BUILDING ON TRADITION



Jim Splinter

Grocery Products

Hormel Foods

BUILDING ON TRADITION

By Serving The New American Family







The Family Unit is Undergoing a Fundamental Shift





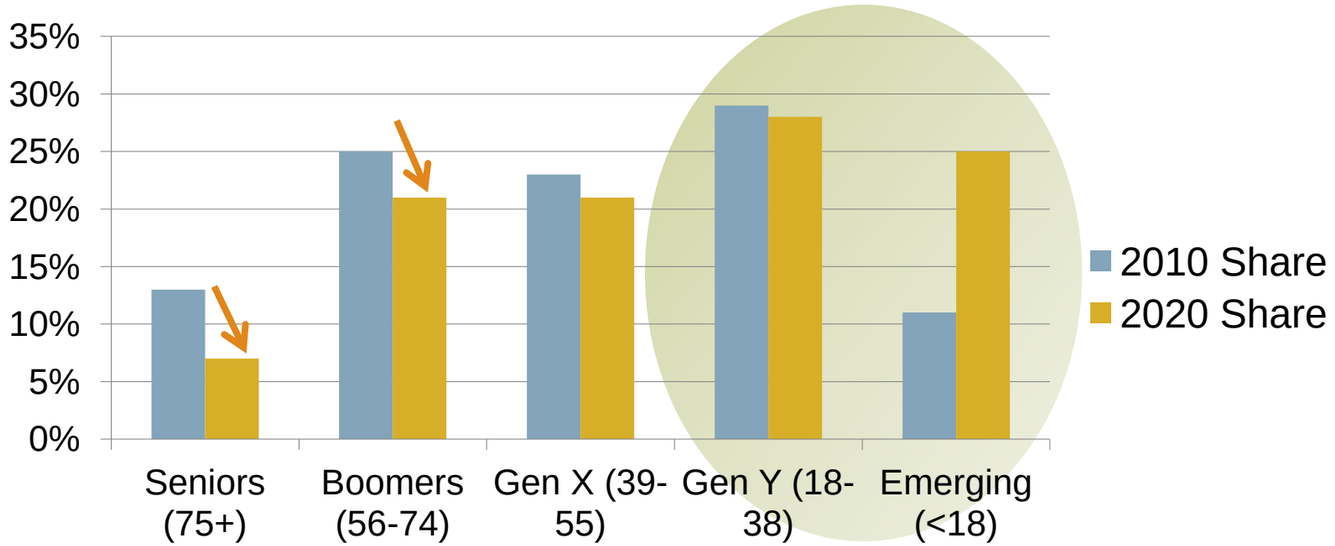
Income Polarization

60% of households | **40% of households**

≤ $62K Per Year Household Income ≥

Generational Shifts

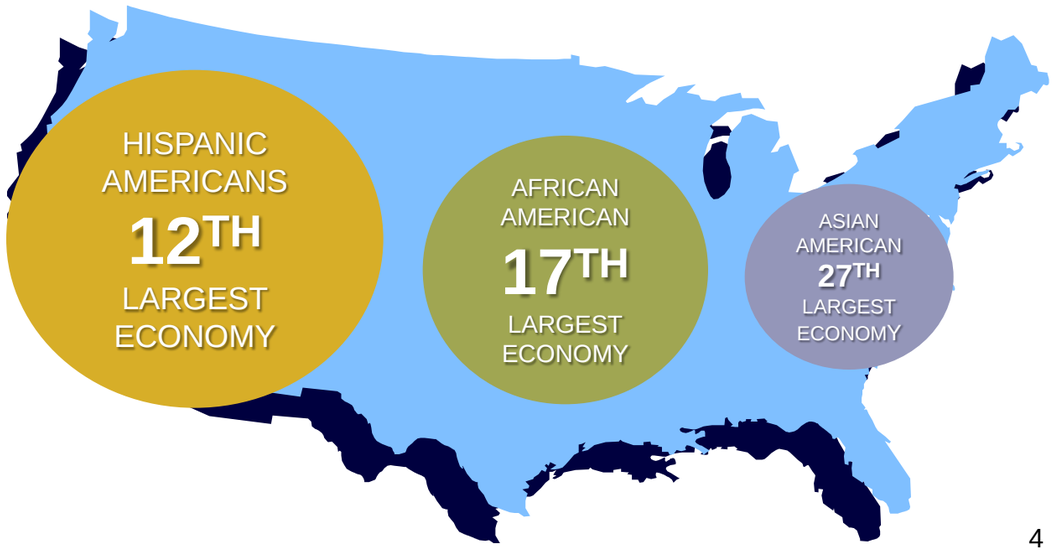
Generation Share of Population
(age in 2020)



Sources: U.S. Department of Commerce, Kantar Retail Analysis, and Nielsen 360 Conference 2012

Ethnic Fragmentation

World Economic Purchasing Power
(by 2015)








Moms Today are Informed, Connected and Inspired






Serving the New American Family

- Appealing to inspired, busy, health conscious, and value conscious moms
- Products and packaging for smaller families and multicultural families
- Connect consumers to products using relevant, contextualized messages
- Engage consumers through correct mix of communication mediums









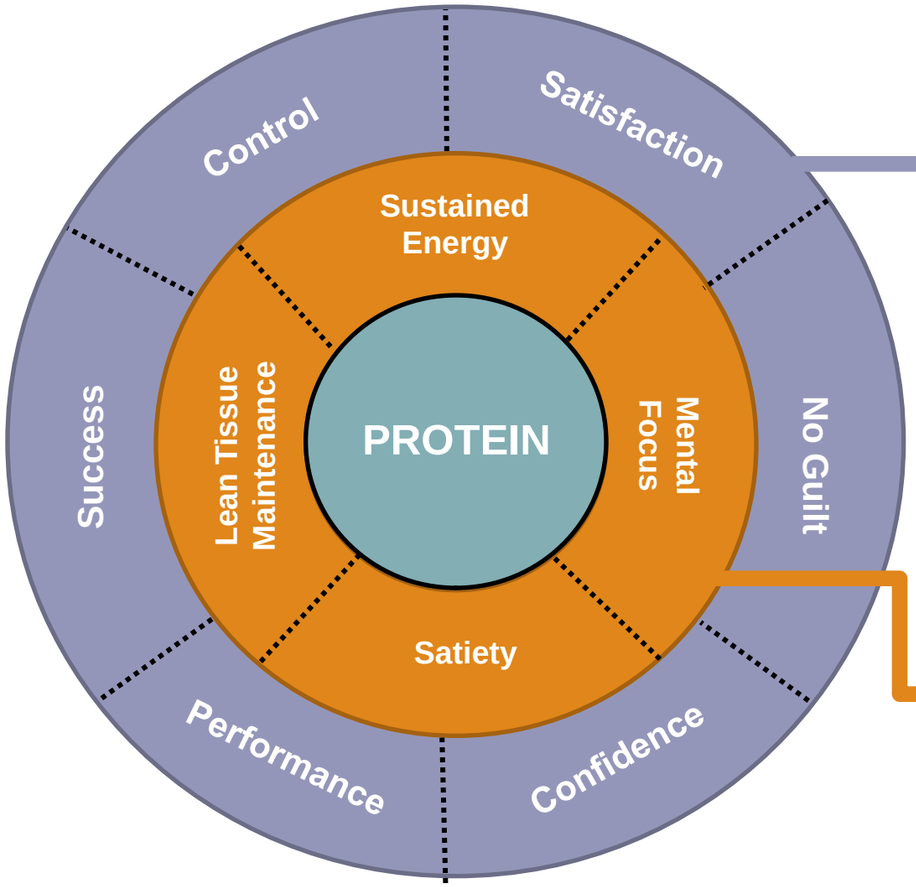







DON MIGUEL
BUFFALO STYLE CHICKEN MINI TACOS
22 MINI TACOS
WHOLLY GUACAMOLE
CHI-CHI'S
HERDEZ
La Victoria
Red Taco Sauce
SPAM
NEW
SPAM & Penne Pasta
Compleats
Herbox
BEEF
Classic Sauce
Corned Beef
Hormel Chili
NO Beans
Dinty Moore
BEEF STEW
SPAM
JALAPEÑO
SANDWICH MAKERS
Chicken Breast
Bacon Bits
SKIPPY
Natural
Super Chunk
FAJITA STYLE

Role of Protein Guides Innovation



EMOTIONAL

Daily Protein Needs



FUNCTIONAL









Strategic Acquisitions



2005



2009



2010



2011



2013

Key Performance Targets

Revenue Growth of 5%

Organic
Brand Building & Innovation
3% to 4%

+

Acquisition
Enabling & Bolt-On
2% to 3%

Operating Income Growth of 10%

Vision, Pillars & Strategic Imperatives

Grocery Products:
Leading in Protein-Strong Convenient Foods

Microwave Meals	SPAM / Hormel Chili / Dinty Moore	MegaMex Foods	SKIPPY
38% Share **Invest & Grow**	**47% Share** **Protect & Grow**	**4% Share** **Expand**	**16% Share** **Integrate & Grow**

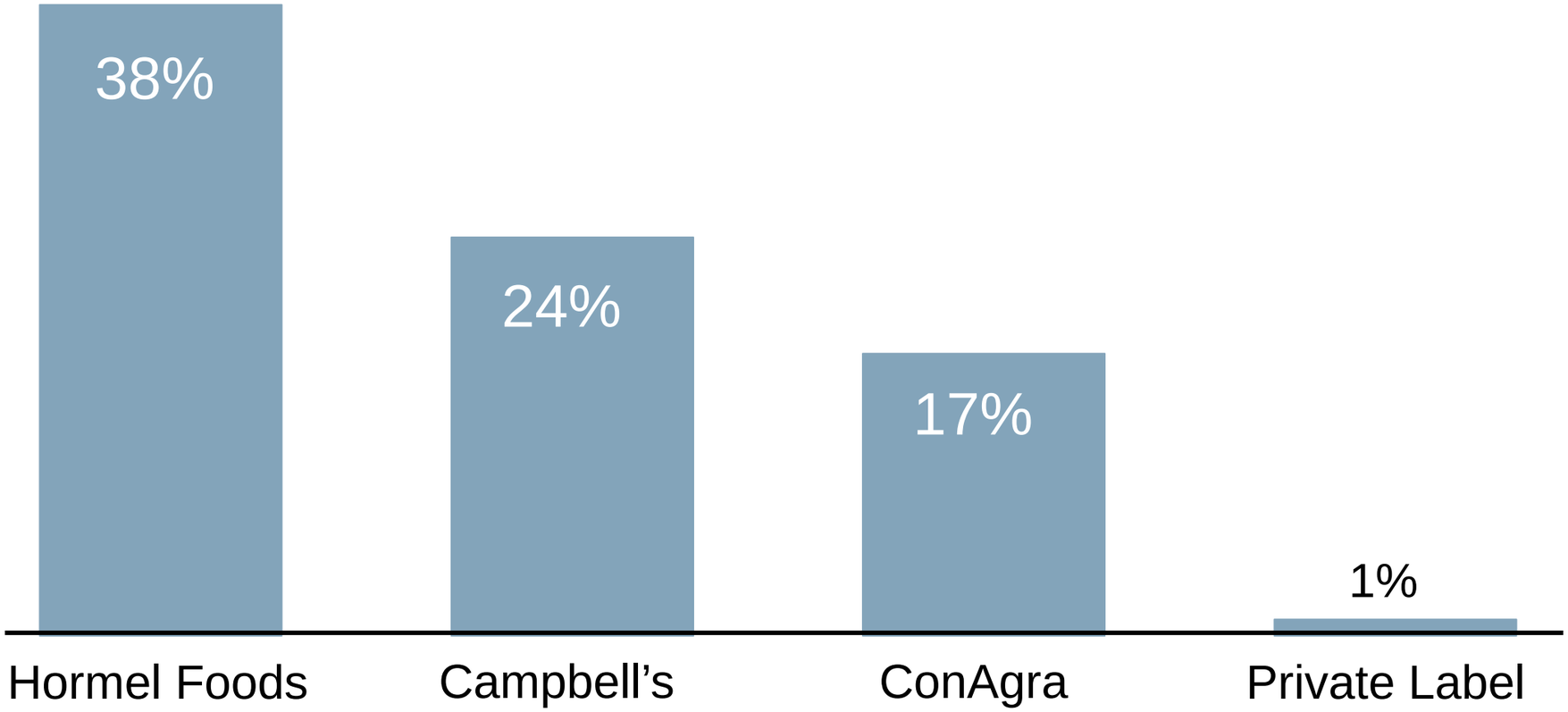
Innovation | Brand Equity | Channel Development | Cost & Margin Leadership | Ethnic Capabilities | Great People

Source: Nielsen XAOC 52 Week Ending 4/27/13

Dollar Market Share

-Microwave Meals-





5%

Category Growth

2012 - 2013

$525 million

Category

Source: Nielsen XAOC 52 Week Ending 4/27/13

Microwave Meals Growth Platform

Category Profile

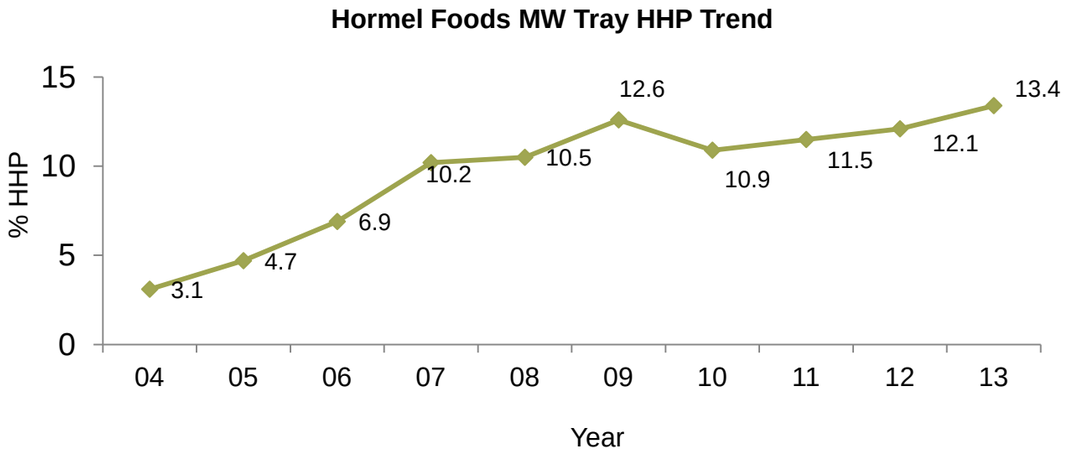
- $525 million in sales
- Tray EQ. Baseline Growth of 8%



New Items



Brand Building

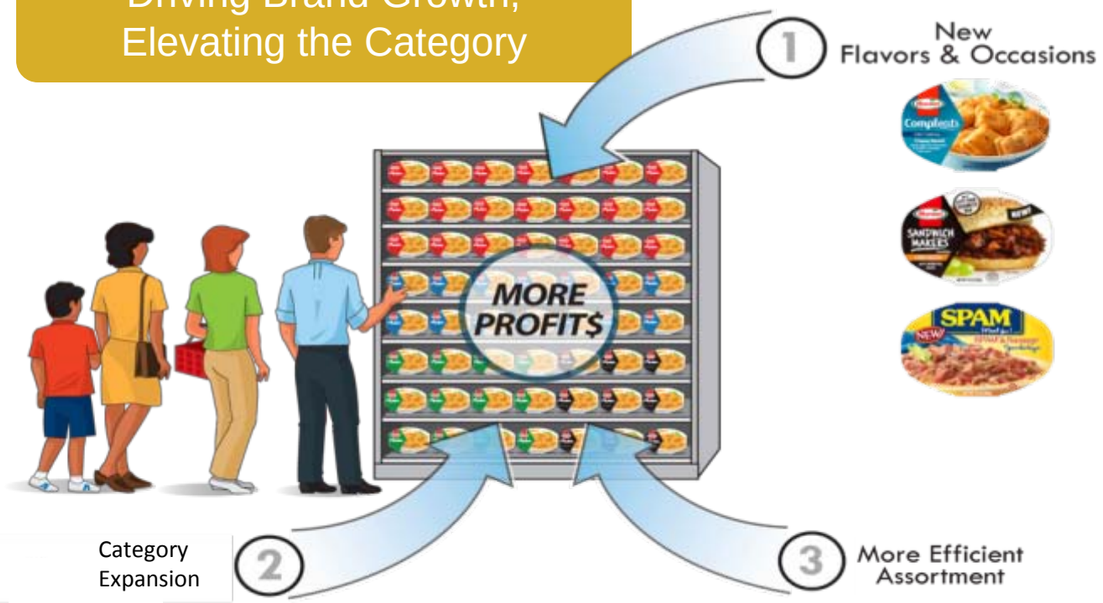


Household Penetration Growth

Source: Nielsen XAOC 52 W/E 5/25/13

Focus is on category growth, meal occasion expansion and diverse flavor options

Driving Brand Growth, Elevating the Category



Key Strategies for Growth



New Varieties:

- Scalloped Potatoes
- Cheesy Potatoes
- SPAM® and Macaroni and Cheese



New SPAM® Items

Vision, Pillars & Strategic Imperatives

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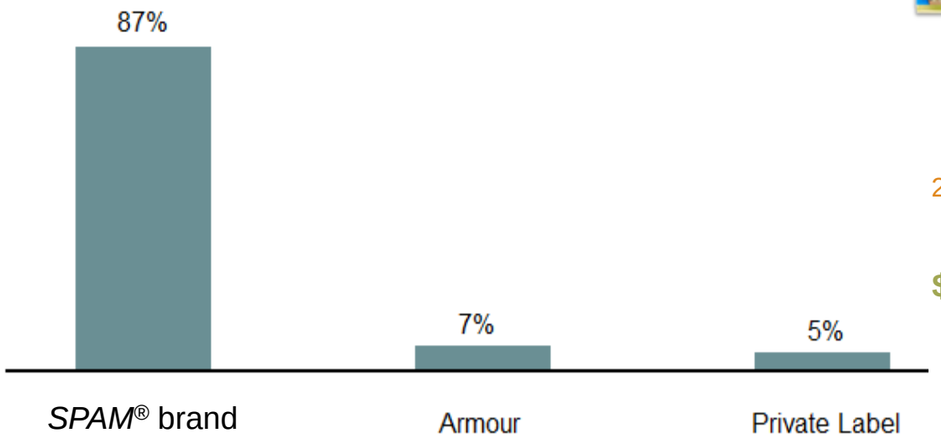
Dollar Market Share

-Luncheon Meat-





5%
CAGR
2011 - 2013

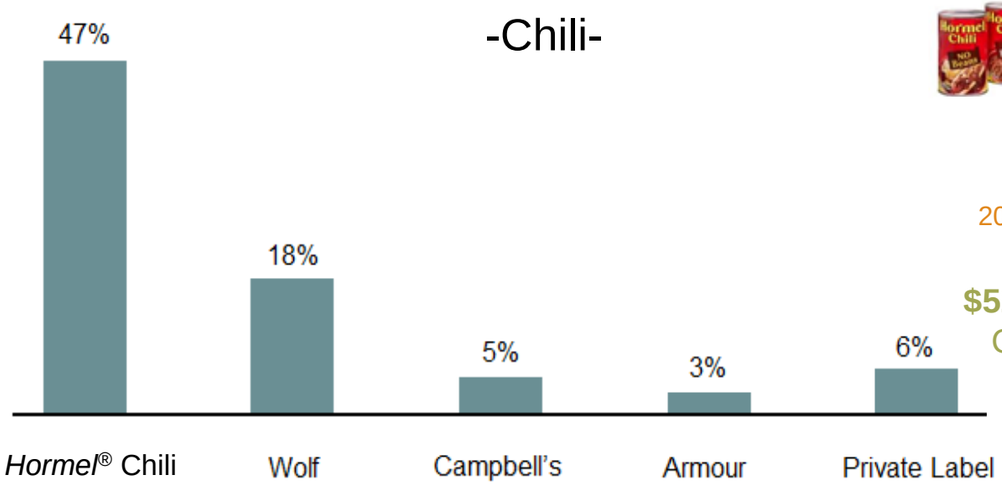
$224 million
Category

Source: Nielsen XAOC 52 Week Ending 4/27/13

Dollar Market Share

-Chili-





1%
CAGR
2011 - 2013

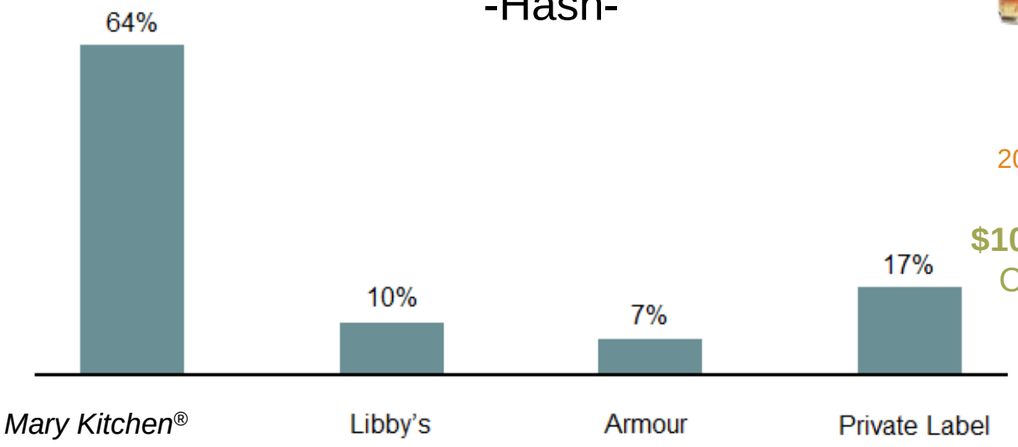
$524 million
Category

Source: Nielsen XAOC 52 Week Ending 4/27/13

Dollar Market Share

-Hash-





5%
CAGR
2011 - 2013

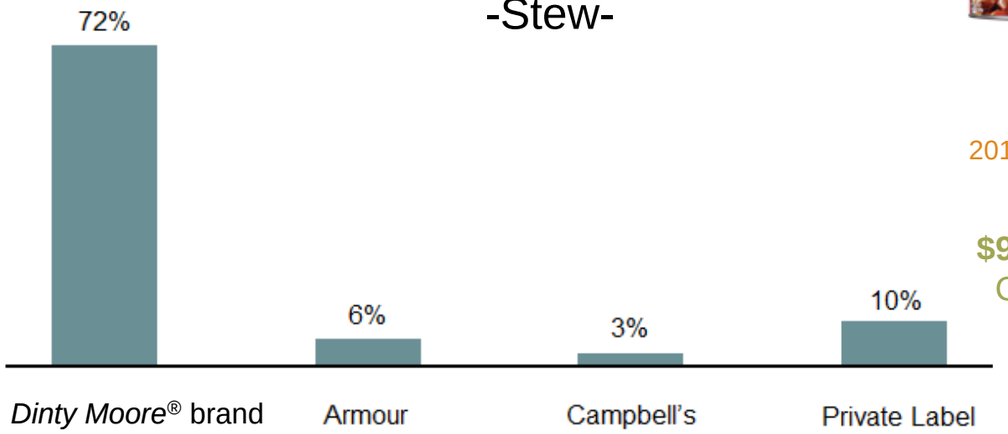
$100 million
Category

Source: Nielsen XAOC 52 Week Ending 4/27/13

Dollar Market Share

-Stew-





-3%
CAGR
2011 - 2013

$90 million
Category

Source: Nielsen XAOC 52 Week Ending 4/27/13

Legacy Core Growth Platform

Category Profile

- $1.3 billion in sales
- 43% household penetration



New Items



Brand Building



Growth through innovation

Build brand equity

Target occasional users

Key Strategies for Growth

SPAM Goal: Activate Occasional Users

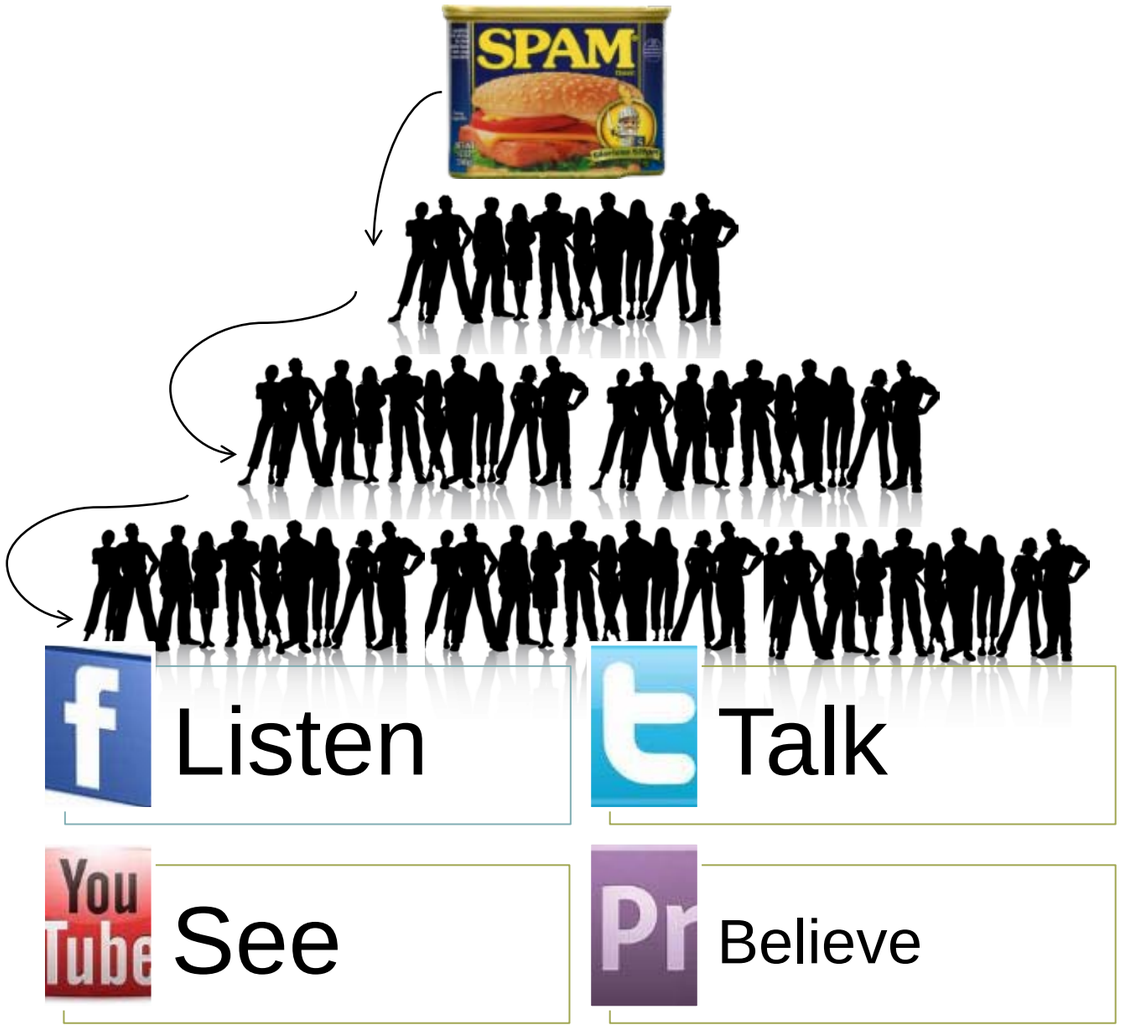






HUFFPOST TASTE

USA TODAY











Marketing Investments





HORMEL® Chili

Increase Buy Rate w/ Occasionals + Re-Engage Consumers + Innovation = Category Growth











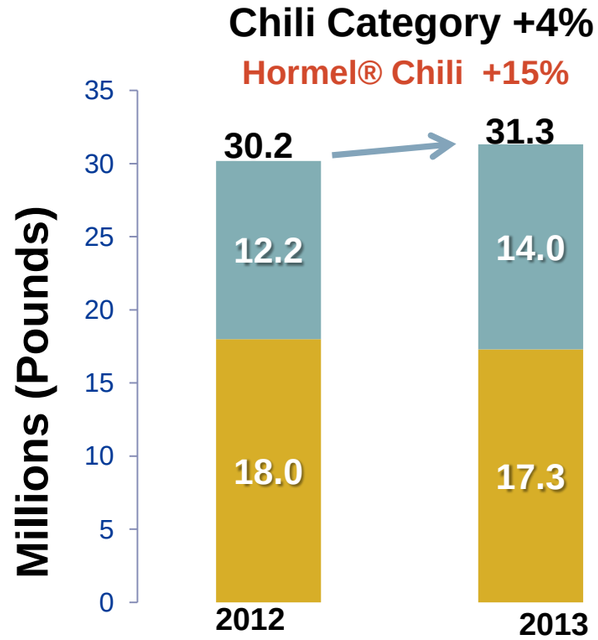
Google YouTube











Data Source: Nielsen

Vision, Pillars & Strategic Imperatives

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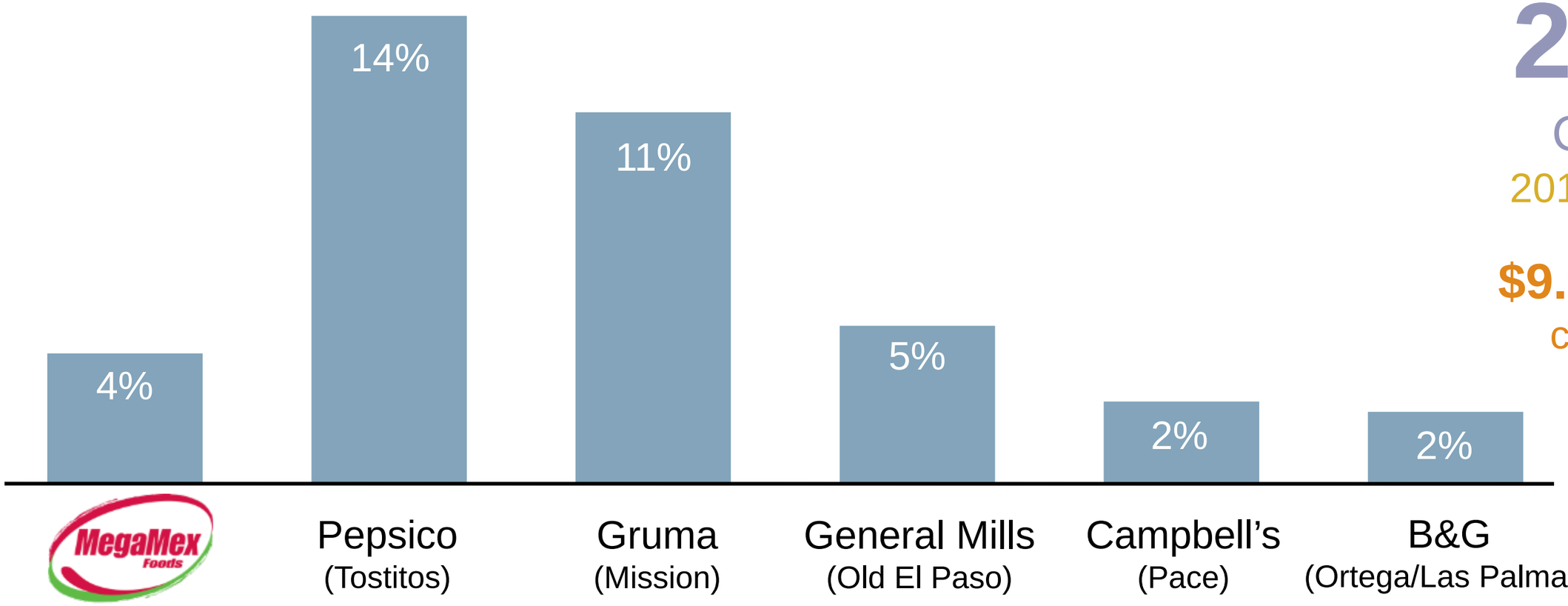
Source: Nielsen XAOC 52 Week Ending 4/27/13

Dollar Market Share
-Mexican Foods-





2.8%
CAGR
2011 - 2013

$9.9 billion
category

Source: Nielsen XAOC 52 Week Ending 4/13/13



Leading brand of salsa and tortillas- Eastern United States



Leading brand of salsa and sauces- Western United States



Leading brand of authentic salsa



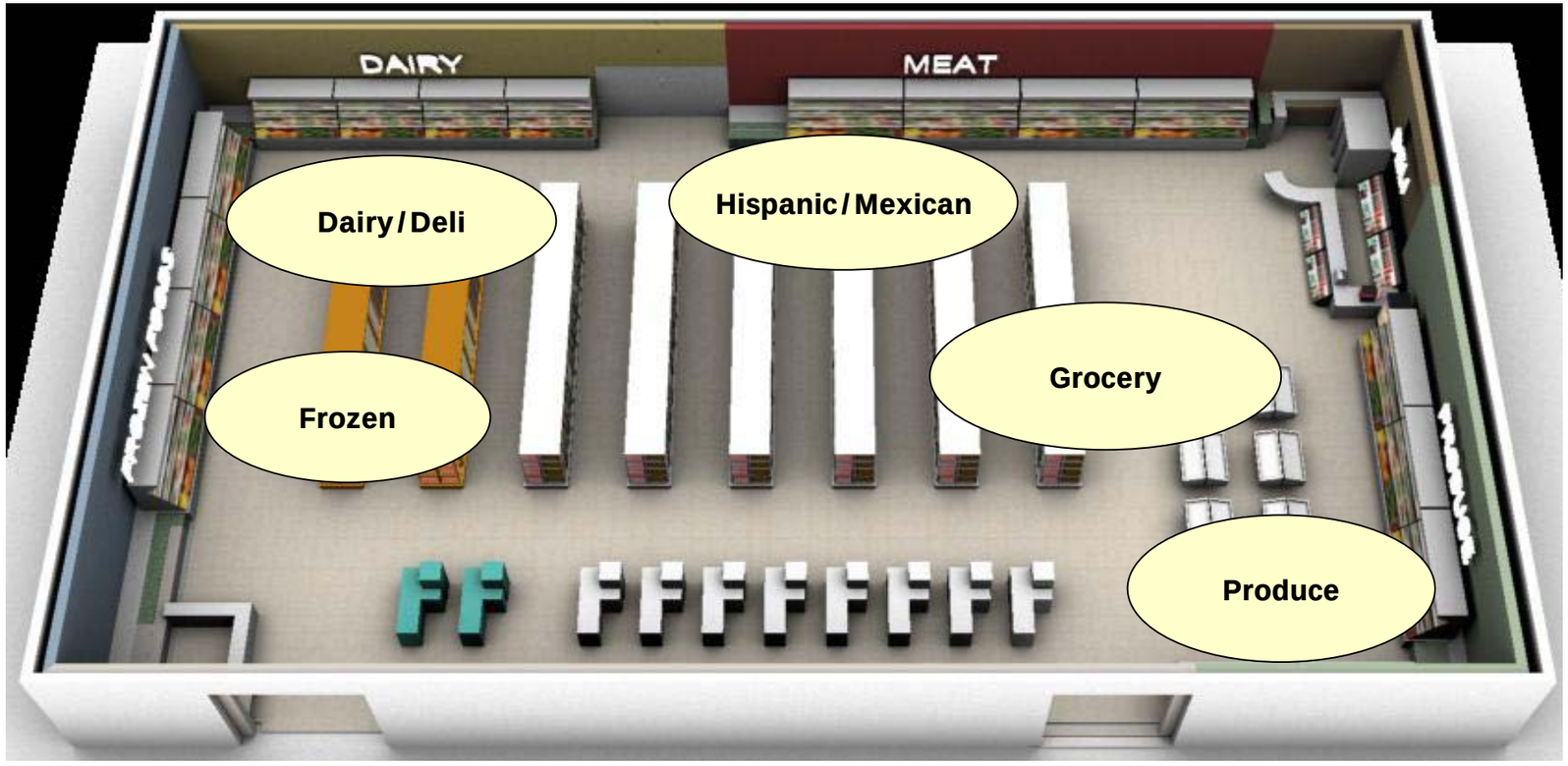
#1 Selling mole & nopalitos- United States



#1 Share of peppers- Western United States



Leading brand C-store & Club Channels





Leading hot sauce & tomato sauce brands- Mexico



#1 Guacamole- United States

Innovation

HERDEZ®



Cooking Sauces: Roasted Pasilla Chile, Tomatillo Verde, Red Guajillo Chile, Traditional Chipotle



Mexican Snacking Destination Set

Innovation

CHI-CHI'S® FAMILY OF PRODUCTS





Varieties:

- Egg, Bacon, Hash Browns, & Cheese
- Egg & Sausage
- Triple Play Breakfast
- Egg & Sausage Chimichangas
- Egg, Bacon, Cheese & Jalapeno



Varieties:

- Mini Chicken and Beef Tacos
- Grilled Chicken Quesadilla
- Chipotle Chicken & Cheese Flautas
- Taquitos
- Fajita Bites

Innovation

WHOLLY AMERICA'S #1 GUACAMOLE



Vision, Pillars & Strategic Imperatives

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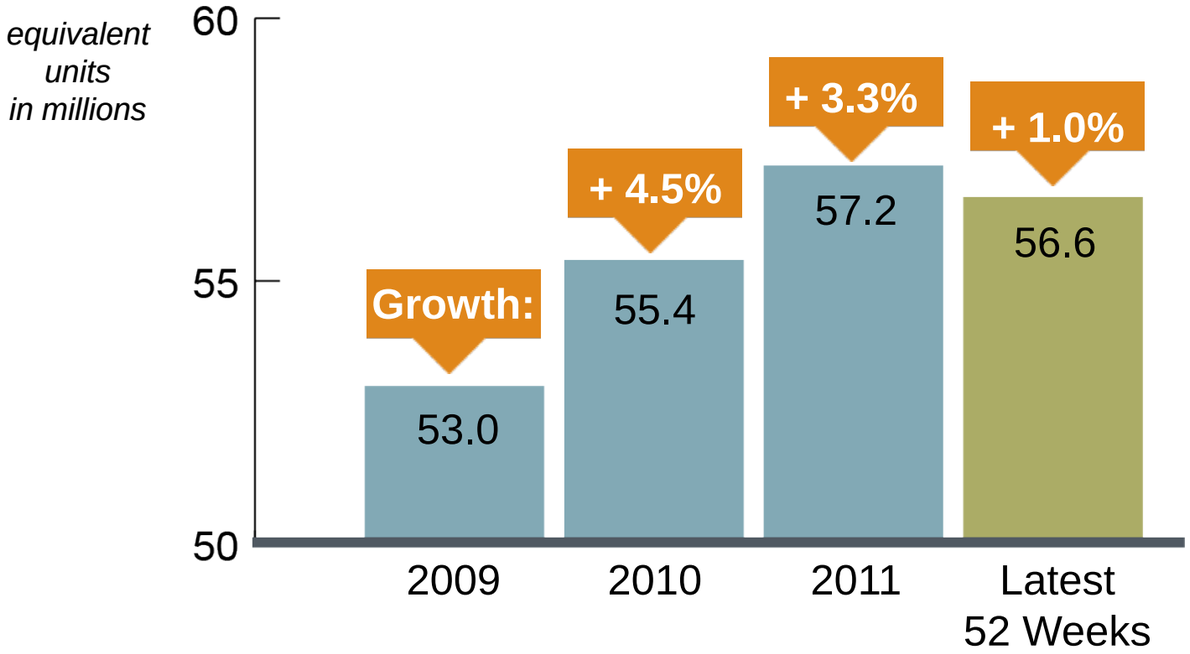
Strategic Fit of SKIPPY®

- Growing value-added non-meat protein
- Adds earnings stability/margin accretion
- Extendibility into other on-trend categories
- Relatively easy to integrate and manage
- Fit to current “protein” portfolio
- #2 brand position and the #1 share in “natural”
- Levers center store core competency

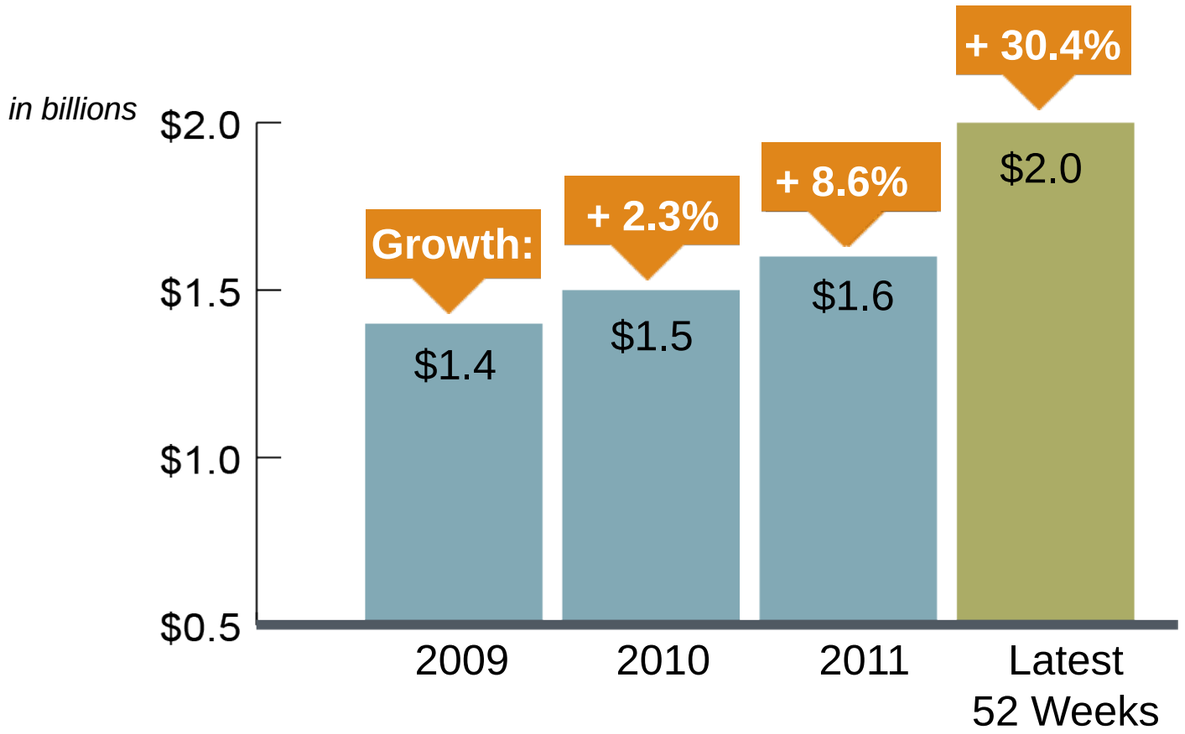


Strong Business Fundamentals

U.S. Peanut Butter Equivalent Units Category Growth



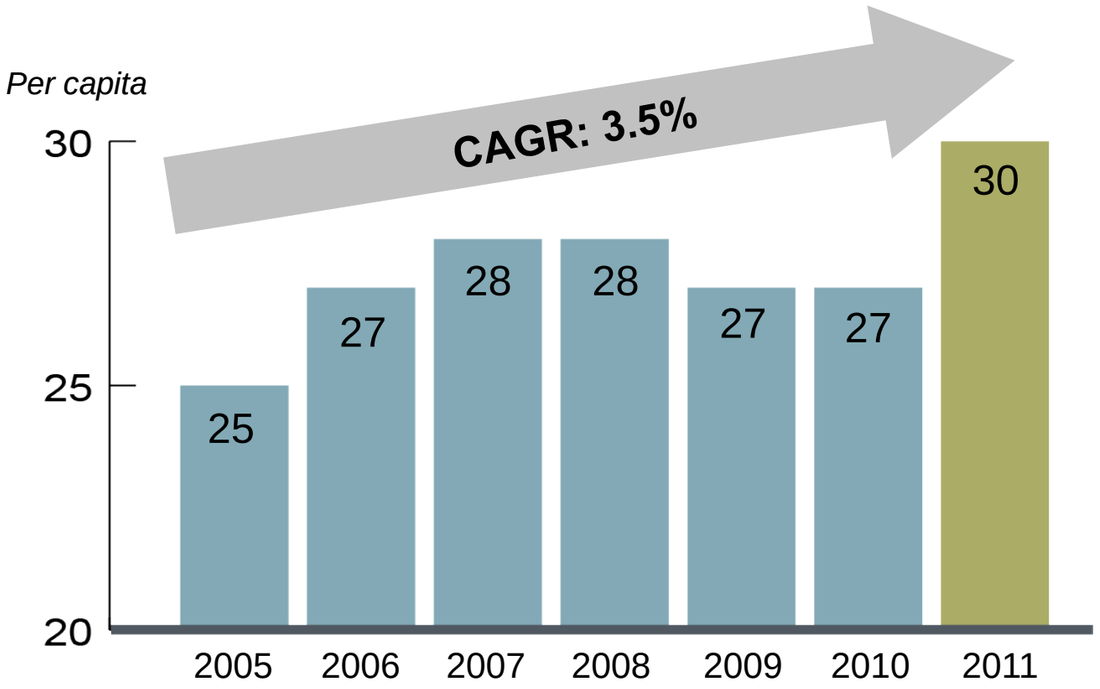
U.S. Peanut Butter $ Category Growth



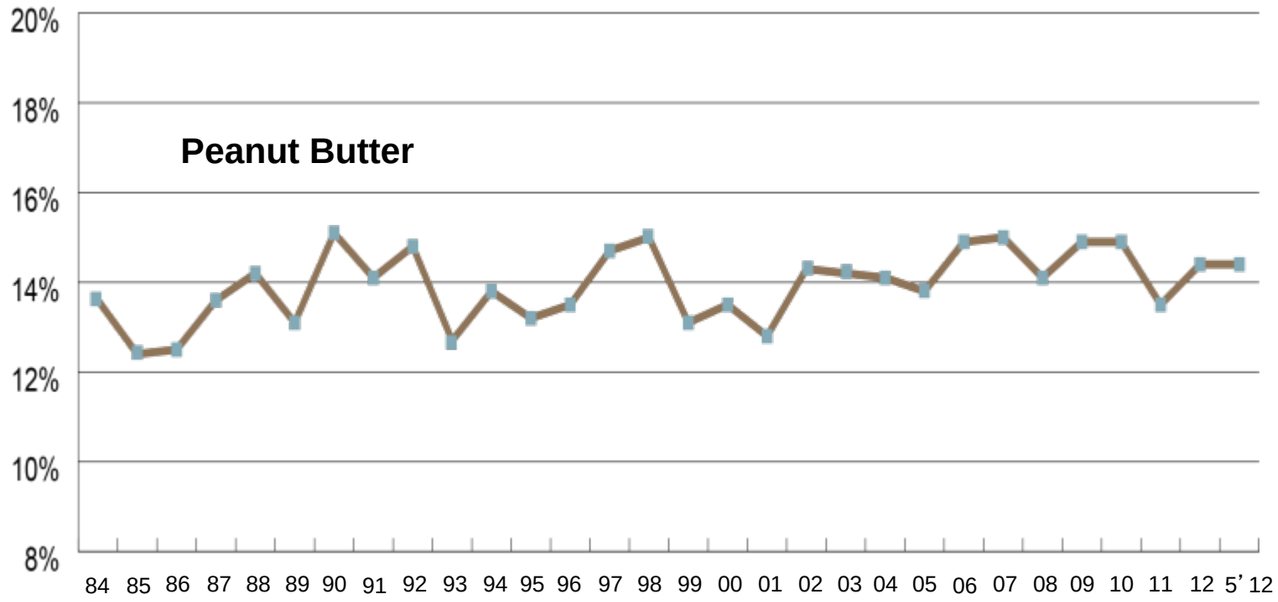
Source: AC Nielsen. $ and EQ Volume Share is TTL U.S. All Outlets, 2009 Annuals–52 weeks ending September 29, 2012

Growing Consumption Trends

Annual Peanut Butter Eating Occasions in the U.S.



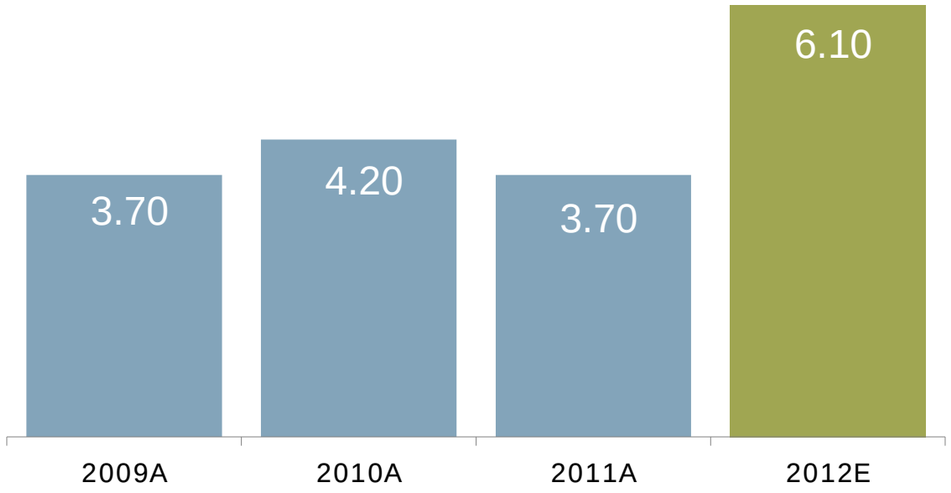
Peanut Butter Sandwich Usage is Very Stable



Source: The NPD Group's National Eating Trends Service, 2011

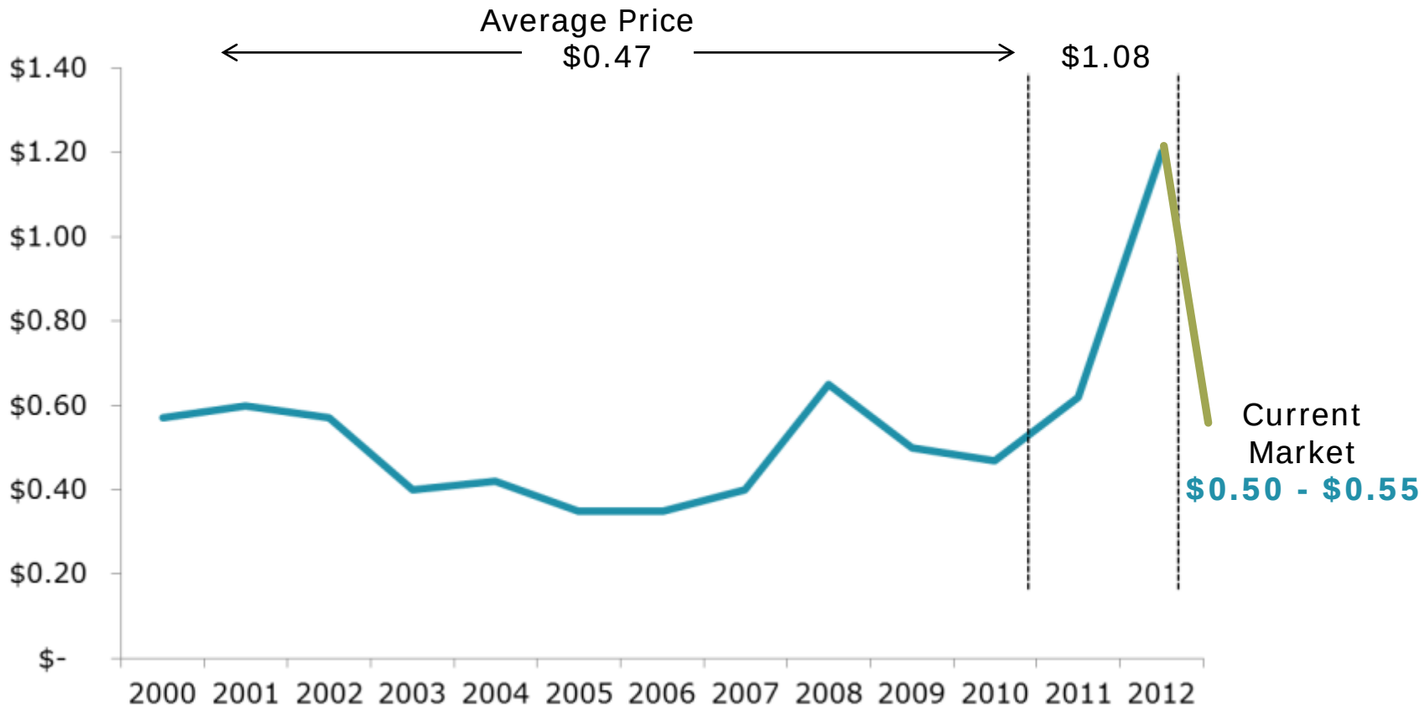
U.S. Peanut Crop Dynamics

PEANUT PRODUCTION (billions of lbs.)



Market is returning to historical norms after 2011/2012 aberration

HISTORIC PEANUT PRICES – FOB SHELLING PLANT



Source: National Agricultural Statistics Service (NASS), Agricultural Statistics Board, USDA, August 3, 2012.

BRAND VALUES



FUN
Embody the sheer joy of being a kid

HEALTH-CONSCIOUS
Focus on healthy lifestyles and kid nutrition





ICONIC
Stay relevant in pop culture



FAMILY-ORIENTED
Know our consumer and what is important to them





FORWARD-THINKING
Offer on-trend variants, such as Naturals

TASTE-DRIVEN
Recognize that taste is king in the foods business



ENTREPRENEURIAL
Seek to win differently



Our innovation approach to spreads will follow a process similar to our MegaMex Foods JV







1. Understand our customer

2. Understand how they use our product

3. INNOVATE
   - New Products
   - Marketing & Merchandising



BUILDING ON TRADITION

The End

