

Steve Binder

Executive Vice President,
President, Hormel Business Units

38 Years with Hormel Foods

Hormel Foods Career History

2011: President, Hormel Business Units
2010: Executive Vice President, Refrigerated Foods
2007: Group Vice President, Refrigerated Foods
2000: Group Vice President, Foodservice
1998: Vice President, Foodservice

Favorite Hormel Foods Product

Hormel BACON 1 PERFECTLY COOKED BACON



The Journey of
Refrigerated Foods

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Hormel
Business Units

- **Grocery Products**
  - MegaMex Foods
  - Nut Butters
  - Simple Meals
  - Consumer Product Sales
- **Refrigerated Foods**
  - Foodservice
  - Meat Products
  - Fresh Pork
  - Affiliated Businesses

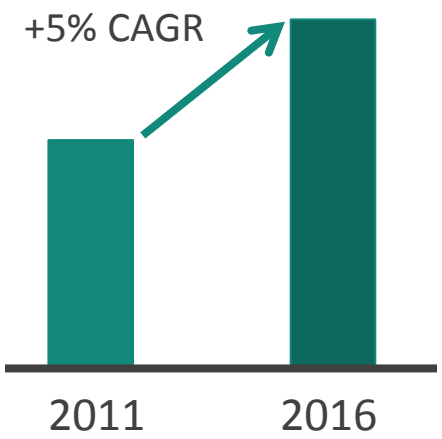




The Journey Of Refrigerated Foods

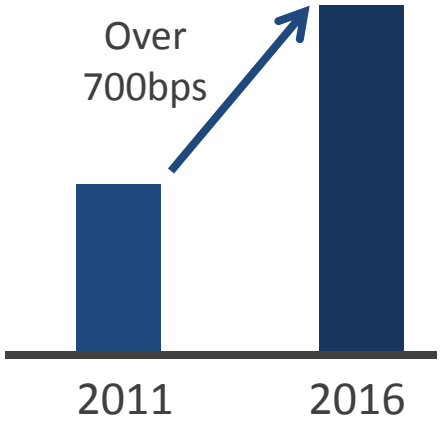
Growing Our Value-Added Sales

Value-Added Sales



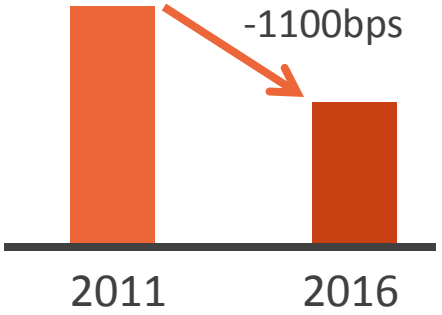
Improving Value-Added Profitability

Value-Added Profit Margin



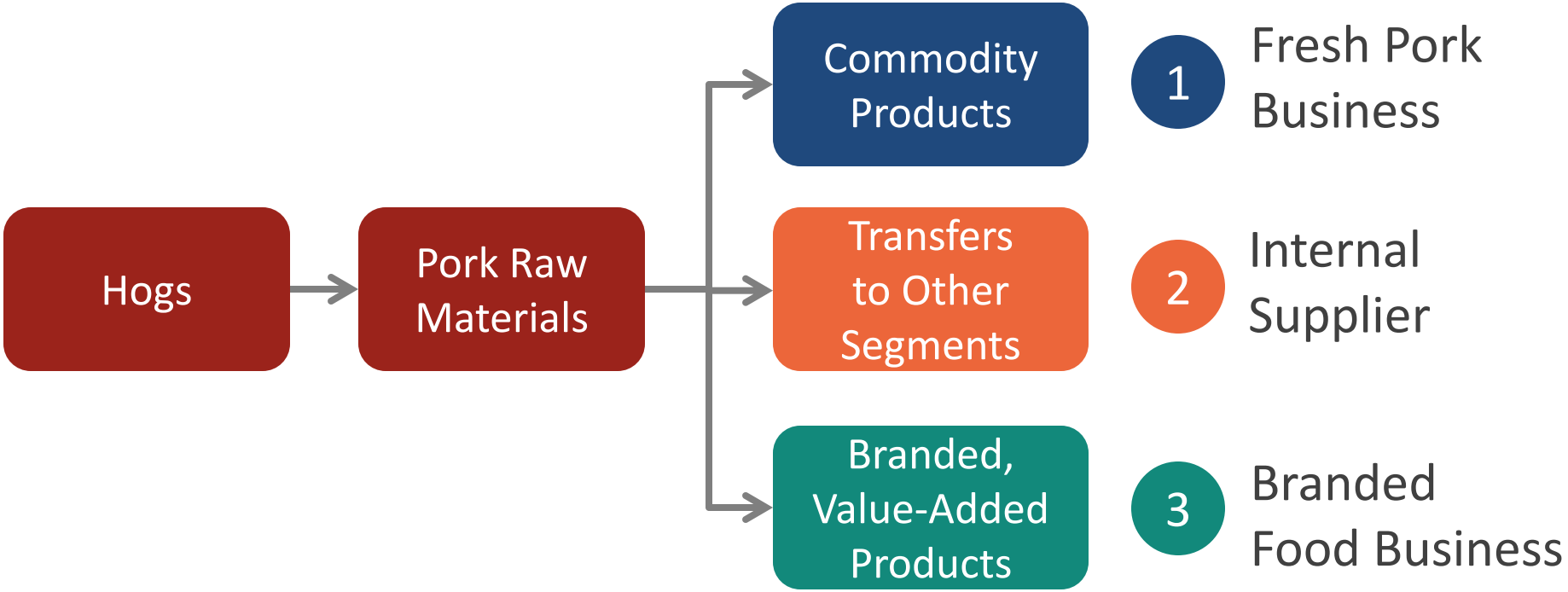
Reducing Our Exposure to Commodity Margins

Pork Operating Margins as a % of Refrigerated Foods Segment Profit

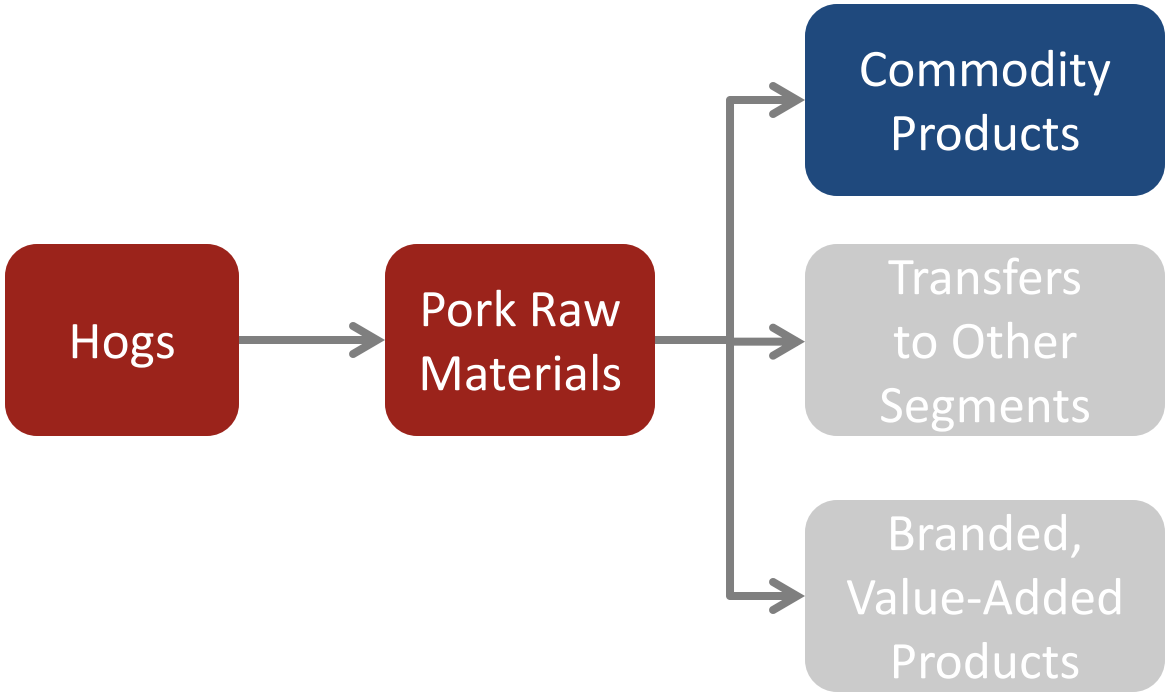


Internal data

Refrigerated Foods: Three Distinct Businesses



Refrigerated Foods:
A Fresh Pork Business



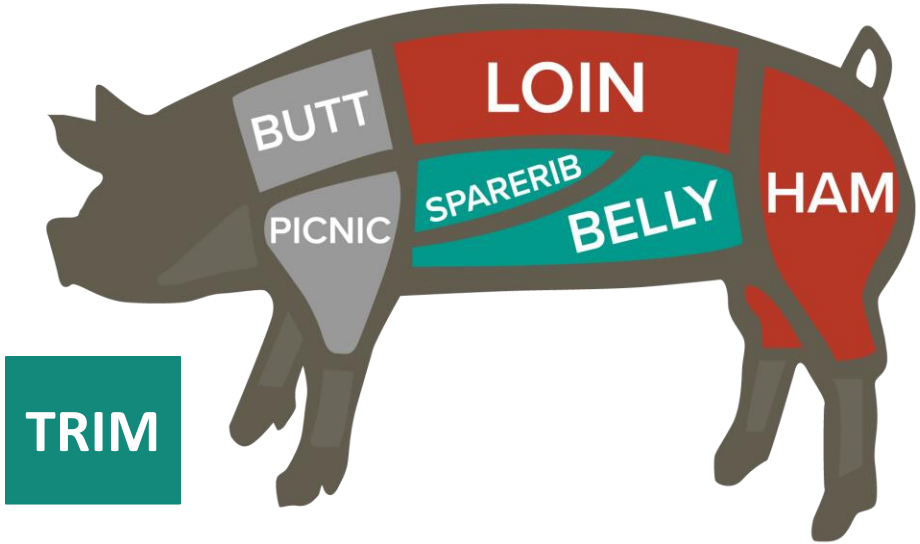
Retail & Foodservice Fresh Pork

- Complements branded business in retail and foodservice
- Outlet for excess products

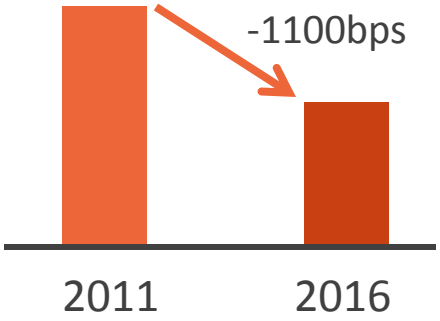
Provision Sales

- By-products
- Offal

Hog and Pork Procurement:
Financial Impact



Pork Operating Margins as a % of Refrigerated Foods Segment Profit



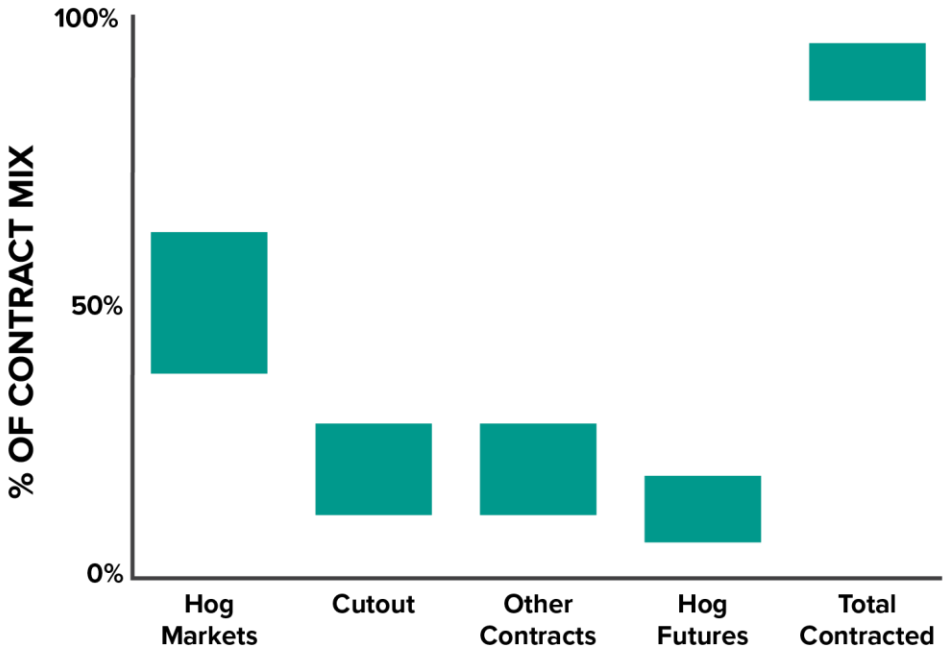
From 2011-2016, Pork Operating Margins have averaged 15% of Total Refrigerated Foods Segment Profit

Internal data

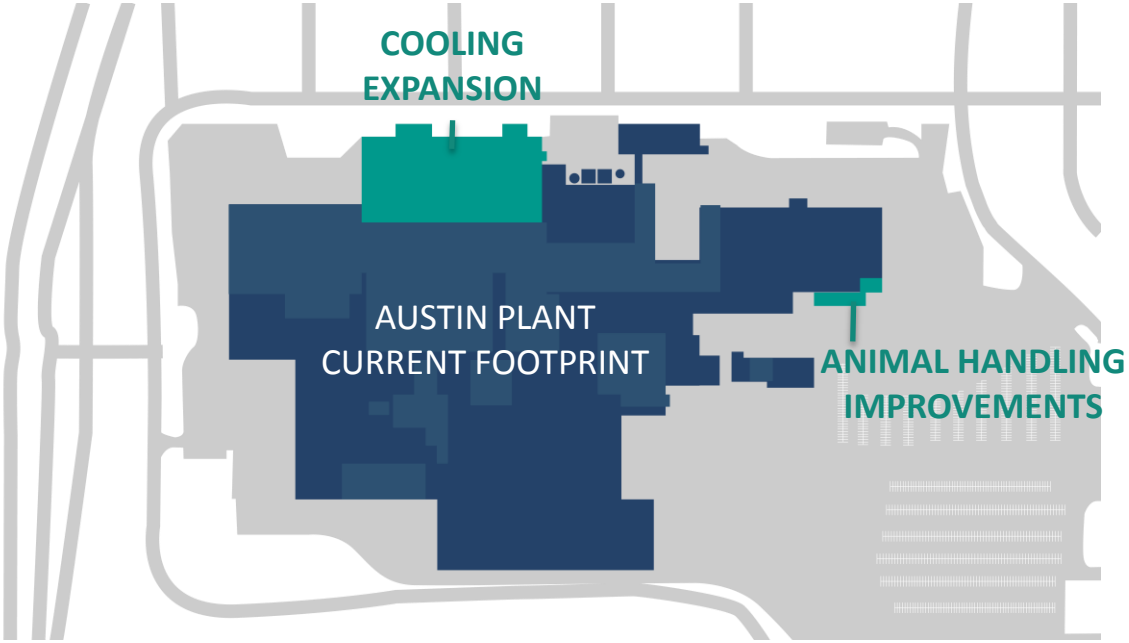
Hog Procurement:
Inputs for Value-Added Business

Goal of our hog procurement is to source the ideal hog for our value-added business

- Use of producer incentives to help deliver consistent hog characteristics
- Strive for a contract mix that reduces cost volatility
- Generally does not track the quoted western corn belt hog market



Investing In Our Harvest Facilities



$80M CAPEX SPEND

FOR ANIMAL HANDLING IMPROVEMENTS AND COOLING EXPANSION

Market Factors We Are Watching

AN ESTIMATED 12% INCREASE IN CAPACITY

- Timing of new hog supplies
- Timing of new capacity
- Strength of domestic demand
- Strength of US exports
- Pricing of competing proteins

Refrigerated Foods: An Internal Supplier to Other Segments

Hogs → Pork Raw Materials → Commodity Products; Transfers to Other Segments; Branded, Value-Added Products

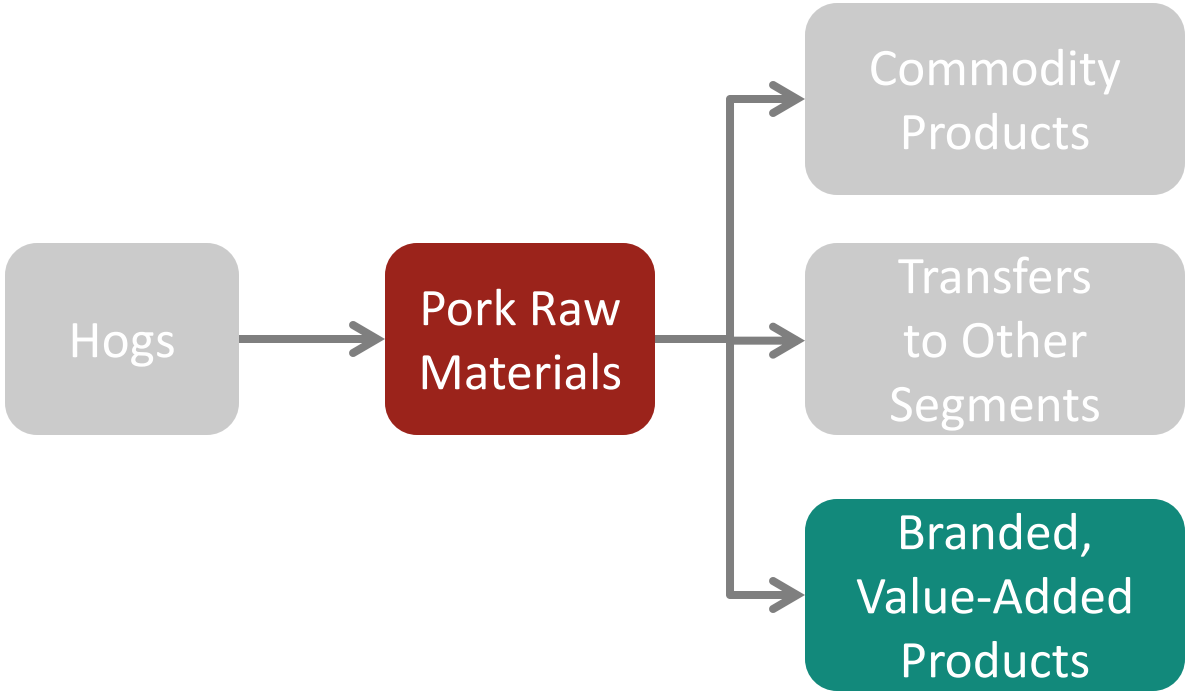


Fresh Pork Exports

APPROXIMATELY **20%** RAW MATERIALS TRANSFERRED TO OTHER SEGMENTS

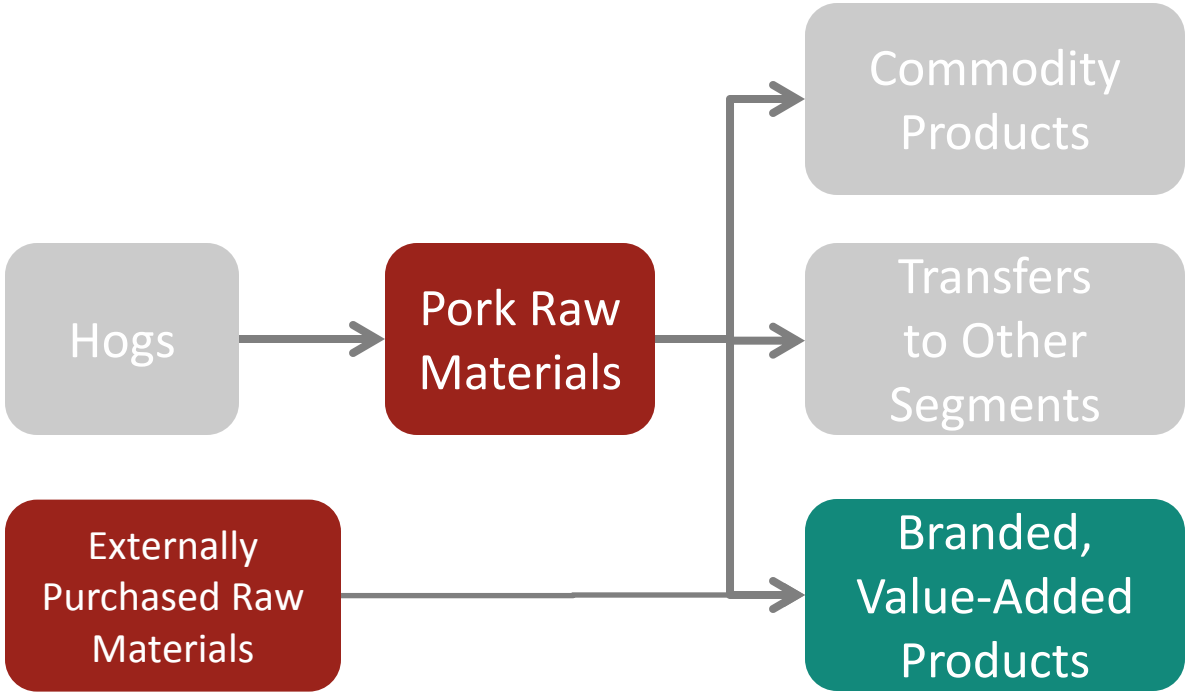
Internal data

Refrigerated Foods:
Branded, Value-Added Business



Branded Food Business

Meat Protein Purchases:
Diversification Beyond Hogs



Pork

Beef

Turkey

Chicken

$700-$900M

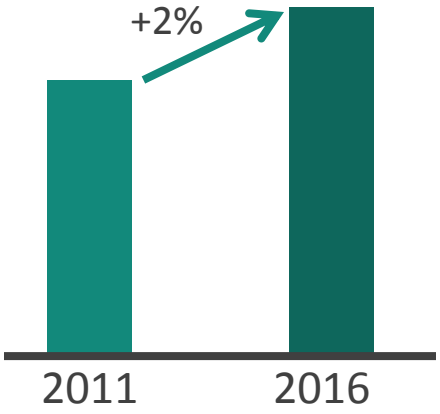
VALUE OF ANNUAL PURCHASES*

*Excluding Jennie-O Turkey Store

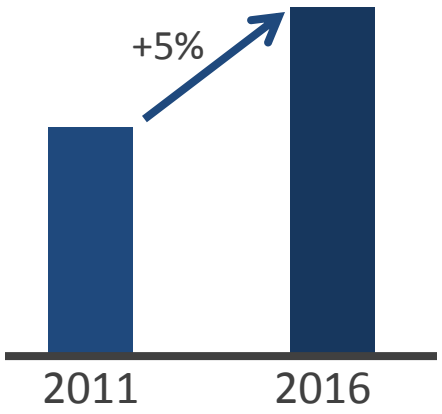
Value-Added Sales & Margins Have Increased Substantially Over the Last 5 Years

REFRIGERATED FOODS

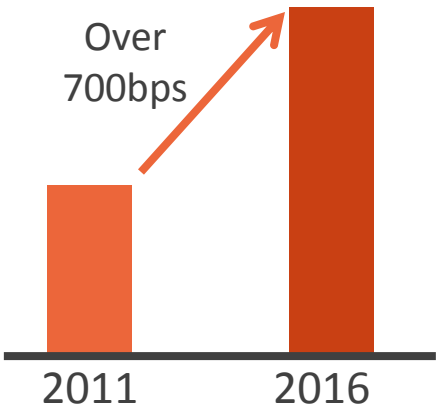
Total Sales



Value-Added Sales



Value-Added Profit Margin



Internal data

The Journey Of Refrigerated Foods

- Growing Our Value-Added Sales
- Improving Value-Added Profitability
- Reducing Our Exposure to Commodity Pressures

- Brand Building
- Culture
- Direct Sales Force
- Analytics
- Innovation
- Growth Strategies

Hormel Black Label Bacon · Hormel Pepperoni · Hormel Natural Choice · Hormel Gatherings · Fire Braised Meats · Applegate Natural & Organic Meats · Austin Blues Bar-B-Que · Hormel Bacon 1 Perfectly Cooked Bacon



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