645.2	1,323.2	4,507.3	3,914.8
Gross Profit	308.4	268.0	837.9	778.6
Expenses:				
Selling	156.0	136.1	436.8	386.4
General and administrative	36.5	25.1	101.4	73.9
Amortization	8.3	6.9	22.5	20.6
Operating Income	107.6	99.9	277.2	297.7
Other Expense (Income):				
Interest	37.6	28.1	102.8	83.2
Other	(4.0)		(7.8)	(39.4)
Income Before Taxes on Income	74.0	71.8	182.2	253.9
Provision for Income Taxes	27.4	26.6	67.4	115.9
Net Income	\$ 46.6	\$ 45.2	\$ 114.8	\$ 138.0
Basic Average				
Shares Outstanding	231.9	215.5	225.1	216.6
Basic Earnings Per Share	\$0.20	\$0.21	\$0.51	\$0.64
Diluted Average				
Shares Outstanding	232.5	217.5	226.4	218.6
Diluted Earnings Per Share	\$0.20	\$0.21	\$0.51	\$0.63
Cash Dividends Per Share:				
Class A	\$0.0250	\$0.0250	\$0.0750	\$0.070
Class B	\$0.0225	\$0.0225	\$0.0675	\$0.063

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	
	June 27, 1998	June 28, 1997
Cash Flows from Operating Activities:		
Net income	\$ 114.8	\$ 138.0
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	175.3	151.7
Amortization	22.5	20.6
Deferred income taxes	(61.3)	(10.9)
Gain on dispositions of assets	(3.2)	(42.0)
Decrease in accounts receivable	20.3	7.7
Decrease in inventories	15.3	27.7
Increase in trade accounts payable	7.9	10.2
Net change in other current assets and liabilities	61.2	68.2
	<u>352.8</u>	<u>371.2</u>
Cash Provided by Operating Activities		
Cash Flows from Investing Activities:		
Net cash paid for acquisitions	(257.4)	
Additions to property, plant and equipment	(203.1)	(219.4)
Proceeds from disposition of net assets	130.6	206.6
Net change in other assets and liabilities	(12.9)	(44.9)
	<u>(342.8)</u>	<u>(57.7)</u>
Cash Used for Investing Activities		
Cash Flows from Financing Activities:		
Net change in notes payable	(77.2)	41.4
Proceeds from long-term debt	1,091.9	102.4
Repayments of long-term debt	(987.9)	(401.9)
Purchases of treasury shares	(16.4)	(41.6)
Other	(14.3)	(12.7)
	<u>(3.9)</u>	<u>(312.4)</u>
Cash Used for Financing Activities		
Effect of Exchange Rate Change on Cash	(0.1)	0.1
	<u>6.0</u>	<u>1.2</u>
Increase in Cash and Cash Equivalents		
Cash and Cash Equivalents at Beginning of Period	23.6	36.6
	<u>\$ 29.6</u>	<u>\$ 37.8</u>
	=====	=====
Cash and Cash Equivalents at End of Period		
Supplemental Cash Flow Information		
Cash paid during the period for:		
Interest	\$119.0	\$108.0
Income taxes	\$ 62.4	\$ 94.8

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 September 27, 1997. 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 June 27, 1998 and September 27, 1997 and the results of operations for the three and nine months ended June 27, 1998 and June 28, 1997, and cash flows for the nine months ended June 27, 1998 and June 28, 1997. The results of operations for the three and nine months ended June 27, 1998 and June 28, 1997, and cash flows for the nine months ended June 27, 1998 and June 28, 1997, are not necessarily indicative of the results to be expected for the full year.

In 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share". Statement 128 replaced the previously reported primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes the dilutive effects of options, warrants, and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. Earnings per share amounts for all periods presented have been restated where necessary to conform to the Statement 128 requirements.

The Notes to Consolidated Financial Statements for the fiscal year ended September 27, 1997, 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 June 27, 1998, except as disclosed in these notes.

2. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	(In millions)			
	Three Months Ended June 27, 1998	June 28, 1997	Nine Months Ended June 27, 1998	June 28, 1997
	-----	-----	-----	-----
Numerator:				
Net Income	\$46.6	\$45.2	\$114.8	\$138.0
	=====	=====	=====	=====
Denominator:				
Denominator for basic earnings per share- weighted average shares	231.9	215.5	225.1	216.6
Effect of dilutive securities: Employee stock options	0.6	2.0	1.3	2.0
	-----	-----	-----	-----
Denominator for diluted earnings per share- adjusted weighted average shares and assumed conversions	232.5	217.5	226.4	218.6
	=====	=====	=====	=====
Basic earnings per share	\$0.20	\$0.21	\$0.51	\$0.64
	=====	=====	=====	=====
Diluted earnings per share	\$0.20	\$0.21	\$0.51	\$0.63
	=====	=====	=====	=====

3. Inventories

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

(In millions)

	June 27, 1998	September 27, 1997
	-----	-----
Finished and work-in-process	\$ 500.1	\$366.1
Live poultry and hogs	394.9	353.4
Seafood related products	34.5	39.5
Hatchery eggs and feed	68.8	57.8
Supplies	81.8	69.3
Total	\$1,080.1	\$886.1
	=====	=====

4. Acquisitions and Dispositions

On January 9, 1998, the Company completed the acquisition of Hudson Foods, Inc. ("Hudson") pursuant to which Hudson merged with and into a wholly-owned subsidiary of the Company (the "Hudson Acquisition"). At the effective time of merger the Class A and Class B shareholders of Hudson received an aggregate of approximately 18.4 million shares of the Company's Class A common stock and approximately \$257.4 million in cash. On January 9, 1998, the Company borrowed \$318 million under its commercial

paper program to finance the \$257.4 million cash portion of the Hudson Acquisition and repay approximately \$61 million under Hudson's revolving credit facilities. Reference is made to the Company's Current Report on Form 8-K, dated January 15, 1998 for a more detailed description of Hudson and the Hudson Acquisition, including certain pro forma financial information giving effect to the Hudson Acquisition. The Hudson Acquisition has been accounted for as a purchase and the excess of investment over net assets acquired is being amortized straight-line over forty years. The Company's consolidated results of operations include the operations of Hudson since the acquisition date. The following unaudited pro forma information shows the results of operations as though the purchase of Hudson had been made at the beginning of fiscal 1997.

(In millions, except per share data)		
Nine Months Ended		
	June 27, 1998	June 28, 1997

Net sales	\$5,762.1	\$5,925.2
Net income	107.0	47.2
Basic Earnings Per Share	0.46	0.52
Diluted Earnings Per Share	0.46	0.52

The unaudited pro forma results are not necessarily indicative of the actual results of operations that would have occurred had the purchase actually been made at the beginning of 1997, or the results which may occur in the future.

On June 9, 1998, Hudson and Pierre Foods, LLC ("Pierre"), a wholly owned subsidiary of Fresh Foods, Inc. completed an asset purchase agreement for Pierre to acquire the Pierre Foods division from Hudson. The Pierre Foods division, based in Cincinnati, Ohio and acquired as part of the Hudson Acquisition, is primarily engaged in producing and distributing packaged, precooked food products to the foodservice industry. Under the terms of the purchase agreement, Pierre paid \$122 million in cash and assumed certain liabilities. The Company recognized no gain or loss on the sale of these assets. In addition, no pro forma information is provided as the operations of the Pierre Foods division was not significant to the Company.

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

FINANCIAL CONDITION

For the nine months ended June 27, 1998, net cash totaling \$352.8 million was provided by all operating activities. Operations provided \$248.1 million in cash and \$104.7 million was provided by net changes in receivables, inventories, payables and other items. As a result of a tax settlement, the Company reclassified \$71 million of deferred taxes to current taxes payable. The Company used cash from operations to fund \$203.1 million of property, plant and equipment additions. The expenditures for property, plant and equipment were related to acquiring new equipment, upgrading facilities in order to maintain competitive standing and position the Company for future opportunities.

At June 27, 1998, working capital was \$988.7 million compared to \$851.5 million at 1997 fiscal year-end, an increase of \$137.2 million. The current ratio at June 27, 1998 was 2.1 to 1 compared to 2.2 to 1 at September 27, 1997. Working capital has increased since year-end primarily due to increases in accounts receivable and inventories, offset slightly by increases in notes payable, accounts payable and other current liabilities, primarily due to the Hudson Acquisition. At June 27, 1998, total debt was 50.3% of total capitalization compared to 51.0% at September 27, 1997. 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 June 27, 1998, \$496.4 million was outstanding under this \$1 billion facility consisting of \$451.4 million in commercial paper and \$45 million drawn under the revolver. The Company's \$250 million facility was terminated effective May 4, 1998. Additional outstanding long-term debt at June 27, 1998 consisted of \$1,027.4 million of public debt, \$221.6 million of institutional notes, \$175.0 million in leveraged equipment loans and \$73.2 million of other indebtedness. On January 9, 1998, the Company borrowed approximately \$318 million under its commercial paper program, the proceeds of which were used to (i) finance the \$257.4 million cash portion of the Hudson Acquisition and (ii) repay approximately \$61 million under Hudson's revolving credit facilities. Subsequent to the Hudson Acquisition, the Company refinanced \$269.7 million in outstanding long-term debt assumed pursuant to the Hudson Acquisition with commercial paper. On January 21, 1998 the Company issued, in two separate series, \$150 million 6% Notes due January 15, 2003 and \$150 million 7% Notes due January 15, 2028. On February 4, 1998, the Company issued \$100 million 6.08% Mandatory Par Put Remarketed SecuritiesSM ("MOPPRSSM") due February 1, 2010 and \$50 million Floating Rate MOPPRSSM due February 1, 2010. On April 28, 1998, the Company issued debt securities in the form of \$240 million 7% Notes due May 1, 2018. The net proceeds from these debt offerings were used by the Company to repay a portion of the borrowings under its commercial paper program. 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

The operating results for the third quarter of fiscal 1998 were impacted by the excess supply of all meat proteins, weakness in the export markets and the quality of the Hudson Foods sales mix the Company acquired. Sales for the third quarter of fiscal 1998 increased 22.8% from the same quarter of fiscal 1997. This increase is mainly due to a 23.5% increase in total volume slightly offset by a 0.6% decrease in average sales prices. Consumer poultry sales, excluding turkey, accounted for an increase of 16.0% of the total change in sales for the third quarter of fiscal 1998 as compared to the same quarter of fiscal 1997. This increase was due to a 28.6% increase in tonnage partially offset by a 7.4% decrease in average sales prices. A significant portion of the increase in total sales and consumer poultry sales for the third quarter of fiscal 1998 compared to the same quarter of fiscal 1997 is due to the Hudson Acquisition.

Mexican Original, Culinary Foods and Mallards Food sales as a group accounted for an increase of 0.8% of the total change in sales for the third quarter of fiscal 1998 as compared to the same quarter of fiscal 1997. This increase was primarily due to a 22.1% increase in average sales prices slightly offset by a 0.5% decrease in tonnage, largely due to the acquisition of Mallards Food in August 1997 and new contracts that focus on higher priced products. Seafood sales accounted for a decrease of 0.2% of the change in total sales for the third quarter of fiscal 1998 as compared to the same quarter of fiscal 1997. This decrease was due to a 15.3% decrease in tonnage mostly offset by a 12.4% increase in average sales prices. Decreased seafood volume was mainly due to weakness in the surimi business caused by the Asian economic crisis. However, this is partially offset by improvements in the analog business. The seafood operations continue to be affected by the availability of some species of fish as well as other regulations which limit its source of supply. Sales of live swine, animal foods, by-products, and other, as a group accounted for an increase of 6.2% of the change in total sales for the third quarter of fiscal 1998 as compared to the same quarter of fiscal 1997.

Sales for the first nine months of fiscal 1998 increased 13.9% over the same period of fiscal 1997. This increase was largely due to consumer poultry sales, excluding turkey, which accounted for an increase of 9.3% of the change in total sales for the first nine months of fiscal 1998 as compared to the same period of fiscal 1997. This increase in consumer poultry sales was primarily due to an increase in tonnage of 22.4% offset somewhat by a decrease in average sales prices of 9.2%. A significant portion of the increase in total sales and consumer poultry sales for the first nine months of fiscal 1998 compared to the same period of fiscal 1997 is due to the Hudson Acquisition.

Mexican Original, Culinary Foods and Mallards Food sales as a group accounted for an increase of 0.6% of the change in total sales for the first nine months of fiscal 1998 as compared to the same period of fiscal 1997. This increase was primarily due to a 18.2% increase in average sales prices as well as a 0.2% increase in tonnage, largely due to the acquisition of Mallards Food in August 1997. Seafood sales accounted for a decrease of 0.9% of the change in total sales for the first nine months of fiscal 1998 as compared to the same period of fiscal 1997. This decrease was due to a 26.9% decrease in tonnage partially offset by a 7.0% increase in average sales prices. Sales of live swine, animal foods, by-products, and other as a group accounted for an increase of 4.9% of the change in total sales for the first nine months of fiscal 1998 as compared to the same period of last year.

The Company recognizes that conducting business in or selling products into foreign countries, including but not limited to Russia and certain Asian countries, entails inherent risks including various political, credit, inventory and currency risks. The Company, however, is continually monitoring its international business practices and, whenever possible, will attempt to minimize the Company's financial exposure to these risks.

Cost of goods sold increased 24.3% for the third quarter of fiscal 1998 as compared to the same quarter of fiscal 1997. This increase is mainly the result of the increase in sales. Although the cost of ingredients used in feed for poultry and swine and the ingredients used in Mexican Original operations during the third quarter of fiscal 1998 decreased in comparison with the same quarter of fiscal 1997, these benefits will not be realized

until future quarters. As a percent of sales, cost of sales was 84.2% for the third quarter of fiscal 1998 compared to 83.2% in the third quarter of fiscal 1997.

Cost of goods sold increased 15.1% for the first nine months of fiscal 1998 compared to the same period of fiscal 1997. This increase is mainly the result of the increase in sales. As a percent of sales, cost of sales was 84.3% for the first nine months of fiscal 1998 compared to 83.4% in the same period of fiscal 1997.

Operating expenses increased 19.5% for the third quarter of fiscal 1998 over the same quarter of fiscal 1997 mostly due to the Hudson Acquisition. Selling expense, as a percent of sales, decreased to 8.0% for the third quarter of fiscal 1998 as compared to 8.6% for the third quarter of fiscal 1997. General and administrative expense, as a percent of sales, was 1.9% in the third quarter of fiscal 1998 compared to 1.6% in the same period last year. Amortization expense, as a percent of sales, was 0.4% in the third quarter of fiscal 1998 and 1997.

Operating expenses increased 16.6% for the first nine months of fiscal 1998 from the same period of fiscal 1997 mostly due to the Hudson Acquisition. Selling expense, as a percent of sales, was 8.2% for the first nine months of fiscal 1998 and fiscal 1997. General and administrative expense, as a percent of sales, was 1.9% in the first nine months of fiscal 1998 compared to 1.6% in the same period last year. Amortization expense, as a percent of sales, was 0.4% in the first nine months of fiscal 1998 and 1997.

Interest expense increased 33.8% for the third quarter of fiscal 1998 compared to the same quarter of fiscal 1997 primarily as a result of a 29.2% increase in the Company's average indebtedness over the same period last year. The weighted average interest rate of all Company debt increased to 6.5% compared to 6.3% for the same period last year.

Interest expense increased 23.6% in the first nine months of fiscal 1998 compared to the same period of fiscal 1997. The Company had a higher level of borrowing which increased the Company's average indebtedness by 15.5% from the same period last year. The weighted average interest rate of all Company debt increased to 6.5% compared to 6.1% for the same period last year.

The effective income tax rate for the third quarter and first nine months of fiscal 1998 was 37.0% compared to 37.0% and 45.6%, respectively for the same periods of fiscal 1997. The effective tax rate for the first nine months of fiscal 1997 was impacted by the taxes on the gain from the sale of the beef division assets. Certain costs were allocated to the beef division which are not deductible for tax purposes, resulting in a higher effective tax 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.

Based on a recent assessment, the Company determined that it will be required to modify or replace limited portions of its software so that its computer systems will function properly with respect to dates in the year 2000 and thereafter. The Company presently believes that with modifications to existing software and conversions to new software, the Year 2000 Issue will not pose significant operational problems for its computer systems.

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 and estimates to complete include 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.

The Company will utilize both internal and external resources to reprogram, or replace, and test the software for Year 2000 modifications. The Company anticipates completing the Year 2000 project by December 31, 1998, which is prior to any anticipated impact on its operating systems. The total cost of the Year 2000 project is not expected to have a material effect on the Company's results of operations.

RESTRUCTURING

The Company has commenced a study of restructuring certain of its operations. The exact size and composition of the restructuring have not yet been fully determined. The study is expected to be completed in time to allow submission of a formal plan to the Company's Board of Directors for approval at its regular fourth quarter meeting, and, if approved, will result in certain restructuring and other miscellaneous one-time charges during the fourth quarter of fiscal 1998. Such charges are currently expected to aggregate approximately \$200 million on a pre-tax basis.

The restructuring is in furtherance of the Company's previously stated objective to focus on its core business, chicken. The recent acquisition of Hudson Foods, Inc. and the assimilation of Hudson's facilities and operations into the Company's business have permitted the Company to review and rationalize the productive capabilities and cost structure of its core business. The restructuring contemplates, among other things, the closure of certain Company plants and resulting work force reductions, the writedown of goodwill allocated to certain facilities that may be closed and the reconfiguration of various production facilities. In addition, the Company plans to divest non-core businesses whose financial results do not meet management's expectations.

ENVIRONMENTAL MATTERS

The Company has a strong financial commitment to environmental matters. During the first nine months of fiscal 1998 the Company invested approximately \$32.2 million in water quality facilities, including capital outlays to build and upgrade facilities and day-to-day operations of waste- water facilities.

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 2a. Quantitative and Qualitative Disclosure About Market Risks

Market risks relating to the Company's operations result primarily from changes in interest rates, foreign exchange rates and commodity prices, as well as credit risk concentrations. 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.

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 deferred and recognized as an adjustment of the subsequent transaction when it occurs. Forward and option contracts generally have maturities not exceeding twelve 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 6.0%.

As of June 27, 1998, the stated or notional amounts of the Company's outstanding foreign currency and interest rate derivative financial instruments were as follows:

(In millions)

	June 27, 1998
Interest rate swaps	\$147.1
Foreign currency purchased options to sell	33.6
Foreign currency sold options to sell	37.9

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 the Company's debt obligations, principal cash flows and related weighted-average interest rates by expected maturity dates. For interest rate swaps, the table presents notional amounts and weighted-average interest rates or strike rates by contractual maturity dates. 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)	1998	1999	2000	2001	2002	There- after	Total	Fair Value 6/27/98
Liabilities								
Long-term Debt, including Current Portion								
Fixed Rate	\$57.5	\$223.8	\$126.9	\$74.4	\$178.1	\$838.9	\$1,499.6	\$1,537.8
Average Interest Rate	8.80%	6.29%	8.30%	9.45%	6.20%	6.83%	7.28%	
Variable Rate	-	-	-	\$496.4	-	\$54.0	\$550.4	\$550.4
Average Interest Rate	-	-	-	5.68%	-	3.63%	5.48%	

Interest Rate Derivative Financial Instruments Related to Debt Interest Rate Swaps

Pay Fixed \$4.0 \$16.0 \$17.2 \$18.4 \$19.6 \$71.9 \$147.1 \$4.0 Average Pay Rate 6.34% 6.71% 6.71% 6.69% 6.73% 6.63% Average Receive Rate-USD 6 Month Libor.

The following table summarizes information on instruments and transactions that are sensitive to foreign currency exchange rates, including foreign currency forward exchange agreements. For foreign currency forward exchange agreements, the table presents the notional amounts and weighted-average exchange rates by expected (contractual) maturity dates. 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)

	1998	1999	2000	2001	2002	There- after	Total	Fair Value 6/27/98
Sold Option Contracts to Sell Foreign Currencies for US\$								
Japanese Yen								
Notional Amount	\$31.4	\$6.5	-	-	-	-	\$37.9	\$0
Weighted Average Strike Price	113.03	109.48	-	-	-	-	-	-
Purchased Option Contracts to Sell Foreign Currencies for US\$								
Japanese Yen								
Notional Amount	\$28.0	\$5.6	-	-	-	-	\$33.6	\$1.1
Weighted Average Strike Price	126.84	126.69	-	-	-	-	-	-
=====								

Commodities Risk

The Company is a purchaser of certain commodities, primarily corn and soybeans. The Company uses commodity futures and purchased options for hedging purposes to reduce the effect of changing commodity prices on a portion of its commodity purchases. The contracts that effectively meet risk reductions and correlation criteria are recorded using hedge accounting. Gains and losses on hedge transactions are recorded as a component of the underlying inventory purchase.

The following table provides information about the Company's corn, soybean meal and other feed ingredient inventory and futures contracts that are sensitive to changes in commodity prices. For inventory, the table presents the carrying amount and fair value at June 27, 1998. For the futures contracts the table presents the notional amounts in bushels, the weighted average contract prices, and the total dollar contract amount by expected maturity dates, the latest of which occurs four months from the reporting date. Contract amounts are used to calculate the contractual payments and quantity of corn and soybean meal to be exchanged under the futures contracts.

(In millions)	Carrying amount	Fair value

On Balance Sheet Commodity Position and Related Derivatives		
Corn, Soybean Meal and Other Feed Ingredient Inventory	\$32.9	\$32.9
Corn Futures Contracts Contract Volumes (bushels)	3,795,000	
Weighted Average Price (Per bushel)	\$2.57	\$2.51
Contract Amount (\$US in millions)	\$9.7	\$9.5
=====		

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On July 28, 1997, Hudson received notice from the United States Department of Justice ("DOJ") that it was prepared to bring an action against Hudson for the alleged violation of the Clean Water Act at Hudson's Berlin, Maryland poultry processing facility. The DOJ alleged that over the past five years, Hudson had repeatedly discharged pollutants in quantities in excess of its National Pollutant Discharge Elimination System ("NPDES") permit limits, violated monitoring and sampling requirements of its NPDES permit and failed to provide notice of NPDES violations. On September 19, 1997, Hudson entered into an agreement in principle with the DOJ for the settlement of these claims. On May 8, 1998, a Consent Decree between the United States, Hudson and the Company was filed with the United States District Court together with a Complaint alleging these violations. The thirty (30) day comment period has expired and it is anticipated that the DOJ will advise the District Court on or before August 14, 1998 of its position regarding said comments. The Consent Decree, while stating that Hudson denies the violations alleged in the Complaint, provides for the payment to the United States of \$4.0 million and the expenditure of \$2.0 million in supplemental environmental projects (SEP's).

On or about July 23, 1998, the Maryland Department of the Environment ("MDE") filed a Complaint for Injunctive Relief and Civil Penalty (the "Complaint") against the Company in the Circuit Court of Worcester County, Maryland for the alleged violation of certain Maryland water pollution control laws with respect to the Company's land application of sludge to Company owned agricultural land near Berlin, Maryland. The Company operates a poultry processing and rendering facility in Berlin that was acquired by the Company in the Hudson Acquisition. The MDE seeks, in addition to injunctive and equitable relief, civil penalties of up to \$10,000 per day for each day the Company had allegedly operated in violation of the Maryland water pollution control laws. The Company has only recently received the Complaint, is reviewing and researching the factual matters asserted therein, and intends to vigorously defend against the same. The Company does not believe any penalties, if imposed, would have a material adverse effect on the Company's results of operations or financial condition.

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

Not Applicable

Item 5. Other Information

Effective June 29, 1998, the Securities and Exchange Commission amended Rule 14a-4(c) under the Securities Exchange Act of 1934 (the "1934 Act") which governs a company's use of discretionary proxy voting authority with respect to shareholder proposals that are not being included in the company's proxy solicitation materials pursuant to Rule 14a-8 of the 1934 Act. New Rule 14a-4(c)(1) provides that if a proponent fails to notify the Company at least 45 days prior to the month and day of mailing of the prior years' proxy statement (or by an earlier or later date established by an overriding advance notice provision contained in the company's charter or bylaws), then the management proxies named in the form of proxy distributed in connection with the company's proxy statement would be allowed to use their discretionary voting authority to address the matter submitted by the proponent, without discussion of the matter in the proxy statement. The Company's bylaws contain an advance notice provision which provides that a matter may not be brought before an annual meeting by a proponent stockholder (the "Proponent") unless the Proponent has provided, delivered or mailed notice thereof in writing to the Secretary of the Company (and such notice has been received by the Secretary) at the principal executive office of the Company, not less than 75 days nor more than 100 days prior to the date of the annual meeting. For this provision to be effective, the Company must have provided notice to stockholders or otherwise publicly disclosed the date of the annual meeting at least 85 days in advance thereof. If no notice or public disclosure is made by the Company within that time frame, the Proponent's notice, to be timely received must be received not later than the close of business on the 10th day following the day on which such actual notice of the meeting was mailed to stockholders or public disclosure of the meeting date was made. The Company's 1999 annual meeting is currently scheduled for January 8, 1999. Accordingly, for any business to be brought before the 1999 Annual Meeting by a Proponent, written notice thereof must be provided to the Secretary by October 26, 1998.

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:

On April 27, 1998, the Company filed a Current Report on Form 8-K related to the Company's Second Quarter and First Six Months of Fiscal 1998 Operating Results.

EXHIBIT INDEX

The following exhibits are filed with this report.

Exhibit No.	Page
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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).	
12 Ratio of Earnings to Fixed Charges	20
27 Financial Data Schedule	

Exhibit 12

Tyson Foods, Inc.
Ratio of Earnings to Fixed Charges
June 27, 1998
(Dollars in millions)

	1998	1997
Fixed Charges:		
Interest Expense	102.8	83.2
Interest Income	8.1	5.5
Interest Capitalized	1.3	2.7
Interest Allocated to Beef and Pork	0.0	0.9
Amortization of Debt Discount	1.6	3.3
Interest Portion of Rental Expense (33%)	9.0	6.0
Total Fixed Charges (A)	122.8	101.6
Earnings:		
Net Income(Loss)	114.8	138.0
Provision for Income Taxes	67.4	115.9
Fixed Charges	122.8	101.6
Less Capitalized Interest	(1.3)	(2.7)
Earnings and Fixed Charges (B)	303.7	352.8
Ratio of Earnings to Fixed Charges (B/A)	2.47	3.47

For purposes of computing the above ratios of earnings to fixed charges, "earnings" consist of income from continuing operations before income taxes and fixed charges (excluding capitalized interest). "Fixed charges" consist of (i) interest on indebtedness, whether expensed or capitalized, but excluding interest to fifty-percent owned subsidiaries (ii) the Company's proportionate share of interest of fifty-percent owned subsidiaries, (iii) that portion of rental expense the Company believes to be representative of interest (one-third of rental expense) and (iv) amortization of debt discount and expense.

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE QUARTERLY FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 27, 1998 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 3 1998
PERIOD END	JUN 27 1998
CASH	30
SECURITIES	0
RECEIVABLES	701
ALLOWANCES	0
INVENTORY	1,080
CURRENT ASSETS	1,873
PP&E	3,775
DEPRECIATION	1,395
TOTAL ASSETS	5,468
CURRENT LIABILITIES	884
BONDS	1,994
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	24
OTHER SE	2,045
TOTAL LIABILITY AND EQUITY	5,468
SALES	5,345
TOTAL REVENUES	5,345
CGS	4,507
TOTAL COSTS	4,507
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	103
INCOME PRETAX	182
INCOME TAX	67
INCOME CONTINUING	115
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	115
EPS PRIMARY	.51
EPS DILUTED	.51

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