HORMEL FOODS CORP /DE/
Form DEF 14A
December 23, 2005

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

**SCHEDULE 14A**
**Proxy Statement Pursuant to Section 14(a) of**
**the Securities Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

| | |
|---|---|
| o | Preliminary Proxy Statement |
| o | **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))** |
| ý | Definitive Proxy Statement |
| o | Definitive Additional Materials |
| o | Soliciting Material Pursuant to §240.14a-12 |

**Hormel Foods Corporation**
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

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**HORMEL FOODS CORPORATION**

**AUSTIN, MINNESOTA**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

To the Stockholders:

Notice is hereby given that the Annual Meeting of Stockholders of Hormel Foods Corporation, a Delaware corporation, will be held in the Richard L. Knowlton Auditorium of the Austin High School, 300 NW 4th Street, Austin, Minnesota, on Tuesday, January 31, 2006, at 8:00 p.m. Central standard time, for the following purposes:

1. To elect a board of 13 directors for the ensuing year.

2. To vote on ratification of appointment, by the Audit Committee of the Board of Directors, of Ernst & Young LLP as independent auditors for the fiscal year which will end October 29, 2006.

3. To vote on a proposal to amend the Hormel Foods Corporation 2000 Stock Incentive Plan.

4. To consider and act upon a stockholder proposal requesting that the Board of Directors of Hormel Foods Corporation issue a report to stockholders by July 2006 on the feasibility of Hormel Foods requiring its poultry suppliers to phase in controlled-atmosphere killing, if presented at the meeting.

5. To transact such other business as may properly come before the meeting.

The Board of Directors has fixed December 5, 2005, at the close of business, as the record date for the determination of stockholders entitled to notice of, and to vote at, the meeting.

By Order of the Board of Directors

JAMES W. CAVANAUGH
Corporate Secretary

December 23, 2005

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**PROXY STATEMENT**

HORMEL FOODS CORPORATION
(CUSIP No. 440452100)
1 HORMEL PLACE
AUSTIN, MINNESOTA 55912

The enclosed proxy is solicited by the Board of Directors of Hormel Foods Corporation (the Company ) for use at the Annual Meeting of Stockholders to be held on January 31, 2006. The shares represented by the enclosed proxy will be voted in accordance with the stockholder s directions if the proxy is duly executed and returned prior to the meeting. If no directions are specified, the shares will be voted for the election of directors recommended by the Board of Directors, for the ratification of the appointment of Ernst & Young LLP as independent auditors for the next fiscal year, for the amendment to the Company s 2000 Stock Incentive Plan, against the stockholder proposal for a feasibility report, if presented, and, in the discretion of the persons named in the proxy as to such other matters as may properly come before the meeting and as to which the Company did not have knowledge prior to October 27, 2005. As an alternative to completing the enclosed proxy card and mailing it to the Company, stockholders can vote by telephone or by the internet. The procedures for voting by telephone or the internet are set out on the proxy card. Any person giving a proxy may revoke it at any time before it is exercised by contacting the Corporate Secretary.

The expenses of soliciting proxies will be paid by the Company. If it appears necessary or advisable, proxies may be solicited at Company expense personally, or by telephone or facsimile, by directors, officers and other employees who will not receive additional compensation. The Company will also reimburse brokerage firms, and other custodians, nominees and fiduciaries, for their reasonable out-of-pocket expenses incurred in sending proxy materials to beneficial owners. Your cooperation in promptly signing and returning the enclosed proxy will help to avoid additional expense.

The Company had 138,009,582 shares of common stock outstanding as of December 5, 2005. Each share of stock is entitled to one vote, and there is no cumulative voting. The Company has no other class of shares outstanding. Only common stockholders of record at the close of business as of December 5, 2005, are entitled to notice of, and to vote at, the meeting. A majority of the outstanding shares will constitute a quorum at the meeting. If a stockholder holds shares in street name (i.e., the shares are held in a stock brokerage account or by a bank, trust or other institution) and does not provide voting instructions to the holder of the account, such shares will be considered to be broker nonvotes . Abstentions and broker nonvotes are counted for purposes of determining the presence or absence of a quorum for the transaction of business. Shares represented by abstentions are counted in the same manner as shares submitted with a withheld or no vote in tabulating the votes cast on proposals presented to stockholders, whereas shares represented by broker nonvotes are not considered entitled to vote on the proposal in question, and therefore, not counted for purposes of determining whether a proposal has been approved. Under current New York Stock Exchange ( NYSE ) rules, nominees would have discretionary voting power for the election of directors (Item #1), for ratification of Ernst & Young LLP as independent auditors (Item #2), but not for approval of the amendment to the Company s 2000 Stock Incentive Plan (Item #3) or for the stockholder proposal (Item #4). This proxy statement and form of proxy are first being mailed to stockholders on or about December 23, 2005.

**MEETING ADMISSION**

The following persons will be admitted to the Annual Meeting of Stockholders to be held on January 31, 2006:

Stockholders of record at the close of business on December 5, 2005, and their immediate family members;

Individuals holding written proxies executed by stockholders of record at the close of business on December 5, 2005;

Stockholders who provide a letter or account statement from their broker, bank or other nominee showing that they owned stock held in the name of the broker, bank or other nominee at the close of business on December 5, 2005, and their immediate family members;

Stockholders by virtue of stock held in the Company s Employee Stock Purchase Plan; and

Other individuals with the approval of the Corporate Secretary.

Stockholders that are corporations or other entities are limited to one authorized representative at the meeting, unless additional authorized representatives are approved by the Corporate Secretary.

**CONDUCT OF MEETING**

In accordance with the Bylaws, and by action of the Board of Directors, the Chairman will preside over the Annual Meeting of Stockholders. The Chairman has broad authority to ensure the orderly conduct of the meeting. This includes discretion to recognize stockholders or proxies who wish to speak, and determine the extent of discussion on each item of business. Rules governing the conduct of the meeting have been established and will be available at the meeting along with the Agenda. The Chairman may also rely on applicable law regarding disruption or disorderly conduct to ensure that the meeting is conducted in a manner that is fair to all stockholders.

**ITEM 1 ELECTION OF DIRECTORS**

**The Board of Directors recommends a vote FOR each of the thirteen director nominees listed below. The persons named as proxies in the enclosed proxy will vote FOR the election of the thirteen nominees named below to hold office as directors until the next Annual Meeting of Stockholders and until their successors are elected and qualify, unless stockholders specify otherwise.** In the event any of such nominees should become unavailable for any reason, which the Board of Directors does not anticipate, it is intended that the proxies will vote for the election of such substitute persons, if any, as shall be designated by the Board of Directors. Directors are elected by a plurality of the votes cast. The thirteen candidates receiving the highest number of votes will be elected.

**NOMINEES FOR DIRECTORS**

| **Name** | **Age** | **Principal Occupation, Five-Year Business Experience, and Directorships** | **Year First Became a Director** |
|---|---|---|---|
| JOHN W. ALLEN, Ph.D. | 75 | Professor Emeritus, Food Marketing, Partnership for Food Industry Development - Fruits and Vegetables, Michigan State University since 2001; Professor and Director of the Food Industry Alliance, Michigan State University from 1969 to 2001. Member of the Board of Directors of Alliance Foods, Inc., Coldwater, Michigan. | 1989 |
| JOHN R. BLOCK | 70 | Executive Vice President of Food Marketing Institute, and President of its Wholesale Division, since 2003; President and Chief Executive Officer of Food Distributors International from 1986 to 2003; Farming Partnership with son since 1961; Former Secretary of the U.S. Department of Agriculture from 1981 to 1986. Member of the Board of Directors of Deere & Company, Moline, Illinois, Digital Angel Corporation, St. Paul, Minnesota, and Blast Energy Services, Houston, Texas. | 1997 |
| JEFFREY M. ETTINGER | 47 | President and Chief Executive Officer as of January 1, 2006; President and Chief Operating Officer from 2004 to 2006; Group Vice President from 2001 to 2004; Chief Executive Officer of Jennie-O Turkey Store, Inc. from 2003 to 2004; President of Jennie-O Turkey Store, Inc. from 2000 to 2003; Vice President of the Company from 1999 to 2001. Member of the Board of Directors of the Ordway Center for the Performing Arts, St. Paul, Minnesota, and the Southwest Minnesota Foundation, Hutchinson, Minnesota. | 2004 |
| E. PETER GILLETTE, JR. | 71 | Senior Advisor to U.S. Trust Company, and its predecessor Resource Trust Company, since 1998; President, Piper Trust Company from 1995 to 1998, retired 1998; Commissioner of Minnesota Department of Trade and Economic Development from 1991 to 1995; former Vice Chairman, Norwest Corporation (now Wells Fargo Corporation). | 1996 |

| | | | |
|---|---|---|---|
| LUELLA G. GOLDBERG | 68 | Trustee, University of Minnesota Foundation since 1975, and Chair, Board of Trustees, from 1996 to 1998. Member, Board of Overseers, Carlson School of Management since 1979. Trustee and Chair Emerita, Wellesley College since 1996. Chair, Board of Trustees, Wellesley College, from 1985 to 1993; Acting President, Wellesley College, from July 1, 1993 to October 1, 1993. Life Director, Minnesota Orchestral Association since 1997; Chair, Board of Directors, Minnesota Orchestral Association from 1980 to 1983. Member of the Supervisory Board of ING Group, Amsterdam, The Netherlands. Member of the Board of Directors of TCF Financial Corporation, Minneapolis, Minnesota, and of Communications Systems, Inc., and Hector Communications Corporation, both of Hector, Minnesota. | 1993 |
| JOEL W. JOHNSON | 62 | Nonexecutive Board Chairman effective January 1, 2006; Chairman and Chief Executive Officer from 2004 to retirement on December 31, 2005; Chairman, President and Chief Executive Officer from 1995 to 2004. Member of the Board of Directors of Meredith Corporation, Des Moines, Iowa, Ecolab Inc., St. Paul, Minnesota, and U.S. Bancorp, Minneapolis, Minnesota. | 1991 |
| SUSAN I. MARVIN | 50 | President, Marvin Windows and Doors since October 1995; Senior Vice President Sales and Marketing from 1985 to 1995; Trustee, University of Minnesota Foundation since 2001; Board of Directors of Minnesota Chamber of Commerce from 1992 to 1997, and Chair in 1995. Member of the Board of Directors of Marvin Lumber and Cedar Company, Warroad, Minnesota, OPUS Corporation, Minnetonka, Minnesota, and Harvard Joint Center for Housing Studies Policy Advisory Board, Cambridge, Massachusetts. | 2002 |
| MICHAEL J. McCOY | 58 | Executive Vice President and Chief Financial Officer since 2001; Senior Vice President and Chief Financial Officer from 2000 to 2001; Vice President and Controller from 1998 to 2000; Vice President and Treasurer from 1997 to 1998; Treasurer from 1996 to 1997. Member of the Board of Directors of Wilsons The Leather Experts, Inc., Brooklyn Park, Minnesota, Minnesota Zoological Gardens, Apple Valley, Minnesota, and Community Bank, Austin, Minnesota. | 2000 |
| JOHN L. MORRISON | 60 | Managing Director, Goldner Hawn Johnson & Morrison Incorporated, a private equity investment firm, since 1989; Chairman, Callanish Capital Partners, a private hedge fund, since 2001; Executive Vice President of Pillsbury and Chairman of the U.S. Consumer Foods Group, 1987 to 1989; President of Pillsbury s International Group, 1981 to 1987. Member of the Board of Directors of the U.S. Overseas Private Investment Corp., Washington, D.C., Andersen Windows, Inc., St. Paul, Minnesota, and CityForest, Inc., Ladysmith, Wisconsin. | 2003 |
| DAKOTA A. PIPPINS | 57 | President and Chief Executive Officer, Pippins Strategies, LLC, a marketing consulting company, since 2003; Director of Urban Think Tank and Director of Planning for the Vigilante Division of Leo Burnett, USA, an advertising agency, from 1998 to 2003; Director of Management Institute at New York University from | 2001 |

| | | | |
|---|---|---|---|
| | | 1990 to 1995, and Adjunct Associate Professor at New York University since 1990; Senior Vice President, Chisholm-Mingo Group, an integrated marketing company, from 1997 to 1998. | |
| GARY J. RAY | 59 | Executive Vice President since 1999; Executive Vice President Operations from 1992 to 1999. Member of the Board of Directors of Community Bank, Austin, Minnesota. | 1990 |
| JOHN G. TURNER | 66 | Chairman, Hillcrest Capital Partners, a financial services organization, since 2002; Vice Chairman of ING Americas 2000-2002; Chairman and Chief Executive Officer of ReliaStar Financial Corp., a financial services company, from 1993 to 2000. Member of the Board of Directors of Shopko Stores, Green Bay, Wisconsin, and Conseco, Inc., Carmel, Indiana. | 2000 |
| ROBERT R. WALLER, M.D. | 68 | President Emeritus, Mayo Foundation, a medical research foundation, since 1999; Professor of Ophthalmology, Mayo Medical School; President and Chief Executive Officer, Mayo Foundation from 1988 to 1998; Executive Committee Chair, Board of Trustees, Mayo Foundation from 1988 to 1998; Chair, Mayo Foundation for Medical Education and Research from 1988 to 2000. Member of the Board of Directors of Regions Bank, Birmingham, Alabama. | 1993 |

No family relationship exists between any of the nominees for director of the Company.

**CORPORATE GOVERNANCE**

**Corporate Governance Guidelines**

In March 2003, the Board of Directors adopted a set of Corporate Governance Guidelines, which include the following items:

At all times, a substantial majority of the Board will be independent, as that term is defined in relevant law and the NYSE listing standards;

All nonemployee directors will meet in executive session at least quarterly;

The Board and Board committees will conduct annual self-evaluations;

The Compensation Committee will evaluate the Chief Executive Officer s performance annually, based in part on an annual self-evaluation by the Chief Executive Officer that will be reviewed by all of the nonemployee directors. The annual evaluation will take into account the goals set for the Chief Executive Officer at the beginning of the year and the Chief Executive Officer s performance measured against those goals. After the process has been completed, the Committee will set the Chief Executive Officer s compensation;

Individual directors who retire or change the position held when they were elected to the Board should volunteer to resign from the Board, and the Board will review the continued appropriateness of Board membership after the change in responsibility;

All new directors receive orientation with respect to the duties and responsibilities of Board members, and on an annual basis Board members will participate in a Strategic Planning Retreat, which provides Board members a detailed overview of the Company s strategic business plans and an opportunity to access senior officers and employees of the Company;

Directors will have full and free access to officers and employees of the Company; and

The Board, and each committee, will have the power to hire independent legal, financial or other advisers as they may deem necessary, without consulting or obtaining the approval of any officer of the Company.

The Company s Corporate Governance Guidelines may be found on the Company s Web site at www.hormel.com under Investor-Corporate Governance . A copy of the Corporate Governance Guidelines is available in print free of charge to any stockholder who requests it.

**Code of Ethical Business Conduct**

The Company has adopted a Code of Ethical Business Conduct that covers its directors, officers and employees, which may be found on the Company s Web site at www.hormel.com under Corporate-Code of Ethical Business Conduct . A copy of the Code of Ethical Business Conduct is available in print free of charge to any stockholder who requests it.

**Stock Ownership Guidelines**

The Company s officers and directors are subject to stock ownership guidelines under which they are expected to hold a range of 2.5 to 5 times an officer s annual base salary, and 4 times a director s annual retainer, in stock, subject to a phase-in period. The value of shares individually owned (within the meaning of Section 16 Securities Exchange Act reporting requirements), shares held in Company benefit plans (401(k) and Joint Earnings Plans), and shares which are deferred in the Company s deferred compensation plans are counted toward the guidelines.

**Board Independence**

The Company s Corporate Governance Guidelines provide that a substantial majority of the Company s directors will meet the independence requirements of the NYSE. The listing standards of the NYSE require that a majority of the Company s directors be independent and that the Audit, Compensation and Governance Committees be comprised entirely of independent directors. The Board of Directors has affirmatively determined that the following directors have no direct or indirect material relationship with the Company and satisfy the requirements to be considered independent as defined in the NYSE listing standards: John W. Allen, Ph.D., John R. Block, E. Peter Gillette, Jr., Luella G. Goldberg, Susan I. Marvin, John L. Morrison, Dakota A. Pippins, John G. Turner, and Robert R. Waller, M.D. The Board also has determined that each of the Company s Audit, Compensation, Contingency and Governance Committees is composed solely of independent directors.

**Board of Director and Committee Meetings**

The Board of Directors conducts its business through meetings of the Board and the following standing committees: Audit, Compensation, Governance, Contingency, Pension Investment and Executive. Each of the Audit, Compensation and Governance Committees has adopted and operates under a written charter. These charters may be found on the Company s Web site at www.hormel.com under Investor-Corporate Governance . Copies of these charters are available in print free of charge to any stockholder who requests them.

The Board of Directors held six regularly scheduled meetings during the last fiscal year. During the fiscal year, each director attended at least 90% of the total meetings of the Board and Board committees on which he or she served. The Chair of the Governance Committee has been chosen to preside at executive sessions of the nonemployee directors.

The Audit Committee members are Mr. Gillette, Chairperson, Dr. Allen, Mr. Block, Mr. Morrison, and Mr. Turner. The Audit Committee maintains an understanding of the Company s key areas of financial risk and assesses the steps management takes to minimize and manage such risk; selects and evaluates the qualifications and performance of the independent auditors; ensures that the ultimate accountability of the independent auditors is to the Committee and the Board of Directors and that the auditors maintain no relationship with management and/or the Company that would impede their ability to provide independent judgment on corporate matters; oversees the adequacy of the systems of internal control; oversees the process used in developing the quarterly and annual financial statements of the Company and reviews the nature and extent of any significant changes in accounting principles or applications used in compiling this information with management and the external auditors; ensures that management has established and maintains processes reasonably calculated to assure the Company s compliance with all applicable laws, regulations, corporate policies and other matters covered in the Company s Code of Ethical Business Conduct; provides an open avenue of communication between the internal auditors, the external auditors, Company management and the Board of Directors; reviews and updates the Committee s charter at least annually; and exercises an active oversight role in the internal audit functions and scope. The Audit Committee met eleven times during the last fiscal year.

The Compensation Committee members are Mr. Turner, Chairperson, Mr. Block, Mr. Morrison, and Mr. Pippins. The primary function of the Compensation Committee is to establish compensation arrangements for all officers of the Company and other senior management personnel. In addition, the Compensation Committee determines the compensation to be paid to the Company s directors and makes recommendations to the Board with respect to incentive compensation and equity-based compensation plans. The Committee met five times during the last fiscal year.

The Governance Committee members are Dr. Waller, Chairperson, Mrs. Goldberg, Ms. Marvin, and Mr. Pippins. The Governance Committee periodically assesses the Company s adherence to the Company s Corporate Governance Guidelines, evaluates objectives, policies and programs regarding the Company s management of its human resources, reviews the

Company s executive succession plans, makes recommendations to the Board regarding the composition of Board committees, and oversees the annual evaluation of the Board and management.

In addition, the Governance Committee recommends new director nominees to the Board. The Governance Committee determines the required selection criteria and qualifications of director nominees based upon the Company s needs at the time nominees are considered. In evaluating a candidate for nomination as a director of the Company, the Governance Committee will consider criteria including, among other things, the candidate s intellect; level of integrity; broad-based experience at the policy-making level in business, government, education, or the public interest; analytical ability; and his or her ability and willingness to devote time and energy to effectively carry out all Board responsibilities.

The Governance Committee is responsible for establishing and implementing procedures to identify and review the qualifications of all nominees for Board membership. The Governance Committee considers nominations of director candidates made by current directors, an independent search firm, if one is engaged, senior management, and the Company s stockholders. The Governance Committee applies the same criteria for consideration of stockholder nominees as it does to nominees proposed by other sources. Stockholders wishing to make a recommendation may do so by sending the following information to the Governance Committee c/o Corporate Secretary, James W. Cavanaugh, at 1 Hormel Place, Austin, MN 55912: (1) name of the candidate and a brief biographical sketch and resume; (2) contact information for the candidate and a document evidencing the candidate s willingness to serve as a director if elected; and (3) a signed statement as to the submitting stockholder s current status as a stockholder and the number of shares currently held.

The Governance Committee s procedures include making a preliminary assessment of each proposed nominee based upon the resume and biographical information, an indication of the individual s willingness to serve and other background information, business experience, and leadership skills, all to the extent available and deemed relevant by the Governance Committee. This information is evaluated against the criteria set forth above and the Company s specific needs at that time. Based upon a preliminary assessment of the candidate(s), those who appear best suited to meet the Company s needs may be invited to participate in a series of interviews, which are used as a further means of evaluating potential candidates. On the basis of information learned during this process, the Governance Committee determines which nominee(s) to recommend to the Board to submit for election at the next Annual Meeting of Stockholders. The Board, with the recommendations and assistance of the Governance Committee, selects new Board members based on its assessment and consideration of the current Board profile, the long-term interests of stockholders, and the needs of the Company, with the goal of creating an appropriate balance of knowledge, experience and diversity on the Board. No candidate meeting the criteria for director nomination was submitted by any stockholder in connection with the 2006 Annual Meeting of Stockholders. The Committee met four times during the last fiscal year.

The Contingency Committee members are Mr. Turner, Chairperson, Dr. Allen, Mr. Block, Mr. Gillette, Mrs. Goldberg, Ms. Marvin, Mr. Morrison, Mr. Pippins, and Dr. Waller. This Committee considers such matters as the Board refers to the Contingency Committee as requiring the deliberation and decision of disinterested and independent directors. The Committee had no meetings during the last fiscal year.

The Pension Investment Committee members are Mrs. Goldberg, Chairperson, Dr. Allen, Mr. Gillette, Ms. Marvin, Dr. Waller, and Mr. McCoy. The Committee oversees the Company s benefit policies, the investment management of pension funds, the adequacy of benefit reserves and controls, and compliance with pertinent laws and regulations. The Committee met twice during the last fiscal year.

The Executive Committee members are Mr. Ettinger, Mr. Ray and Mr. McCoy. The purposes of the Executive Committee are to provide the Board with a committee empowered to act in lieu of the full Board during intervals between regularly scheduled meetings of the Board, when calling a special meeting of the Board is impractical or unwarranted, and to evaluate the compensation program for the Company s nonemployee directors.

**Compensation of Directors**

In fiscal 2005, the Company s nonemployee directors received an annual retainer of $30,000 and $1,500 for attendance at each Board meeting. In addition, a fee of $1,000 was paid for attendance at each committee meeting. The Chairpersons of the Audit, Compensation, Governance, Contingency and Pension Investment Committees each received an additional $4,000 per year. Directors may defer all or a portion of retainer or meeting fees into a right to receive shares of Company common stock at a date following termination of their directorship. For each Board meeting they attend, directors who are employees of the Company receive $100, which has remained unchanged since 1934.

On February 1, 2005, each nonemployee director received an award of 1,500 Restricted Shares of stock and a grant of 4,000 options with an exercise price equal to the fair market value of one share of the Company s common stock based on the closing price of the common stock on the previous day as reported on the NYSE. The Restricted Shares are subject to a five-year restricted period, but twelve months after award will vest immediately in the case of death, disability, or retirement from the Board. The options have a ten-year term and are exercisable six months after the date of grant.

In 2006, nonemployee directors, other than Mr. Johnson, will receive an annual retainer of $40,000 and an additional $5,000 per year for the Chairpersons of the Compensation, Governance, Contingency and Pension Investment Committees. The Chair of the Audit Committee will receive an additional $8,000 per year. The meeting attendance fee will remain $1,500 for each Board meeting. Going forward, the nonemployee directors, other than Mr. Johnson, will receive an award of 2,500 Restricted Shares of stock and a grant of 4,000 options.

Mr. Johnson, in his role as nonexecutive Chairman of the Board of Directors effective as of January 1, 2006, will be entitled to receive: annual compensation of $500,000, payable in the same manner and at the same time as the other directors are paid; 3,750 shares of the Company s restricted stock, subject to certain restrictions described below; and stock options to acquire 6,000 shares of the Company s common stock, as described below. Additionally, Mr. Johnson will receive financial planning services, health insurance, use of a Company car, and an annual physical, which are collectively valued at $91,000, and will retain his office equipment and furniture, which is valued at approximately $10,000. The arrangement will terminate on the date Mr. Johnson retires or is removed from his position as Chairman.

The award of restricted stock and grant of stock options to be made to Mr. Johnson are pursuant to the terms of the stockholder-approved 2000 Stock Incentive Plan. Mr. Johnson and the Company will enter into a Restricted Shares Agreement and a Stock Option Agreement in the forms previously filed with the Securities and Exchange Commission. The restrictions on the shares of restricted stock will lapse upon completion of Mr. Johnson s term as Chairman. During that time, he will be entitled to vote those shares and to receive any dividends thereon as if he owned them without restriction. The grant of stock options will occur on February 1, 2006 and will be awarded with an exercise price equal to the closing stock price of one share of the Company s common stock as reported on the NYSE on January 31, 2006. The options become exercisable six months from date of grant, or August 1, 2006.

**Policy Regarding Attendance at Annual Meetings**

The Company encourages, but does not require, its Board members to attend the Annual Meeting of Stockholders. Last year all of the Company s directors attended the Annual Meeting of Stockholders.

**Stockholder Communication Policy**

Stockholders may communicate with the Board of Directors by sending a letter directed to the Board of Directors, nonemployee directors or specified individual directors, and addressed to: Corporate Secretary, James W. Cavanaugh, 1 Hormel Place, Austin, Minnesota 55912. All communications, whether signed or anonymous, will be directed to the Chair of one of the Committees based on the subject matter of the communication, or to the nonemployee directors or the specified directors, if so addressed.

**AUDIT COMMITTEE REPORT AND PAYMENTS OF FEES TO AUDITORS**

**Audit Committee Report**

The Audit Committee oversees the Company s financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. The Committee has the sole authority to appoint, terminate or replace the Company s independent auditors. The independent auditors report directly to the Audit Committee.

The Audit Committee comprises five members, each of whom is independent (as defined by the New York Stock Exchange listing standards and the rules of the Securities and Exchange Commission) and considered by the Board to be financially literate. In addition, the Board determined that E. Peter Gillette, Jr. is an audit committee financial expert, as defined by the rules of the Securities and Exchange Commission. The Audit Committee operates under a written charter, which has been approved by the Board of Directors. The Audit Committee charter was attached as Appendix B to the Company s proxy statement for the 2005 Annual Meeting of Stockholders and is available on the Company s Web site at www.hormel.com under Investor-Corporate Governance.

In fulfilling its oversight responsibilities regarding the fiscal year 2005 financial statements, the Audit Committee reviewed with management the audited financial statements in the Annual Report, which included a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Audit Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with U.S. generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of the Company s accounting principles and such other matters as are required to be discussed with the Audit Committee under auditing standards of the Public Company Accounting Oversight Board (United States). In addition, the Audit Committee discussed with the independent auditors the auditors independence from management and the Company, including the matters in the written disclosures required by the Independence Standards Board and received by the Audit Committee. The Audit Committee also considered whether nonaudit services provided by the

independent accountants during the last fiscal year were compatible with maintaining the independent accountants independence.

The Audit Committee discussed with the Company s internal and independent auditors the overall scope and plans for their respective audits. The Audit Committee meets with the internal and independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company s internal controls, and the overall quality of the Company s financial reporting. The Audit Committee held eleven meetings during fiscal year 2005.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board approved, that the audited financial statements be included in the Annual Report on Form 10-K for the year ended October 30, 2005, for filing with the Securities and Exchange Commission. The Audit Committee appointed Ernst & Young LLP as independent auditors for fiscal year 2006, which the stockholders will be asked to ratify at the Annual Meeting of Stockholders.

THE AUDIT COMMITTEE

E. Peter Gillette, Jr., *Chair*
John W. Allen, Ph.D.
John R. Block
John L. Morrison
John G. Turner

**Audit Fees**

Audit fees billed to the Company by Ernst & Young for the audit of the Company s financial statements for fiscal years 2005 and 2004, and for reviews of the Company s financial statements included in the Company s quarterly reports on Form 10-Q, were as follows:

| Fiscal 2005 | Fiscal 2004 |
|---|---|
| $ 1,224,200 | $ 677,300 |

**Audit-Related Fees**

Audit-related fees billed to the Company by Ernst & Young for fiscal years 2005 and 2004 for services related to the performance of the audit, including primarily benefit plan audits, due diligence related to acquisitions, and consultations concerning financial accounting and reporting standards, were as follows:

| Fiscal 2005 | Fiscal 2004 |
|---|---|
| $ 196,700 | $ 212,100 |

**Tax Fees**

Tax fees billed to the Company by Ernst & Young for fiscal years 2005 and 2004 for services related to tax compliance, tax advice and tax planning were as follows:

| Fiscal 2005 | Fiscal 2004 |
|---|---|
| $ 62,400 | $ 349,200 |

**All Other Fees**

No other fees were billed to the Company by Ernst & Young for fiscal years 2005 and 2004.

**Audit Committee Preapproval Policies and Procedures**

In 2003, the Audit Committee adopted formal policies and procedures requiring preapproval for audit and nonaudit services provided to the Company by the independent auditors. The Committee approves all audit and nonaudit fees in advance at each quarterly meeting. The Audit Committee preapproved all of the services performed by Ernst & Young LLP during fiscal years 2005 and 2004.

**ITEM 2 RATIFICATION OF APPOINTMENT OF AUDITORS**

The Audit Committee of the Board of Directors appointed Ernst & Young LLP, independent public accountants, to audit the consolidated financial statements of the Company and its subsidiaries for the fiscal year ending October 29, 2006. Ernst & Young LLP has served as the Company s public auditors since 1931. Management is not aware of any direct or indirect financial interest or any other connections Ernst & Young may have with the Company or its subsidiaries except the usual professional status of an independent auditor.

A proposal will be presented at the Annual Meeting of Stockholders to ratify the appointment of Ernst & Young LLP as the Company s independent auditors for the fiscal year ending October 29, 2006. Stockholder approval of this appointment is not required, but the Board is submitting the selection of Ernst & Young for ratification in order to obtain the views of the Company s stockholders. If the appointment is not ratified, the Audit Committee will reconsider its selection. Representatives of the firm are expected to be present at the meeting, will be afforded an opportunity to make a statement, if they desire to do so, and will be available to respond to appropriate questions.

Ratification of this proposal will require the affirmative vote of the majority of the shares of common stock represented in person or by proxy at the meeting. **The Board of Directors recommends a vote FOR the proposal to ratify the appointment of Ernst & Young LLP. Properly dated and signed proxies will be so voted unless stockholders specify otherwise.**

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS**

Information as to the persons or groups known by the Company to be beneficial owners of more than five percent of the Company s common stock, as of December 12, 2005, is shown below:

| Name and Address of Beneficial Owner | Amount and Nature Beneficial Ownership | Percent of Class |
|---|---|---|
| The Hormel Foundation(1)<br>301 N. Main Street<br>Austin, MN 55912-3498 | 64,062,722 | 46.47% |

(1) The Hormel Foundation holds 5,082,662 of such shares as individual owner and 58,980,060 of such shares as trustee of various trusts. The Hormel Foundation, as trustee, votes the shares held in trust. The Hormel Foundation has a remainder interest in all of the shares held in trust. The remainder interest consists of corpus and accumulated income in various trusts which are to be distributed when the trusts terminate upon the death of designated beneficiaries, or upon the expiration of twenty-one years after the death of such designated beneficiaries.

The Hormel Foundation was converted from a private to a public foundation on December 1, 1980. The Certificate of Incorporation and Bylaws of the Foundation provide for a Board of Directors, a majority of whom represent nonprofit agencies to be given support by the Foundation. Each member of the Hormel Foundation has equal voting rights.

Members of The Hormel Foundation are: Chairman, Richard L. Knowlton, retired Chairman of the Board of Hormel Foods; Major Marlys K. Anderson, Officer in Charge, The Salvation Army of Austin; Jerry A. Anfinson, Certified Public Accountant, Austin; Mark T. Bjorlie, Executive Director, Young Men s Christian Association, Austin; Donald R. Brezicka, Executive Vice President of Austin Medical Center - Mayo Health System, Austin; Dr. Zigang Dong, Director, Hormel Institute, Austin, representing the University of Minnesota; Kermit F. Hoversten, Attorney, Austin; Joel W. Johnson, Chairman of the Board of Hormel Foods; Kris S. Johnson, United Way of Mower County, Inc.; Michael J. McCoy, Executive Vice President and Chief Financial Officer of Hormel Foods; James R. Mueller, Executive Director, Cedar Valley Services, Inc., Austin; Dr. J. Doug Myers, representing the Austin Public Education Foundation, Inc.; John E. O Rourke, representing the City of Austin; Gary J. Ray, Executive Vice President of Hormel Foods; Steven T. Rizzi, Jr., Attorney, Austin; Mahlon C. Schneider, retired Senior Vice President and General Counsel for Hormel Foods; and Robert J. Thatcher, retired Vice President and Treasurer of Hormel Foods, representing the Austin Community Scholarship Committee.

**SECURITY OWNERSHIP OF MANAGEMENT**

Information as to beneficial ownership of the Company s common stock by directors, nominees, executive officers of the Company named in the Summary Compensation Table on page 14 and all directors and executive officers of the Company as a group as of December 12, 2005, is shown below:

| Name of Beneficial Owner | Amount and Nature of Beneficial Ownership(1)(2) | Percent of Class |
|---|---|---|
| John W. Allen(3) | 47,182 | * |
| John R. Block | 35,963 | * |
| Jeffrey M. Ettinger(3)(5) | 203,373 | * |
| E. Peter Gillette, Jr. | 39,759 | * |
| Luella G. Goldberg | 68,427 | * |
| Joel W. Johnson(4)(5) | 1,781,793 | 1.25% |
| James A. Jorgenson(3)(5) | 220,440 | * |
| Susan I. Marvin | 17,556 | * |
| Michael J. McCoy(4)(5) | 296,617 | * |
| John L. Morrison(3) | 18,729 | * |
| Dakota A. Pippins | 23,898 | * |
| Gary J. Ray(4)(5) | 608,452 | * |
| John G. Turner | 32,237 | * |
| Robert R. Waller, M.D. | 35,198 | * |
| All Directors and Executive Officers as a Group (36 persons)(5)(6) | 5,208,190 | 3.66% |

(1) Except as otherwise indicated and subject to applicable community property and similar statutes, the persons listed as beneficial owners of the shares of the Company s common stock have sole voting and investment powers with respect to the shares. Holdings are rounded to the nearest full share.

(2) Includes the following number of shares subject to options exercisable within 60 days of December 12, 2005: Dr. Allen - 34,000; Mr. Block - 30,000; Mr. Ettinger - 190,000; Mr. Gillette - 32,000; Mrs. Goldberg - 34,000; Mr. Johnson - 1,480,000; Mr. Jorgenson - 201,500; Ms. Marvin - 14,000; Mr. McCoy - 266,250; Mr. Morrison - 8,667; Mr. Pippins - 20,000; Mr. Ray - 456,250; Mr. Turner - 20,000; and Dr. Waller - 30,000.

(3) Includes the following number of shares of the Company s common stock beneficially owned by members of their respective households: Dr. Allen - 9,284; Mr. Ettinger - 431; Mr. Jorgenson - 950; and Mr. Morrison - 3,500.

(4) Does not include any shares owned by The Hormel Foundation, of which Mr. Johnson, Mr. McCoy and Mr. Ray are members. Mr. Johnson, Mr. McCoy and Mr. Ray disclaim beneficial ownership of all shares owned by The Hormel Foundation.

(5) Shares listed as beneficially owned include, where applicable, shares allocated to participants accounts under the Hormel Tax Deferred Investment Plan 401(k)A, and a pro-rata share of unallocated shares held in the Company s Joint Earnings Profit Sharing Trust for the benefit of participants.

(6) As of December 12, 2005, all directors and executive officers as a group owned beneficially 4,276,967 shares subject to options exercisable within 60 days.

* Less than one percent.

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## EXECUTIVE COMPENSATION

### Compensation Committee Report on Executive Compensation

The Compensation Committee consists exclusively of nonemployee, independent directors, and is responsible for establishing and administering the programs that govern the compensation and benefits programs for the executive officers of the Company, including the five executive officers named in this proxy statement.

***Philosophy/Objectives***

The Compensation Committee s objective is to attract and retain the most highly qualified executive officers in a manner which provides incentives to create stockholder value. This objective is accomplished by establishing compensation which is calculated to attract and retain the best management talent available while at the same time providing both significant risk and opportunity for reward based on Company performance.

Executive officer annual compensation as related in the Summary Compensation Table on page 14 consists of salary and formula bonus determined by Company earnings under the Company s Operators Share Incentive Compensation Plan. Long-term compensation is provided by stock options and, from time to time, Restricted Shares which provide longer term compensation opportunities based on increases in the value of the Company s stock, and by the Company s Long-Term Incentive Plan based on the Company s ranking in total stockholder return over a designated performance period compared to a preselected peer group. In addition, the Company maintains a nonqualified defined benefit plan for executives designed to provide retirement benefits similar to those offered under the broadbased qualified pension plan, but without the benefit limitations imposed under the Internal Revenue Code. The Company offers executives the opportunity to voluntarily defer a portion of their annual compensation through a nonqualified Deferred Compensation Plan.

The Compensation Committee believes that this combination of programs provides an appropriate mix of fixed and variable pay, balances short-term operational performance with long-term stock price performance, and encourages executive retention. Currently, none of the named executive officers has an employment contract with the Company, or rights to any guaranteed severance payments in the event of termination.

In determining actual compensation levels for the Chief Executive Officer and other executive officers, the Compensation Committee considers many factors, including competitive market data, overall Company performance, business unit/department performance, and individual contributions. In determining 2005 compensation levels, the Compensation Committee relied on market data provided by Pearl Meyer & Partners, a Clark Consulting Practice ( PM&P ). For named executive officers, this data consisted of compensation information for a group of 21 peer companies as well as information from PM&P s general industry database. Data from both the peer companies and PM&P s broad database have been adjusted to reflect the Company s annual revenue size through regression analysis. In general, the Company s philosophy is to target total compensation for the management team, including the named executive officers, at the 75th percentile of PM&P s survey data, taking into consideration length of service, individual, Company and business unit performance.

***Executive Officer Annual Compensation: Salary and Operators Share Incentive Plan***

Base salary levels are the fixed portion of the executive compensation package. Salary levels reflect a combination of factors, including competitive pay levels, the executive s experience and tenure, and the Company s overall annual budget for merit increases and the executive s individual performance. In keeping with the Company s desire for a performance-oriented pay program, base salaries are generally below competitive median levels.

The annual cash incentive plan rewards employee participants for Company financial performance, as measured by earnings per share ( EPS ). The basic concept of the Operators Share Incentive Plan structure has been in place since 1932, and it currently includes approximately 100 employees. In brief, upon initial eligibility for plan participation, an employee receives a grant of Operator Shares (phantom units, not actual shares or the right to receive the value of shares). Following the end of each fiscal year, the participant receives a cash payment equal to the Company s annual EPS multiplied by the number of Operator Shares he or she holds. During the year, participants also receive dividend equivalents (cash payments equal to declared dividends multiplied by the number of Operator Shares held). However, the year-end EPS-based payment is decreased by the total amount of any dividend equivalents paid during the year.

The Compensation Committee, as the administrator of the Plan, has amended the Plan to include an additional modification of the payment amount on Operators Shares with respect to the Company s officers and senior management of individual business units, including one named executive officer. This modification is tied to achievement of annual, Company-wide or business-unit based economic value-added ( EVA ) goals, and is designed to create further incentives among those participants in the Plan to work toward achieving relevant business unit goals. As calculated by the Company, EVA is used to determine the economic profit earned by the relevant business unit, by measuring net operating profit after taxes, after a charge for use of capital is applied.

Officers over, and senior management of, individual business units selected by the Compensation Committee had 25% to 33% of their Operators Shares in fiscal 2005 made subject to achievement of defined EVA goals. In accordance with a formula established by the Compensation Committee prior to the start of the fiscal year, if those goals were not achieved, the participant would receive less, and if the goals were met, the participant would receive what he or she would have otherwise received under the Operators Share Plan. In accordance with the same formula established by the Compensation Committee prior to the start of the fiscal year, if the EVA goals were exceeded, the participant was entitled to receive an amount in excess of the payout that he or she would have received under the Operators Share Plan. For fiscal year 2005, one named executive officer had his Operators Share payments adjusted downward 11% as a result of not achieving his EVA goals.

The Compensation Committee believes that the primary measure of Company EPS appropriately focuses all participants on overall Company performance. The secondary EVA measures used for certain executives further holds senior management accountable for their long-term capital investment decisions. The Compensation Committee reviews the Operators Share holdings of each executive officer on an annual basis as part of its assessment of total compensation levels. As appropriate, the Compensation Committee periodically awards additional Operators Shares to maintain a competitive, performance-oriented compensation package. In combination with base salary, Operators Shares award levels are targeted to deliver total annual compensation between median and top quartile levels relative to PM&P s database, taking into consideration length of service and performance.

***Executive Officer Long-Term Compensation: Stock Option Plan and Long-Term Incentive Plan***

The Compensation Committee also administers the Hormel Foods Corporation 2000 Stock Incentive Plan. The Compensation Committee determines, based in part on the recommendations of the Chief Executive Officer (other than with respect to the Chief Executive Officer), the amount of options or Restricted Shares to be granted to executive officers and other eligible recommended employees. The Compensation Committee s determination of option grants and Restricted Shares awards in fiscal year 2005 and in past years reflected in the Summary Compensation Table took into consideration past grants of executive officers (including the Chief Executive Officer), compensation level, contributions to the Company during the last completed fiscal year, and potential for contributions in the future. 50,000 Restricted Shares were awarded to Joel W. Johnson during fiscal year 2005.

Options are granted at the market price of the Company stock at the date of grant, and provide compensation to the optionee only to the extent the market price of the stock increases between the date of grant and the date the option is exercised. Options are intended to provide long-term compensation tied specifically to increases in the price of the Company s stock. While options are generally awarded based on the influence an executive position is considered by the Compensation Committee to have on stockholder value, the number of options awarded may vary up or down from prior year awards based on the level of an individual executive officer s contribution to the Company in a particular year, as informed, in part, on the recommendation of the Chief Executive Officer.

Company executive officers are eligible to participate in the Hormel Foods Corporation 2005 Long-Term Incentive Plan ( LTIP ). This Plan is designed to provide a small group of key employees, including the named executive officers, selected by the Compensation Committee with an incentive to maximize stockholder value. In selecting participants, and the amount of cash incentive which can be earned by each participant, the Compensation Committee takes into account the nature of the services rendered by the employee, his or her present and potential contributions to the success of the Company, and such other factors as the Compensation Committee deems relevant.

This Plan provides an additional incentive opportunity based on the Company s long-term Total Shareholder Return performance compared to its peers. Total Shareholder Return measures the increase in stock price, assuming reinvested dividends. Each participant, including the named executive officers, is given a target award opportunity for the three-year performance period. If the Company s actual Total Shareholder Return for the three-year period is at the 50th percentile of the peer group (consisting of 32 publicly traded companies in the food industry), then participants will earn the target award. If Hormel Foods actual Total Shareholder Return ranks highest among the peers, then the award payout will equal three times the target opportunity. No award will be paid unless actual Total Shareholder Return is above the 25th percentile of the peers. The current three-year performance cycle began November 1, 2002 and ended October 29, 2005. Hormel s Total Shareholder Return for the 3-year period ranked at the 50% percentile of its peers, resulting in payouts equal to 100% of target award for participants, including the named executive officers. The three-year performance cycle under the Company s 2005 Long-Term Incentive Plan, which was approved by the stockholders at the 2005 Annual Meeting of Stockholders, began October 31, 2005 and will end November 2, 2008.

During fiscal year 2005, executives received stock option grants consistent with the Company s annual equity grant strategy. In combination with annual cash compensation opportunities, option grants and LTIP awards to the management team are designed to provide target total remuneration at approximately top quartile levels compared to the PMP database information.

The Compensation Committee continues to review its overall long-term incentive structure in light of the shifting competitive and regulatory environment. The Compensation Committee, with input from senior management and outside consultants, reserves the right to make changes to the long-term incentive programs in the future.

***Chief Executive Officer Compensation***

The cash compensation of the Chief Executive Officer is established by the Compensation Committee in generally the same way as cash compensation is determined for other executive officers, and the Compensation Committee employs generally the same criteria for option grants and Restricted Share awards as apply to other executive officers, taking into consideration the Chief Executive Officer s responsibility for the total enterprise as well as Mr. Johnson s individual performance. Based on information received from the consultant rating Mr. Johnson s position and comparing his annual cash compensation to cash compensation received by individuals in other companies in similar positions, as well as taking into account Mr. Johnson s years of experience and performance in fiscal year 2004, the Compensation Committee awarded Mr. Johnson a salary increase of 5.6%, effective January 1, 2005, which is reflected in the Summary Compensation Table on page 14. In fiscal year 2005, the Committee awarded Mr. Johnson 100,000 additional Operators Shares. The Committee granted Mr. Johnson the stock options reflected in the Option Grants table on page 16 and awarded Mr. Johnson 50,000 Restricted Shares. While the salary component of Mr. Johnson s fiscal year 2005 cash compensation was predetermined for the year, the Operators Shares formula bonus was determined by the Company s net earnings for fiscal year 2005 as explained under the heading Executive Officer Annual Compensation: Salary and Operators Share Incentive Plan on page 11. Mr. Johnson did not participate in the EVA component of the Operators Share Program. Mr. Johnson is a participant in the 2003-2005 LTIP performance cycle. His actual award based on the results of the 3-year performance period ended October 29, 2005 is included in the Summary Compensation Table on page 14.

Mr. Johnson s total compensation for 2005, including an estimated value of the option grant (using Black-Scholes) approximates the 75th percentile of the market data of the peer group. As part of the decision-making process, the Committee considers all elements of Mr. Johnson s remuneration package, including the value of benefits and perquisites. The Compensation Committee believes that the total remuneration program for Mr. Johnson is consistent with the overall compensation and benefits philosophy of the Company, is appropriately positioned in comparison to his peers, and reflects the Compensation Committee s subjective assessment of his performance as Chief Executive Officer.

***Deductibility of Compensation Under Internal Revenue Code Section 162 (m)***

Section 162(m) of the Internal Revenue Code imposes a $1 million cap, subject to certain exceptions, on the deductibility to a company of compensation paid to the five executive officers named in such company s proxy statement. The stockholders voted at the 2003 Annual Meeting of Stockholders to approve the Company s Operators Share Incentive Compensation Plan for the purpose of qualifying that plan under Section 162(m). The stockholders voted at the 2005 Annual Meeting of Stockholders to approve the Company s 2005 Long-Term Incentive Plan for the purpose of qualifying that Plan under Section 162(m). The Committee believes that compensation paid pursuant to the Company s Operators Share and Long-Term Incentive Plans will be deductible, except for Dividend Equivalents paid under the Operators Share Plan (which may not be deductible in full for any named executive officer in a given year). The stockholders voted at the 2000 Annual Meeting of Stockholders to approve the Company s 2000 Stock Incentive Plan so that compensation attributable to stock options and certain other awards granted under that Plan may be excluded from the $1 million cap as well. Additionally, cash compensation voluntarily deferred by the executive officers named in this proxy statement under the Company s Deferred Compensation Plans is not subject to the Section 162(m) cap until the year paid. Thus, compensation paid this fiscal year subject to the Section 162(m) cap is not expected to exceed $1 million for any named executive officer. Therefore, the Committee believes that the Company will not be subject to any Section 162(m) limitations on the deductibility of compensation paid to the Company s named executive officers for fiscal year 2005.

The Compensation Committee continues to consider other steps which might be in the Company s best interests to comply with Section 162(m), while reserving the right to award future compensation which would not comply with the Section 162(m) requirements for nondeductibility if the Compensation Committee concluded that this was in the Company s best interests.

THE COMPENSATION COMMITTEE

John G. Turner, *Chair*
John R. Block
John L. Morrison
Dakota A. Pippins

**Summary Compensation Table**

The following table sets forth the cash and noncash compensation for each of the last three fiscal years earned by or awarded to the Chief Executive Officer and the four other most highly compensated executive officers of the Company:

| | | Annual Compensation | | | Long Term Compensation Awards | | Long Term Compensation Payouts | |
|---|---|---|---|---|---|---|---|---|
| Name and Principal Position | Year | Salary ($)(1) | Bonus ($)(2) | Other Annual Compensation ($)(3) | Restricted Stock Award(s) ($)(4) | Securities Underlying Options (#) | LTIP Payouts ($)(5) | All Other Compensation ($)(6) |
| Joel W. Johnson | 2005 | 942,000 | 2,457,000 | 213,153 | 1,575,000 | 450,000 | 3,000,000 | 1,650,412 |
| Chairman and | 2004 | 911,100 | 2,062,500 | 129,539 | 1,348,500 | 400,000 | 0 | 47,414 |
| Chief Executive Officer | 2003 | 850,400 | 1,529,500 | | 0 | 350,000 | 0 | 43,194 |
| Jeffrey M. Ettinger | 2005 | 483,300 | 1,092,000 | | 0 | 125,000 | 835,030 | 26,957 |
| President and | 2004 | 286,985 | 614,574 | | 0 | 45,000 | 0 | 21,550 |
| Chief Operating Officer | 2003 | 204,770 | 205,973 | | 0 | 35,000 | 0 | 11,077 |
| Gary J. Ray | 2005 | 408,955 | 969,207 | | 0 | 100,000 | 1,500,000 | 22,592 |
| Executive Vice President | 2004 | 403,345 | 889,100 | | 0 | 90,000 | 0 | 21,805 |
| | 2003 | 363,220 | 672,083 | | 0 | 75,000 | 0 | 19,308 |
| Michael J. McCoy | 2005 | 338,645 | 609,700 | | 0 | 100,000 | 1,250,000 | 21,153 |
| Executive Vice President | 2004 | 306,400 | 544,500 | | 0 | 90,000 | 0 | 18,087 |
| and Chief Financial Officer | 2003 | 273,510 | 399,000 | | 0 | 75,000 | 0 | 16,021 |
| James A. Jorgenson | 2005 | 296,620 | 591,500 | | 0 | 75,000 | 500,000 | 169,170 |
| Senior Vice President | 2004 | 281,350 | 453,750 | | 0 | 45,000 | 0 | 16,433 |
| | 2003 | 250,955 | 305,900 | | 0 | 35,000 | 0 | 14,503 |

(1) Includes fee payments of $100 per meeting attended for each director named in the table, and amounts voluntarily deferred under the Company s Deferred Compensation Plan.

(2) Includes Operators Share Incentive Compensation Plan payments, and amounts voluntarily deferred by the named individuals under the Company s Deferred Compensation Plan, which permit participants to voluntarily defer receipt of all or part of the payments currently due to the participant under the Operators Share Incentive Compensation Plan.

(3) For security reasons, Mr. Johnson was directed by the Board of Directors to use Company aircraft for all transportation, including personal travel. The value of such aircraft use was $177,681 for 2005 and $95,471 for 2004, which amounts reflect the aggregate incremental cost to the Company for such aircraft use (the amount for 2005 reflects a change in valuation methodology from 2004 in which the cost was calculated pursuant to the Internal Revenue Service Standard Industrial Fare Level (SIFL) formula). There was no other annual compensation exceeding the lesser of $50,000 or 10% of total salary and bonus compensation in each of the years shown.

(4) The value of the restricted shares included in this column is determined by multiplying the closing market price of the Company s common stock on the date of grant of the award by the number of shares awarded. As of the end of the 2005 fiscal year, Mr. Johnson held 100,000 restricted shares with a market value of $3,153,000 (calculated in the same manner using the closing market price on the last trading day of fiscal year 2005), 50,000 of which will vest five years from the date of grant of February 2, 2004, and 50,000 of which will vest five years from the date of grant of February 1, 2005. Mr. Johnson has the right to receive dividends on the restricted shares held by him.

(5) The Performance Period for the LTIP awards for which these payments were made commenced on October 28, 2002, and ended on the tenth day on which shares were traded on the NYSE following October 29, 2005. Thus, the Performance Period ended thirteen days after the end of the Company s fiscal year 2005. The Compensation Committee believed it was more meaningful disclosure to include these payments in the proxy statement for fiscal year 2005. The amount of the payments was determined by the Company s ranking at the 50.00 percentile among a preselected Peer Group in Total Shareholder Return during the Performance Period (as such capitalized terms were defined in the Company s Long-Term Incentive Plan). This ranking yielded payments of 1.00 times the target award, as discussed in the Compensation Committee Report on Executive Compensation at page 11.

Total Shareholder Return during the Performance Period for the Company and for each of the Peer group Companies was calculated by the Company and reviewed by Ernst & Young. Total Shareholder Return from the beginning to the end of the Performance Period (October 28, 2002 through October 29, 2005) for the Company and each company in the Peer Group is illustrated in the following graph:

**Hormel Foods Corporation**

**Comparative Stock Performance**

(6) The amount shown includes Company Joint Earnings Profit Sharing distributions which may be authorized by the Board of Directors in its discretion based on Company profits. The total amount of Company distributions declared available to all participants by the Board is allocated in the same proportion as each person s base weekly wage bears to the total base wage for all eligible persons. Payments to the executive officers named in the table are calculated using the same proportional formula as is used for all eligible employees. Joint Earnings Profit Sharing distributions were for Mr. Johnson $49,512 in 2005, $46,564 in 2004, and $42,344 in 2003; for Mr. Ettinger $26,057 in 2005, $20,700 in 2004, and $10,227 in 2003; for Mr. Ray $21,368 for 2005, $20,713 in 2004, and $18,189 in 2003; for Mr. McCoy $17,981 in 2005, $15,763 in 2004, and $13,670 in 2003; and for Mr. Jorgenson $15,637 in 2005, $14,499 in 2004, and $12,570 in 2003. All Other Compensation also includes Company matching payments of up to $900 under the Hormel Tax Deferred Investment Plan A. This matching payment, in the same amount, is available to all other eligible employees. Company matching payments in the amount of $900 for 2005 and $850 for each of 2004 and 2003 under the Hormel Tax Deferred Investment Plan A were made for Mr. Johnson, Mr. Ettinger, Mr. Ray, Mr. McCoy, and Mr. Jorgenson. Payments under the Company s Founders Fund Plan were discontinued in 2005. For Mr. Ray, Mr. McCoy and Mr. Jorgenson, All Other Compensation includes Company contributions to a life insurance program which is available to all other eligible employees with benefits proportional to Annual Compensation. Mr. Ray received contributions of $324 in 2005, $242 in 2004, and $269 in 2003; Mr. McCoy received contributions of $2,272 in 2005, $1,474 in 2004, and $1,501 in 2003; and Mr. Jorgenson received $2,633 in 2005, $1,084 in 2004, and $1,084 in 2003. For Mr. Johnson, All Other Compensation includes $1,600,000 that was accrued in fiscal year 2005 for 50,000 restricted shares that were awarded to Mr. Johnson in early fiscal year 2006 for his services as Chief Executive Officer. The Company will include the value of this award in this table, under the restricted stock awards column, in the proxy statement for fiscal year 2006. For Mr. Jorgenson, All Other Compensation includes a $150,000 retirement bonus that was accrued in fiscal year 2005, but not payable until

after the fiscal year end.

**Stock Option Tables**

The following tables summarize option grants and exercises during fiscal year 2005 to or by the executive officers named in the Summary Compensation Table above, and the values of options granted during fiscal year 2005 and held by such persons at the end of fiscal year 2005.

**Option Grants in Fiscal Year 2005**

| | Individual Grants | | Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term |
|---|---|---|---|
| | Number of Securities | % of Total Options | |