TYSON FOODS INC
Form 10-K
November 21, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

[X]	Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended October 1, 2016
[ ]	Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from to

001-14704
(Commission File Number)

TYSON FOODS, INC.
(Exact name of registrant as specified in its charter)

Delaware	71-0225165
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2200 West Don Tyson Parkway, Springdale, Arkansas	72762-6999
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (479) 290-4000
Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock, Par Value $0.10	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: Not Applicable
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]
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 [X] No [ ]
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer [X]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

On April 2, 2016, the aggregate market value of the registrant's Class A Common Stock, $0.10 par value (Class A stock), and Class B Common Stock, $0.10 par value (Class B stock), held by non-affiliates of the registrant was $20,012,635,241 and $732,308, respectively. Class B stock is not publicly listed for trade on any exchange or market system. However, Class B stock is convertible into Class A stock on a share-for-share basis, so the market value was calculated based on the market price of Class A stock.
On October 29, 2016, there were 290,558,412 shares of Class A stock and 70,010,755 shares of Class B stock outstanding.

INCORPORATION BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the registrant's Annual Meeting of Shareholders to be held February 9, 2017, are incorporated by reference into Part III of this Annual Report on Form 10-K.

TABLE OF CONTENTS

PART I
ITEM 1. BUSINESS
GENERAL
Founded in 1935, Tyson Foods, Inc. and its subsidiaries (collectively, “Company,” “we,” “us” or “our”) is one of the world's largest food companies with leading brands such as Tyson®, Jimmy Dean®, Hillshire Farm®, Sara Lee®, Ball Park®, Wright®, Aidells® and State Fair®. We are a recognized market leader in chicken, beef and pork as well as prepared foods, including bacon, breakfast sausage, turkey, lunchmeat, hot dogs, pizza crusts and toppings, tortillas and desserts. Our operations are conducted in four reportable segments: Chicken, Beef, Pork and Prepared Foods. Some of the key factors influencing our business are customer demand for our products; the ability to maintain and grow relationships with customers and introduce new and innovative products to the marketplace; accessibility of international markets; market prices for our products; the cost and availability of live cattle and hogs, raw materials, grain and feed ingredients; and operating efficiencies of our facilities.

We operate a fully vertically integrated chicken production process. Our integrated operations consist of breeding stock, contract growers, feed production, processing, further-processing, marketing and transportation of chicken and related allied products, including animal and pet food ingredients. Through our wholly-owned subsidiary, Cobb-Vantress, Inc., we are one of the leading poultry breeding stock suppliers in the world. Investing in breeding stock research and development allows us to breed into our flocks the characteristics found to be most desirable.

We also process live fed cattle and hogs and fabricate dressed beef and pork carcasses into primal and sub-primal meat cuts, case ready beef and pork and fully-cooked meats. In addition, we derive value from allied products such as hides and variety meats sold to further processors and others.

We produce a wide range of fresh, value-added, frozen and refrigerated food products. Our products are marketed and sold primarily by our sales staff to grocery retailers, grocery wholesalers, meat distributors, warehouse club stores, military commissaries, industrial food processing companies, chain restaurants or their distributors, live markets, international export companies and domestic distributors who serve restaurants, foodservice operations such as plant and school cafeterias, convenience stores, hospitals and other vendors. Additionally, sales to the military and a portion of sales to international markets are made through independent brokers and trading companies.

On August 28, 2014, we acquired and consolidated The Hillshire Brands Company ("Hillshire Brands"), a manufacturer and marketer of branded, convenient foods. Hillshire Brands' results of operations are included in the Prepared Foods segment. For further description of this transaction, refer to Part II, Item 8, Notes to Consolidated Financial Statements, Note 3: Acquisitions and Dispositions.

FINANCIAL INFORMATION OF SEGMENTS
We operate in four reportable segments: Chicken, Beef, Pork and Prepared Foods. Other primarily includes our foreign chicken production operations in China and India and third-party merger and integration costs. The contribution of each segment to net sales and operating income (loss), and the identifiable assets attributable to each segment, are set forth in Part II, Item 8, Notes to Consolidated Financial Statements, Note 16: Segment Reporting.

DESCRIPTION OF SEGMENTS
Chicken: Chicken includes our domestic operations related to raising and processing live chickens into, and purchasing raw materials for, fresh, frozen and value-added chicken products, as well as sales from allied products. Products are marketed domestically to food retailers, foodservice distributors, restaurant operators, hotel chains and noncommercial foodservice establishments such as schools, healthcare facilities, the military and other food processors, as well as to international export markets. This segment also includes logistics operations to move products through our domestic supply chain and the global operations of our chicken breeding stock subsidiary.

Beef: Beef includes our operations related to processing live fed cattle and fabricating dressed beef carcasses into primal and sub-primal meat cuts and case-ready products. Products are marketed domestically to food retailers, foodservice distributors, restaurant operators, hotel chains and noncommercial foodservice establishments such as schools, healthcare facilities, the military and other food processors, as well as to international export markets. This segment also includes sales from allied products such as hides and variety meats, as well as logistics operations to move products through the supply chain.

Pork: Pork includes our operations related to processing live market hogs and fabricating pork carcasses into primal and sub-primal cuts and case-ready products. Products are marketed domestically to food retailers, foodservice distributors, restaurant operators, hotel chains and noncommercial foodservice establishments such as schools, healthcare facilities, the military and other food processors, as well as to international export markets. This segment also includes our live swine group, related allied product processing activities and logistics operations to move products through the supply chain.

Prepared Foods: Prepared Foods includes our operations related to manufacturing and marketing frozen and refrigerated food products and logistics operations to move products through the supply chain. This segment includes brands such as Jimmy Dean®, Hillshire Farm®, Ball Park®, Wright®, State Fair®, Van's®, Sara Lee® and Chef Pierre®, as well as artisanal brands Aidells®, Gallo Salame®, and Golden Island®. Products primarily include pepperoni, bacon, breakfast sausage, turkey, lunchmeat, hot dogs, pizza crusts and toppings, flour and corn tortilla products, desserts, appetizers, snacks, prepared meals, ethnic foods, soups, sauces, side dishes, meat dishes, breadsticks and processed meats. Products are marketed domestically to food retailers, foodservice distributors, restaurant operators, hotel chains and noncommercial foodservice establishments such as schools, healthcare facilities, the military and other food processors, as well as to international export markets.

RAW MATERIALS AND SOURCES OF SUPPLY

Chicken: The primary raw materials used in our domestic chicken operations are corn and soybean meal used as feed and live chickens raised primarily by independent contract growers. Our vertically-integrated chicken process begins with the grandparent breeder flocks and ends with broilers for processing. Breeder flocks (i.e., grandparents) are raised to maturity in grandparent growing and laying farms where fertile eggs are produced. Fertile eggs are incubated at the grandparent hatchery and produce pullets (i.e., parents). Pullets are sent to breeder houses, and the resulting eggs are sent to our hatcheries. Once chicks have hatched, they are sent to broiler farms. There, contract growers care for and raise the chicks according to our standards, with advice from our technical service personnel, until the broilers reach the desired processing weight. Adult chickens are transported to processing plants where they are slaughtered and converted into finished products, which are then sent to distribution centers and delivered to customers.

We operate feed mills to produce scientifically-formulated feeds. In fiscal 2016, corn, soybean meal and other feed ingredients were major production costs, representing roughly 57% of our cost of growing a live chicken domestically. In addition to feed ingredients to grow the chickens, we use cooking ingredients, packaging materials and cryogenic agents. We believe our sources of supply for these materials are adequate for our present needs, and we do not anticipate any difficulty in acquiring these materials in the future. While we produce nearly all our inventory of breeder chickens and live broilers, we also purchase ice-packed or deboned chicken to meet production and sales requirements.

Beef: The primary raw materials used in our beef operations are live cattle. We do not have facilities of our own to raise cattle but employ cattle buyers located throughout cattle producing areas who visit independent feed yards and public auctions and buy live cattle on the open spot market. These buyers are trained to select high quality animals, and we continually measure their performance. We also enter into various risk-sharing and procurement arrangements with producers to secure a supply of livestock for our facilities. Although we generally expect adequate supply of live cattle in the regions we operate, there may be periods of imbalance in supply and demand.

Pork: The primary raw materials used in our pork operations are live hogs. The majority of our live hog supply is obtained through various procurement relationships with independent producers. We employ hog buyers who make purchase agreements of various time durations as well as purchase hogs on a daily basis, generally a few days before the animals are processed. These buyers are trained to select high quality animals, and we continually measure their performance. We believe the supply of live hogs is adequate for our present needs. Additionally, we raise a small number of weanling swine to sell to independent finishers and supply a minimal amount of market hogs and live swine for our own processing needs.

Prepared Foods: The primary raw materials used in our prepared foods operations are commodity based raw materials, including chicken, beef, pork, turkey, corn, flour, vegetables and other cooking ingredients. Some of these raw materials are provided by our other segments, while others may be purchased from numerous suppliers and manufacturers. We believe the sources of supply of raw materials are adequate for our present needs.

SEASONAL DEMAND

Demand for chicken, beef, and certain prepared foods products, such as hot dogs and smoked sausage, generally increases during the spring and summer months and generally decreases during the winter months. Pork and certain other prepared foods products, such as prepared meals, meat dishes, appetizers, frozen pies and breakfast sausage, generally experience increased demand during the winter months, primarily due to the holiday season, while demand generally decreases during the spring and summer months.

CUSTOMERS

Wal-Mart Stores, Inc. accounted for 17.5% of our fiscal 2016 consolidated sales. Sales to Wal-Mart Stores, Inc. were included in all of our segments. Any extended discontinuance of sales to this customer could, if not replaced, have a material impact on our operations. No other single customer or customer group represented more than 10% of fiscal 2016 consolidated sales.

COMPETITION

Our food products compete with those of other food producers and processors and certain prepared food manufacturers. Additionally, our food products compete in markets around the world.

We seek to achieve a leading market position for our products via our principal marketing and competitive strategy, which includes:

- identifying target markets for value-added products;
- concentrating production, sales and marketing efforts to appeal to and enhance demand from those markets; and
- utilizing our national distribution systems and customer support services.

Past efforts indicate customer demand can be increased and sustained through application of our marketing strategy, as supported by our distribution systems. The principal competitive elements are price, product safety and quality, brand identification, innovation, breadth and depth of product offerings, availability of products, customer service and credit terms.

FOREIGN OPERATIONS

We sold products in approximately 115 countries in fiscal 2016. Major sales markets include Canada, Central America, China, the European Union, Japan, Mexico, the Middle East, South Korea and Taiwan.

We have the following foreign operations:

- Cobb-Vantress, a chicken breeding stock subsidiary, has business interests in Argentina, Brazil, China, the Dominican Republic, India, Japan, the Netherlands, New Zealand, the Philippines, Russia, Spain, Turkey, the United Kingdom and Venezuela.
- Tyson Rizhao, located in Rizhao, China, is a vertically-integrated chicken production operation.
- Tyson Dalong, a joint venture in China in which we have a majority interest, is a chicken further-processing facility.
- Tyson Nantong, located in Nantong, China, is a vertically-integrated chicken production operation.
- Godrej Tyson Foods, a joint venture in India in which we have a majority interest, is primarily a chicken processing business.
- Tyson Mexico Trading Company, a Mexican subsidiary, sells chicken products primarily through co-packer arrangements.

We continue to evaluate growth opportunities in foreign countries. Additional information regarding export sales and long-lived assets located in foreign countries is set forth in Part II, Item 8, Notes to Consolidated Financial Statements, Note 16: Segment Reporting.

RESEARCH AND DEVELOPMENT

We conduct continuous research and development activities to improve product development, to automate manual processes in our processing plants and growout operations, and to improve chicken breeding stock. With regards to our food products we have two research and development locations, our Discovery Center in Springdale, Arkansas, and another center located in Downers Grove, Illinois. The centers include over 80,000 square feet of United States Department of Agriculture (USDA) pilot plant space, two consumer sensory and focus group areas, a packaging lab and 25 research kitchens. The centers enable us to bring new market-leading retail and foodservice products to the customer quickly and efficiently. Research and development costs totaled $96 million, $75 million, and $52 million in fiscal 2016, 2015 and 2014, respectively.

ENVIRONMENTAL REGULATION AND FOOD SAFETY

Our facilities for processing chicken, beef, pork, turkey and prepared foods, milling feed and housing live chickens and swine are subject to a variety of international, federal, state and local environmental laws and regulations, which include provisions relating to the discharge of materials into the environment and generally provide for protection of the environment. We believe we are in substantial compliance with such applicable laws and regulations and are not aware of any violations of such laws and regulations likely to result in material penalties or material increases in compliance costs. The cost of compliance with such laws and regulations has not had a material adverse effect on our capital expenditures, earnings or competitive position, and except as described below, is not anticipated to have a material adverse effect in the future.

Congress, the United States Environmental Protection Agency and some states continue to consider various options to control greenhouse gas emissions. It is unclear at this time what options, if any, will be finalized, and whether such options would have a direct impact on the Company. Due to continuing uncertainty surrounding this issue, it is premature to speculate on the specific nature of impacts that imposition of greenhouse gas emission controls would have on us and whether such impacts would have a material adverse effect.

We work to ensure our products meet high standards of food safety and quality. In addition to our own internal Food Safety and Quality Assurance oversight and review, our chicken, beef, pork and prepared foods products are subject to inspection prior to distribution, primarily by the USDA and the United States Food and Drug Administration. We are also participants in the United States Hazard Analysis Critical Control Point program and are subject to the Sanitation Standard Operating Procedures and the Public Health Security and Bioterrorism Preparedness and Response Act of 2002. Additionally, our foreign operations are subject to various other food safety and quality assurance oversight and review.

EMPLOYEES AND LABOR RELATIONS

As of October 1, 2016, we employed approximately 114,000 employees. Approximately 108,000 employees were employed in the United States and 6,000 employees were employed in foreign countries, primarily in China. Approximately 29,000 employees in the United States were subject to collective bargaining agreements with various labor unions, with approximately 43% of those employees at locations either under negotiation for contract renewal or included under agreements expiring in fiscal 2017. The remaining agreements expire over the next several years. Approximately 4,000 employees in foreign countries were subject to collective bargaining agreements. We believe our overall relations with our workforce are good.

MARKETING AND DISTRIBUTION

Our principal marketing objective is to be the preferred provider of chicken, beef, pork and prepared foods products for our customers and consumers. We build the Tyson®, Jimmy Dean®, Hillshire Farm®, Sara Lee®, Ball Park®, Wright®, Aidells® and State Fair® brands while supporting strong regional and emerging brands primarily through well-defined, product-specific advertising, marketing, and public relations efforts focused toward key consumer targets with specific needs. We identify growth and business opportunities through consumer and customer insights derived via leading research and analytic capabilities. We utilize our national distribution system and customer support services to achieve the leading market position for our products and brands.

We have the ability to produce and ship fresh, frozen and refrigerated products worldwide. Domestically, our distribution system extends to a broad network of food distributors and is supported by our owned or leased cold storage warehouses, public cold storage facilities and our transportation system. Our distribution centers accumulate fresh and frozen products so we can fill and consolidate partial-truckload orders into full truckloads, thereby decreasing shipping costs while increasing customer service. In addition, we provide our customers a wide selection of products that do not require large volume orders. Our distribution system enables us to supply large or small quantities of products to meet customer requirements anywhere in the continental United States. Internationally, we utilize both rail and truck refrigerated transportation to domestic ports, where consolidations take place to transport to foreign destinations.

PATENTS AND TRADEMARKS

We have filed a number of patents relating to our processes and products that either have been approved or are in the process of review. Because we do a significant amount of brand name and product line advertising to promote our products, we consider the protection of our trademarks to be important to our marketing efforts and have registered and applied for the registration of a number of trademarks. We also have developed non-public proprietary information regarding our production processes and other product-related matters. We utilize internal procedures and safeguards to protect the confidentiality of such information and, where appropriate, seek patent and/or other protection for the technology we utilize.

INDUSTRY PRACTICES

Our agreements with customers are generally short-term, primarily due to the nature of our products, industry practices and fluctuations in supply, demand and price for such products. In certain instances where we are selling further processed products to large customers, we may enter into written agreements whereby we will act as the exclusive or preferred supplier to the customer, with pricing terms that are either fixed or variable.

AVAILABILITY OF SEC FILINGS AND CORPORATE GOVERNANCE DOCUMENTS ON INTERNET WEBSITE

We maintain an internet website for investors at http://ir.tyson.com. On this website, we make available, free of charge, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, XBRL (eXtensible Business Reporting Language) reports, and all amendments to any of those reports, as soon as reasonably practicable after we electronically file such reports with, or furnish to, the Securities and Exchange Commission. Also available on the website for investors are the Corporate Governance Principles, Audit Committee charter, Compensation and Leadership Development Committee charter, Governance and Nominating Committee charter, Strategy and Acquisitions Committee charter, Code of Conduct and Whistleblower Policy. Our corporate governance documents are available in print, free of charge to any shareholder who requests them.

CAUTIONARY STATEMENTS RELEVANT TO FORWARD-LOOKING INFORMATION FOR THE PURPOSE OF "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain information in this report constitutes forward-looking statements. Such forward-looking statements include, but are not limited to, current views and estimates of our outlook for fiscal 2017, other future economic circumstances, industry conditions in domestic and international markets, our performance and financial results (e.g., debt levels, return on invested capital, value-added product growth, capital expenditures, tax rates, access to foreign markets and dividend policy). These forward-looking statements are subject to a number of factors and uncertainties that could cause our actual results and experiences to differ materially from anticipated results and expectations expressed in such forward-looking statements. We wish to caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Among the factors that may cause actual results and experiences to differ from anticipated results and expectations expressed in such forward-looking statements are the following: (i) the effect of, or changes in, general economic conditions; (ii) fluctuations in the cost and availability of inputs and raw materials, such as live cattle, live swine, feed grains (including corn and soybean meal) and energy; (iii) market conditions for finished products, including competition from other global and domestic food processors, supply and pricing of competing products and alternative proteins and demand for alternative proteins; (iv) successful rationalization of existing facilities and operating efficiencies of the facilities; (v) risks associated with our commodity purchasing activities; (vi) access to foreign markets together with foreign economic conditions, including currency fluctuations, import/export restrictions and foreign politics; (vii) outbreak of a livestock disease (such as avian influenza (AI) or bovine spongiform encephalopathy (BSE)), which could have an adverse effect on livestock we own, the availability of livestock we purchase, consumer perception of certain protein products or our ability to access certain domestic and foreign markets; (viii) changes in availability and relative costs of labor and contract growers and our ability to maintain good relationships with employees, labor unions, contract growers and independent producers providing us livestock; (ix) issues related to food safety, including costs resulting from product recalls, regulatory compliance and any related claims or litigation; (x) changes in consumer preference and diets and our ability to identify and react to consumer trends; (xi) significant marketing plan changes by large customers or loss of one or more large customers; (xii) adverse results from litigation; (xiii) impacts on our operations caused by factors and forces beyond our control, such as natural disasters, fire, bioterrorism, pandemics or extreme weather; (xiv) risks associated with leverage, including cost increases due to rising interest rates or changes in debt ratings or outlook; (xv) compliance with and changes to regulations and laws (both domestic and foreign), including changes in accounting standards, tax laws, environmental laws, agricultural laws and occupational, health and safety laws; (xvi) our ability to make effective acquisitions or joint ventures and successfully integrate newly acquired businesses into existing operations; (xvii) cyber incidents, security breaches or other disruptions of our information technology systems; (xviii) effectiveness of advertising and marketing programs; and (xix) those factors listed under Item 1A. "Risk Factors."

ITEM 1A. RISK FACTORS

These risks, which should be considered carefully with the information provided elsewhere in this report, could materially adversely affect our business, financial condition or results of operations. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or results of operations.

The integration of The Hillshire Brands Company may be more difficult, costly or time consuming than expected, and the acquisition may not result in any or all of the anticipated benefits, including cost synergies.

The success of the acquisition of Hillshire Brands, including the realization of the anticipated benefits, will depend in part on our ability to successfully integrate Hillshire Brands' businesses in an efficient and effective manner. We may not be able to accomplish this integration process smoothly or successfully. The necessity of coordinating geographically separated organizations, systems and facilities and addressing possible differences in business backgrounds, corporate cultures and management philosophies may increase the difficulties of integration. Failure to effectively integrate the businesses could adversely impact the expected benefits of the acquisition, including cost synergies stemming from supply chain efficiencies, merchandising activities and overlapping general and administrative functions.

The integration of two large companies is complex, and we will be required to devote significant management attention and incur substantial costs to integrate Hillshire Brands' and Tyson's business practices, policies, cultures and operations. This diversion of our management's attention from day-to-day business operations and the execution and pursuit of strategic plans and initiatives could result in performance shortfalls, which could adversely impact the combined company's business, operations and financial results. The integration process could also result in the loss of key employees, which could adversely impact the combined company's future financial results.

Furthermore, during the integration planning process, we may encounter additional challenges and difficulties, including those related to, without limitation, managing a larger combined company; streamlining supply chains, consolidating corporate and administrative infrastructures and eliminating overlapping operations; retaining our existing vendors and customers; unanticipated issues in integrating information technology, communications and other systems; and unforeseen and unexpected liabilities related to the acquisition of Hillshire Brands' business. Delays encountered in the integration could adversely impact the business, financial condition and operations of the combined company.

We continue to evaluate our estimates of synergies to be realized from the Hillshire Brands acquisition and refine them. Our actual cost savings could differ materially from our current estimates. Actual cost savings, the costs required to realize the cost savings and the source of the cost savings could differ materially from our estimates, and we cannot assure you that we will achieve the full amount of cost savings on the schedule anticipated or at all or that these cost savings programs will not have other adverse effects on our business. In light of these uncertainties, you should not place undue reliance on our estimated cost savings.

Finally, we may not be able to achieve the targeted operating or long-term strategic benefits of the Hillshire Brands acquisition or could incur higher transition costs. An inability to realize the full extent of, or any of, the anticipated benefits of the Hillshire Brands acquisition, as well as any delays encountered in the integration process, could have an adverse effect on our business, results of operations and financial condition.

Fluctuations in commodity prices and in the availability of raw materials, especially feed grains, live cattle, live swine and other inputs could negatively impact our earnings.

Our results of operations and financial condition, as well as the selling prices for our products, are dependent upon the cost and supply of commodities and raw materials such as pork, beef, poultry, corn, soybean, packaging materials and energy and, to a lesser extent, cheese, fruit, seasoning blends, flour, corn syrup, corn oils, butter and sugar. Corn, soybean meal and other feed ingredients, for instance, represented roughly 57% of our cost of growing a live chicken in fiscal 2016. Production and pricing of these commodities are determined by constantly changing market forces of supply and demand over which we have limited or no control. Such factors include, among other things, weather patterns throughout the world, outbreaks of disease, the global level of supply inventories and demand for grains and other feed ingredients, as well as agricultural and energy policies of domestic and foreign governments.

Volatility in our commodity and raw material costs directly impact our gross margin and profitability. The Company’s objective is to offset commodity price increases with pricing actions over time. However, we may not be able to increase our product prices enough to sufficiently offset increased raw material costs due to consumer price sensitivity or the pricing postures of our competitors. In addition, if we increase prices to offset higher costs, we could experience lower demand for our products and sales volumes. Conversely, decreases in our commodity and other input costs may create pressure on us to decrease our prices. While we use derivative financial instruments, primarily futures and options, to reduce the effect of changing prices and as a mechanism to procure the underlying commodity, we do not fully hedge against changes in commodities prices.

Over time, if we are unable to price our products to cover increased costs, to offset operating cost increases with continuous improvement savings or are not successful in our commodity hedging program, then commodity and raw material price volatility or increases could materially and adversely affect our profitability, financial condition and results of operations.

The prices we receive for our products may fluctuate due to competition from other food producers and processors.

The food industry in general is intensely competitive. We face competition from other food producers and processors that have various product ranges and geographic reach. Some of the factors on which we compete include: pricing, product safety and quality, brand identification, innovation, breadth and depth of product offerings, availability of our products and competing products, customer service, and credit terms.

From time to time in response to these competitive pressures or to maintain market share, we may need to reduce the prices for some of our products or increase or reallocate spending on marketing, advertising and promotions and new product innovation. Such pressures also may restrict our ability to increase prices in response to raw material and other cost increases. Any reduction in prices as a result of competitive pressures, or any failure to increase prices to offset cost increases, could harm our profit margins. If we reduce prices but we cannot increase sales volumes to offset the price changes, then our financial condition and results of operations will suffer. Alternatively, if we do not reduce our prices and our competitors seek advantage through pricing or promotional changes, our revenues and market share would be adversely affected.

Outbreaks of livestock diseases can adversely impact our ability to conduct our operations and demand for our products.

Demand for our products can be adversely impacted by outbreaks of livestock diseases, which can have a significant impact on our financial results. Efforts are taken to control disease risks by adherence to good production practices and extensive precautionary measures designed to ensure the health of livestock. However, outbreaks of disease and other events, which may be beyond our control, either in our own livestock or livestock owned by independent producers who sell livestock to us, could significantly affect demand for our products, consumer perceptions of certain protein products, the availability of livestock for purchase by us and our ability to conduct our operations. Moreover, the outbreak of livestock diseases, particularly in our Chicken segment, could have a significant effect on the livestock we own by requiring us to, among other things, destroy any affected livestock. Furthermore, an outbreak of disease could result in governmental restrictions on the import and export of our products to or from our suppliers, facilities or customers. This could also result in negative publicity that may have an adverse effect on our ability to market our products successfully and on our financial results.

We are subject to risks associated with our international activities, which could negatively affect our sales to customers in foreign countries, as well as our operations and assets in such countries.

In fiscal 2016, we sold products to approximately 115 countries. Major sales markets include Canada, Central America, China, the European Union, Japan, Mexico, the Middle East, South Korea and Taiwan. Our sales to customers in foreign countries for fiscal 2016 totaled $4.1 billion, of which $3.5 billion related to export sales from the United States. In addition, we had approximately $204 million of long-lived assets located in foreign countries, primarily Brazil, China, and India, at the end of fiscal 2016.

As a result, we are subject to various risks and uncertainties relating to international sales and operations, including:

- imposition of tariffs, quotas, trade barriers and other trade protection measures imposed by foreign countries regarding the importation of poultry, beef, pork and prepared foods products, in addition to import or export licensing requirements imposed by various foreign countries;
- closing of borders by foreign countries to the import of poultry, beef and pork products due to animal disease or other perceived health or safety issues;
- impact of currency exchange rate fluctuations between the United States dollar and foreign currencies, particularly the Brazilian real, the British pound sterling, the Canadian dollar, the Chinese renminbi, the European euro, the Japanese yen and the Mexican peso;
- political and economic conditions;
- difficulties and costs to comply with, and enforcement of remedies under, a wide variety of complex domestic and international laws, treaties and regulations, including, without limitation, the United States Foreign Corrupt Practices Act and economic and trade sanctions enforced by the United States Department of the Treasury's Office of Foreign Assets Control;
- different regulatory structures and unexpected changes in regulatory environments;
- tax rates that may exceed those in the United States and earnings that may be subject to withholding requirements and incremental taxes upon repatriation;
- potentially negative consequences from changes in tax laws; and
- distribution costs, disruptions in shipping or reduced availability of freight transportation.

Negative consequences relating to these risks and uncertainties could jeopardize or limit our ability to transact business in one or more of those markets where we operate or in other developing markets and could adversely affect our financial results.

We depend on the availability of, and good relations with, our employees.

We have approximately 114,000 employees, approximately 33,000 of whom are covered by collective bargaining agreements or are members of labor unions. Our operations depend on the availability and relative costs of labor and maintaining good relations with employees and the labor unions. If we fail to maintain good relations with our employees or with the labor unions, we may experience labor strikes or work stoppages, which could adversely affect our financial results.

If we are unable to attract, hire or retain key employees or a highly skilled and diverse global workforce, it could have a negative impact on our business, financial condition or results of operations.

Our continued growth requires us to attract, hire, retain and develop key employees, including our executive officers and senior management team, and maintain a highly skilled and diverse global workforce. We compete to attract and hire highly skilled employees and our own employees are highly sought after by our competitors and other companies. Competition could cause us to lose talented employees, and unplanned turnover could deplete our institutional knowledge and result in increased costs due to increased competition for employees.

We depend on contract growers and independent producers to supply us with livestock.

We contract primarily with independent contract growers to raise the live chickens and turkeys processed in our poultry operations. A majority of our cattle and hogs are purchased from independent producers who sell livestock to us under marketing contracts or on the open market. If we do not attract and maintain contracts with growers or maintain marketing and purchasing relationships with independent producers, our production operations could be negatively affected.

If our products become contaminated, we may be subject to product liability claims and product recalls.

Our products may be subject to contamination by disease-producing organisms or pathogens, such as Listeria monocytogenes, Salmonella and E. coli. These organisms and pathogens are found generally in the environment and there is a risk that one or more, as a result of food processing, could be present in our products. These organisms and pathogens also can be introduced to our products as a result of improper handling at the further-processing, foodservice or consumer level. These risks may be controlled, but may not be eliminated, by adherence to good manufacturing practices and finished product testing. We have little, if any, control over handling procedures once our products have been shipped for distribution. Even an inadvertent shipment of contaminated products may be a violation of law and may lead to increased risk of exposure to product liability claims, increased scrutiny and penalties, including injunctive relief and plant closings, by federal and state regulatory agencies, and adverse publicity, which could exacerbate the associated negative consumer reaction. Any of these occurrences may have an adverse effect on our financial results.

In addition, we may be required to recall some of our products if they spoil, become contaminated, are tampered with or are mislabeled. A widespread product recall could result in significant losses due to the costs of a recall, the destruction of product inventory and lost sales due to the unavailability of product for a period of time. Such a product recall also could result in adverse publicity, damage to our reputation, and a loss of consumer confidence in our products, which could have a material adverse effect on our business results and the value of our brands.

Changes in consumer preference and failure to maintain favorable consumer perception of our brands and products could negatively impact our business.

The food industry in general is subject to changing consumer trends, demands and preferences. Trends within the food industry change often, and failure to identify and react to changes in these trends could lead to, among other things, reduced demand and price reductions for our brands and products. We strive to respond to consumer preferences and social expectations, but we may not be successful in our efforts.

We could be adversely affected if consumers lose confidence in the safety and quality of certain food products or ingredients, or the food safety system generally. Prolonged negative perceptions concerning the health implications of certain food products or ingredients or loss of confidence in the food safety system generally could influence consumer preferences and acceptance of some of our products and marketing programs. Continued negative perceptions and failure to satisfy consumer preferences could materially and adversely affect our product sales, financial condition and results of operations.

We have a number of iconic brands with significant value. Maintaining and continually enhancing the value of these brands is critical to the success of our business. Brand value is based in large part on consumer perceptions. Success in promoting and enhancing brand value depends in large part on our ability to provide high-quality products. Brand value could diminish significantly due to a number of factors, including consumer perception that we have acted in an irresponsible manner, adverse publicity about our products (whether or not valid), our failure to maintain the quality of our products, the failure of our products to deliver consistently positive consumer experiences or the products becoming unavailable to consumers.

Failure to continually innovate and successfully launch new products and maintain our brand image through marketing investment could adversely impact our operating results.

Our financial success is dependent on anticipating changes in consumer preferences and dietary habits and successfully developing and launching new products and product extensions that consumers want. We devote significant resources to new product development and product extensions, however we may not be successful in developing innovative new products or our new products may not be commercially successful. To the extent we are not able to effectively gauge the direction of our key markets and successfully identify, develop, manufacture and market new or improved products in these changing markets, our financial results and our competitive position will suffer. In addition, our introduction of new products or product extensions may generate litigation or other legal proceedings against us by competitors claiming infringement of their intellectual property or other rights, which could negatively impact our results of operations.

We also seek to maintain and extend the image of our brands through marketing investments, including advertising, consumer promotions and trade spend. Due to inherent risks in the marketplace associated with advertising, promotions and new product introductions, including uncertainties about trade and consumer acceptance, our marketing investments may not prove successful in maintaining or increasing our market share and could result in lower sales and profits. Continuing global focus on health and wellness, including weight management, and increasing media attention to the role of food marketing could adversely affect our brand image or lead to stricter regulations and greater scrutiny of food marketing practices.

Our success in maintaining, extending and expanding our brand image also depends on our ability to adapt to a rapidly changing media environment, including our increasing reliance on social media and online dissemination of advertising campaigns. The growing use of social and digital media increases the speed and extent that information or misinformation and opinions can be shared. Negative posts or comments about us, our brands or our products on social or digital media could seriously damage our reputation and brand image.

We are subject to a variety of legal and regulatory restrictions on how and to whom we market our products, for instance marketing to children, which may limit our ability to maintain or extend our brand image. If we do not maintain or extend our brand image, then our product sales, financial condition and results of operations could be materially and adversely affected.

Failure to leverage our brand value propositions to compete against private label products, especially during economic downturn, may adversely affect our profitability.

In many product categories, we compete not only with other widely advertised branded products, but also with private label products that generally are sold at lower prices. Consumers are more likely to purchase our products if they believe that our products provide a higher quality and greater value than less expensive alternatives. If the difference in quality between our brands and private label products narrows, or if there is a perception of such a narrowing, consumers may choose not to buy our products at prices that are profitable for us. In addition, in periods of economic uncertainty, consumers tend to purchase more lower-priced private label or other economy brands. To the extent this occurs, we could experience a reduction in the sales volume of our higher margin products or a shift in our product mix to lower margin offerings. In addition, in times of economic uncertainty, consumers reduce the amount of food that they consume away from home at our foodservice customers, which in turn reduces our product sales.

Our level of indebtedness and the terms of our indebtedness could negatively impact our business and liquidity position.

Our indebtedness, including borrowings under our revolving credit facility, may increase from time to time for various reasons, including fluctuations in operating results, working capital needs, capital expenditures and possible acquisitions, joint ventures or other significant initiatives. Our consolidated indebtedness level could adversely affect our business because:

- it may limit or impair our ability to obtain financing in the future;
- our credit ratings (or any decrease to our credit ratings) could restrict or impede our ability to access capital markets at desired interest rates and increase our borrowing costs;
- it may reduce our flexibility to respond to changing business and economic conditions or to take advantage of business opportunities that may arise;
- a portion of our cash flow from operations must be dedicated to interest payments on our indebtedness and is not available for other purposes; and
- it may restrict our ability to pay dividends.

Our revolving credit and term loan facilities contain affirmative and negative covenants that, among other things, may limit or restrict our ability to: create liens and encumbrances; incur debt; merge, dissolve, liquidate or consolidate; make acquisitions and investments; dispose of or transfer assets; change the nature of our business; engage in certain transactions with affiliates; and enter into hedging transactions, in each case, subject to certain qualifications and exceptions. In addition, we are required to maintain minimum interest expense coverage and maximum debt to capitalization ratios.

Our senior notes also contain affirmative and negative covenants that, among other things, may limit or restrict our ability to: create liens; engage in certain sale/leaseback transactions; and engage in certain consolidations, mergers and sales of assets.

An impairment in the carrying value of our goodwill or indefinite life intangible assets could negatively impact our consolidated results of operations and net worth.

Goodwill and indefinite life intangible assets are initially recorded at fair value and not amortized, but are reviewed for impairment at least annually or more frequently if impairment indicators arise. In assessing the carrying value of goodwill and indefinite life intangible assets, we make estimates and assumptions about sales, operating margins, growth rates, royalty rates and discount rates based on budgets, business plans, economic projections, anticipated future cash flows and marketplace data. There are inherent uncertainties related to these factors and management’s judgment in applying these factors. Goodwill valuations have been calculated principally using an income approach based on the present value of future cash flows of each reporting unit and are believed to reflect market participant views which would exist in an exit transaction. Indefinite life intangible asset valuations have been calculated principally using relief-from-royalty and excess earnings approaches and are believed to reflect market participant views which would exist in an exit transaction. Under these valuation approaches, we are required to make various judgmental assumptions about appropriate discount rates. Disruptions in global credit and other financial markets and deterioration of economic conditions, could, among other things, cause us to increase the discount rate used in the valuations. We could be required to evaluate the recoverability of goodwill and indefinite life intangible assets prior to the annual assessment if we experience disruptions to the business, unexpected significant declines in operating results, divestiture of a significant component of our business or sustained market capitalization declines. These types of events and the resulting analyses could result in impairment charges in the future, which could be substantial. As of October 1, 2016, we had $10.7 billion of goodwill and indefinite life intangible assets, which represented approximately 48% of total assets.

New or more stringent domestic and international government regulations could impose material costs on us and could adversely affect our business.

Our operations are subject to extensive federal, state and foreign laws and regulations by authorities that oversee food safety standards and processing, packaging, storage, distribution, advertising, labeling and export of our products. See "Environmental Regulation and Food Safety" in Item 1 of this Annual Report on Form 10-K. Changes in laws or regulations that impose additional regulatory requirements on us could increase our cost of doing business or restrict our actions, causing our results of operations to be adversely affected. For example, increased governmental interest in advertising practices may result in regulations that could require us to change or restrict our advertising practices.

Increased government regulations to limit carbon dioxide and other greenhouse gas emissions as a result of concern over climate change may result in increased compliance costs, capital expenditures and other financial obligations for us. We use natural gas, diesel fuel and electricity in the manufacturing and distribution of our products. Legislation or regulation affecting these inputs could materially affect our profitability. In addition, climate change could affect our ability to procure needed commodities at costs and in quantities we currently experience and may require us to make additional unplanned capital expenditures.

Legal claims, class action lawsuits, other regulatory enforcement actions, or failure to comply with applicable legal standards or requirements could affect our product sales, reputation and profitability.

We operate in a highly regulated environment with constantly evolving legal and regulatory frameworks. Consequently, we are subject to heightened risk of legal claims or other regulatory enforcement actions. Although we have implemented policies and procedures designed to ensure compliance with existing laws and regulations, there can be no assurance that our employees, contractors, or agents will not violate our policies and procedures. Moreover, a failure to maintain effective control processes could lead to violations, unintentional or otherwise, of laws and regulations. Legal claims or regulatory enforcement actions arising out of our failure or alleged failure to comply with applicable laws and regulations, including those contained in Item 3, Legal Proceedings and Part II, Item 8, and Notes to Consolidated Financial Statements, Note 19: Commitments and Contingencies in this Annual Report on Form 10-K, could subject us to civil and criminal penalties, including debarment from governmental contracts that could materially and adversely affect our product sales, reputation, financial condition and results of operations. Loss of or failure to obtain necessary permits and registrations could delay or prevent us from meeting current product demand, introducing new products, building new facilities or acquiring new businesses and could adversely affect operating results.

The Company is subject to stringent environmental regulation and potentially subject to environmental litigation, proceedings, and investigations.

Our past and present business operations and ownership and operation of real property are subject to stringent federal, state, and local environmental laws and regulations pertaining to the discharge of materials into the environment, and the handling and disposition of wastes (including solid and hazardous wastes) or otherwise relating to protection of the environment. Compliance with these laws and regulations, and the ability to comply with any modifications to these laws and regulations, is material to our business. New matters or sites may be identified in the future that will require additional investigation, assessment, or expenditures. In addition, some of our facilities have been in operation for many years and, over time, we and other prior operators of these facilities may have generated and disposed of wastes that now may be considered hazardous. Future discovery of contamination of property underlying or in the vicinity of our present or former properties or manufacturing facilities and/or waste disposal sites could require us to incur additional expenses. The occurrence of any of these events, the implementation of new laws and regulations, or stricter interpretation of existing laws or regulations, could adversely affect our financial results.

We are increasingly dependent on information technology, and our business and reputation could suffer if we are unable to protect our information technology systems against, or effectively respond to, cyber-attacks, other cyber incidents or security breaches or if our information technology systems are otherwise disrupted.

Information technology is an important part of our business operations and we increasingly rely on information technology systems to manage business data and increase efficiencies in our production and distribution facilities and inventory management processes. We also use information technology to process financial information and results of operations for internal reporting purposes and to comply with regulatory, legal and tax requirements. In addition, we depend on information technology for digital marketing and electronic communications between our facilities, personnel, customers and suppliers. Like other companies, our information technology systems may be vulnerable to a variety of disruptions, including but not limited to the process of upgrading or replacing software, databases or components thereof, natural disasters, terrorist attacks, telecommunications failures, computer viruses, cyber-attacks, hackers, unauthorized access attempts and other security issues. Attempted cyber-attacks and other cyber incidents are occurring more frequently, are constantly evolving in nature, are becoming more sophisticated and are being made by groups and individuals with a wide range of motives and expertise.

We have implemented and continue to evaluate security initiatives and disaster recovery plans to mitigate our exposure to these risks, but these measures may not be adequate. Any significant failure of our systems, including failures that prevent our systems from functioning as intended or our failure to timely identify or appropriately respond to cyber-attacks or other cyber incidents, could cause transaction errors, processing inefficiencies, loss of customers and sales, have negative consequences on our employees and our business partners, have a negative impact on our operations or business reputation and expose us to liability, litigation and regulatory enforcement actions. In addition, if we are unable to prevent security breaches, we may suffer financial and reputational damage or penalties because of the unauthorized disclosure of confidential information belonging to us or to our business partners, customers, consumers or suppliers. Finally, the disclosure of non-public information through external media channels could lead to the loss of intellectual property or damage our reputation and brand image. Similar risks exist with respect to the third-party vendors that we rely upon for aspects of our information technology support services and administrative functions, including health and benefit plan administration and certain finance and accounting functions, and systems managed, hosted, provided and/or used by third parties and their vendors.

If we pursue strategic acquisitions or divestitures, we may not be able to successfully consummate favorable transactions or successfully integrate acquired businesses.

We periodically evaluate potential acquisitions, joint ventures and other initiatives, and may seek to expand our business through the acquisition of companies, processing plants, technologies, products and services. Acquisitions and joint ventures involve financial and operational risks and uncertainties, including:

- challenges in realizing the anticipated benefits of the transaction;
- difficulty integrating acquired businesses, technologies, operations and personnel with our existing business;
- diversion of management attention in connection with negotiating transactions and integrating the businesses acquired;
- difficulty identifying suitable candidates or consummating a transaction on terms that are favorable to us;
- challenges in retaining the acquired businesses' customers and key employees;
- inability to implement and maintain consistent standards, controls, procedures and information systems;
- exposure to unforeseen or undisclosed liabilities of acquired companies; and
- the availability and terms of additional debt or equity financing for any transaction.

We may not be able to address these risks and successfully develop these acquired companies or businesses into profitable units. If we are unable to do this, such expansion could adversely affect our financial results.

Market fluctuations could negatively impact our operating results as we hedge certain transactions.

Our business is exposed to fluctuating market conditions. We use derivative financial instruments to reduce our exposure to various market risks including changes in commodity prices, interest rates and foreign exchange rates. We hold certain positions, primarily in grain and livestock futures, that do not qualify as hedges for financial reporting purposes. These positions are marked to fair value, and the unrealized gains and losses are reported in earnings at each reporting date. Therefore, losses on these contracts will adversely affect our reported operating results. While these contracts reduce our exposure to changes in prices for commodity products, the use of such instruments may ultimately limit our ability to benefit from favorable commodity prices.

Deterioration of economic conditions could negatively impact our business.

Our business may be adversely affected by changes in economic conditions, including inflation, interest rates, access to capital markets, consumer spending rates, energy availability and costs (including fuel surcharges) and the effects of governmental initiatives to manage economic conditions. Any such changes could adversely affect the demand for our products, or the cost and availability of our needed raw materials, cooking ingredients and packaging materials, thereby negatively affecting our financial results.

Disruptions in global credit and other financial markets and deterioration of economic conditions could, among other things:

- make it more difficult or costly for us to obtain financing for our operations or investments or to refinance our debt in the future;
- cause our lenders to depart from prior credit industry practice and make more difficult or expensive the granting of any amendment of, or waivers under, our credit agreements to the extent we may seek them in the future;
- impair the financial condition of some of our customers and suppliers, thereby increasing customer bad debts or non-performance by suppliers;
- negatively impact global demand for protein products, which could result in a reduction of sales, operating income and cash flows;
- decrease the value of our investments in equity and debt securities, including our marketable debt securities, company-owned life insurance and pension and other postretirement plan assets;
- negatively impact our commodity purchasing activities if we are required to record losses related to derivative financial instruments; or
- impair the financial viability of our insurers.

The loss of one or more of our largest customers could negatively impact our business.

Our business could suffer significant setbacks in sales and operating income if our customers' plans and/or markets change significantly or if we lost one or more of our largest customers, including, for example, Wal-Mart Stores, Inc., which accounted for 17.5% of our sales in fiscal 2016. Our retail customers typically do not enter into written contracts, and if they do sign contracts, they generally are limited in scope and duration. There can be no assurance that significant customers will continue to purchase our products in the same mix or quantities or on the same terms as in the past. Many of our customers, such as supermarkets, warehouse clubs and food distributors, have consolidated in recent years, and consolidation is expected to continue throughout the United States and in other major markets. These consolidations have produced large, sophisticated customers with increased buying power who are more capable of operating with reduced inventories, opposing price increases, and demanding lower pricing, increased promotional programs and specifically tailored products. These customers also may use shelf space currently used for our products for their own private label products. Because of these trends, our volume growth could slow or we may need to lower prices or increase promotional spending for our products. The loss of a significant customer or a material reduction in sales to, or adverse change to trade terms with, a significant customer could materially and adversely affect our product sales, financial condition and results of operations.

Extreme factors or forces beyond our control could negatively impact our business.

Our ability to make, move and sell products is critical to our success. Natural disasters, fire, bioterrorism, pandemic or extreme weather, including droughts, floods, excessive cold or heat, hurricanes or other storms, could impair the health or growth of livestock or interfere with our operations due to power outages, fuel shortages, decrease in availability of water, damage to our production and processing facilities or disruption of transportation channels, among other things. Any of these factors could have an adverse effect on our financial results.

Failure to maximize or to successfully assert our intellectual property rights could impact our competitiveness.

We consider our intellectual property rights, particularly and most notably our trademarks, but also our trade secrets, patents and copyrights, to be a significant and valuable aspect of our business. We attempt to protect our intellectual property rights through a combination of trademark, trade secret, patent and copyright laws, as well as licensing agreements, third-party nondisclosure and assignment agreements and policing of third-party misuses of our intellectual property. We cannot be sure that these intellectual property rights will be maximized or that they can be successfully asserted. There is a risk that we will not be able to obtain and perfect our own or, where appropriate, license intellectual property rights necessary to support new product introductions.

We cannot be sure that these rights, if obtained, will not be invalidated, circumvented or challenged in the future. In addition, even if such rights are obtained in the United States, the laws of some of the other countries in which our products are or may be sold do not protect our intellectual property rights to the same extent as the laws of the United States. Our failure to perfect or successfully assert our intellectual property rights could make us less competitive and could have an adverse effect on our business, operating results and financial condition.

Tyson Limited Partnership can exercise significant control.

As of October 1, 2016, Tyson Limited Partnership (the TLP) owns 99.985% of the outstanding shares of the Company's Class B Common Stock, $0.10 par value (Class B stock) and the TLP and members of the Tyson family own, in the aggregate, 2.06% of the outstanding shares of the Company's Class A Common Stock, $0.10 par value (Class A stock), giving them, collectively, control of approximately 71.18% of the total voting power of the Company's outstanding voting stock. At this time, the TLP does not have a managing general partner, as such, the management rights of the managing general partner may be exercised by a majority of the percentage interests of the general partners. As of October 1, 2016, Mr. John Tyson, Chairman of the Board of Directors, has 33.33% of the general partner percentage interests, and Ms. Barbara Tyson, a director of the Company, has 11.115% general partner percentage interests (the remaining general partnership interests are held by the Tyson Partnership Interest Trust (44.44%) and Harry C. Erwin, III (11.115%)). As a result of these holdings, positions and directorships, the partners in the TLP have the ability to exert substantial influence or actual control over our management and affairs and over substantially all matters requiring action by our stockholders, including amendments to our restated certificate of incorporation and by-laws, the election and removal of directors, any proposed merger, consolidation or sale of all or substantially all of our assets and other corporate transactions. This concentration of ownership may also delay or prevent a change in control otherwise favored by our other stockholders and could depress our stock price.

Additionally, as a result of the TLP's significant ownership of our outstanding voting stock, we are eligible for “controlled company” exemptions from certain corporate governance requirements of the New York Stock Exchange.

We may incur additional tax expense or become subject to additional tax liabilities.

We are subject to taxes in the United States and numerous foreign jurisdictions. Significant judgment is required in determining our provision for income taxes. Our total income tax expense could be affected by changes in tax rates in various jurisdictions, changes in the valuation of deferred tax assets and liabilities or changes in tax laws or their interpretation. We are also subject to the examination of our tax returns and other tax matters by the Internal Revenue Service and other tax authorities. There can be no assurance as to the outcome of these examinations. If a taxing authority disagrees with the positions we have taken, we could face additional tax liability, including interest and penalties, which could adversely affect our financial results.

We could incur substantial tax liabilities as a result of the DEMB Master Blenders 1753 N.V (“DEMB”) Spin-Off.

On June 28, 2012, Hillshire Brands divested its international coffee and tea business segment through the spin-off of DEMB (the “Spin-Off”). Hillshire Brands intended for the Spin-Off and certain related transactions to qualify as tax-free under Sections 355, 368(a)(1)(D), and 361 and related provisions of the United States Internal Revenue Code, which we refer to as the Code, and Hillshire Brands received a private letter ruling from the IRS substantially to the effect that the Spin-Off and certain related transactions, including a debt exchange, will qualify as tax-free to Hillshire Brands and its stockholders for United States federal income tax purposes. Although a private letter ruling generally is binding on the IRS, if the factual representations or assumptions made in the private letter ruling request are untrue or incomplete in any material respect, or any material forward-looking covenants or undertakings are not complied with, then Hillshire Brands would not be able to rely on the ruling. In addition, the ruling is based on current law, and cannot be relied upon if the applicable law changes with retroactive effect. As a matter of practice the IRS does not rule on every requirement for a tax-free spin-off or tax-free debt-for-debt exchange, and the parties relied solely on the opinion of counsel for comfort that such additional requirements should be satisfied. The opinion of counsel relies on, among other things, the continuing validity of the ruling and various assumptions and representations as to factual matters made by Hillshire Brands and DEMB which, if inaccurate or incomplete in any material respect, would jeopardize the conclusions reached by counsel in its opinion.

The opinion is not binding on the IRS or the courts, and there can be no assurance that the IRS or the courts will not challenge the conclusions stated in the opinion or that any such challenge would not prevail. Accordingly, even though Hillshire Brands obtained a ruling and a “should” opinion of counsel, the IRS could assert that Hillshire Brands has not satisfied the requirements for tax-free treatment and such assertion, if successful, could result in significant United States federal income tax liabilities for us.

Events subsequent to the Spin-Off could cause the Spin-Off to become taxable. Under the terms of the tax sharing agreement Hillshire Brands entered into with DEMB in connection with the Spin-Off, DEMB will generally be required to indemnify Hillshire Brands for 100% of any taxes imposed on DEMB and its subsidiaries or Hillshire Brands and its subsidiaries in the event that the Spin-Off and certain related transactions were to fail to qualify for tax-free treatment as a result of an acquisition of DEMB (including the acquisition of DEMB by J.A. Benckiser), or actions or omissions (including breaches of certain representations and warranties made in the tax sharing agreement) by DEMB or any of its affiliates. However, if the Spin-Off or certain related transactions were to fail to qualify for tax-free treatment because of actions or omissions by Hillshire Brands or any of its affiliates, Hillshire Brands would be responsible for all such taxes. In addition, Hillshire Brands would be responsible for 50% of any taxes resulting from the failure of the Spin-Off and certain related transactions to qualify as tax-free, which failure is not due to actions or omissions (including breaches of certain representations and warranties made in the tax sharing agreement) by Hillshire Brands, DEMB or any of Hillshire Brands’ or DEMB's respective subsidiaries. There can be no assurance that the tax sharing agreement will be sufficient to protect Hillshire Brands against any tax liabilities that may arise, or that DEMB will be able to fully satisfy its indemnification obligations. Hillshire Brands’ inability to enforce the indemnification provisions of the tax sharing agreement or obtain indemnification payments in a timely manner could adversely affect our results of operations, cash flows and financial condition.

Participation in a Multiemployer Pension Plan could adversely affect our business.

Through our wholly owned subsidiary, Hillshire Brands, we participate in a “multiemployer” pension plan administered by a labor union representing some of its employees. We are required to make periodic contributions to this plan to allow them to meet their pension benefit obligations to their participants. Our required contributions to this fund could increase because of a shrinking contribution base as a result of the insolvency or withdrawal of other companies that currently contribute to this fund, inability or failure of withdrawing companies to pay their withdrawal liability, lower than expected returns on pension fund assets or other funding deficiencies. In the event that we withdraw from participation in this plan, then applicable law could require us to make an additional lump-sum contribution to the plan, and we would have to reflect that as an expense in our consolidated statement of operations and as a liability on our consolidated balance sheet. Our withdrawal liability would depend on the extent of the plan's funding of vested benefits. The multiemployer plan in which we participate is reported to have significant underfunded liabilities. Such underfunding could increase the size of our potential withdrawal liability. In the event a withdrawal or partial withdrawal was to occur with respect to the multiemployer plan, the impact to our consolidated financial statements could be material.

Volatility in the capital markets or interest rates could adversely impact our pension costs and the funded status of our pension plans.

We sponsor a number of defined benefit plans for employees in the United States. The difference between plan obligations and assets, which signifies the funded status of the plans, is a significant factor in determining the net periodic benefit costs of the pension plans and our ongoing funding requirements. As of October 1, 2016, the funded status of our defined benefit pension plans was an underfunded position of $336 million, as compared to an underfunded position of $410 million at the end of fiscal 2015. Changes in interest rates and the market value of plan assets can impact the funded status of the plans and cause volatility in the net periodic benefit cost and our future funding requirements. The exact amount of cash contributions made to pension plans in any year is dependent upon a number of factors, including minimum funding requirements.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We have production and distribution operations in the following states: Alabama, Arizona, Arkansas, California, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Michigan, Mississippi, Missouri, Nebraska, North Carolina, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, Washington and Wisconsin. We also have sales offices throughout the United States. Additionally, we have sales offices, facilities or participate in joint venture operations in Argentina, Brazil, Canada, China, the Dominican Republic, Hong Kong, India, Japan, Mexico, the Netherlands, New Zealand, the Philippines, Russia, South Korea, Spain, Taiwan, Turkey, the United Arab Emirates, the United Kingdom and Venezuela.

	Number of Facilities		
	Owned	Leased	Total
Chicken Segment:			
Processing plants	44	1	45
Rendering plants	9	—	9
Blending mills	2	—	2
Feed mills	32	—	32
Broiler hatcheries	60	3	63
Breeder houses	430	44	474
Broiler farm houses	48	—	48
Pet treats plant	1	—	1
Beef Segment Production Facilities	12	—	12
Pork Segment Production Facilities	9	—	9
Prepared Foods Segment:			
Processing plants	30	4	34
Turkey operation facilities	6	—	6
Distribution Centers	12	1	13
Cold Storage Facilities	50	—	50
Research and Development Facilities	1	1	2

	Capacity(1) per week at October 1, 2016	Fiscal 2016 Average Capacity Utilization	
Chicken Production Facilities	39 million head	89	%
Beef Production Facilities	165,000 head	76	%
Pork Production Facilities	456,000 head	91	%
Prepared Foods Processing Facilities(2)	78 million pounds	84	%

(1) Capacity per week based on the following: Chicken and Prepared Foods (five day week) and Beef and Pork (six day week).

(2) In fiscal 2016, we changed the method of calculating capacity for our Prepared Foods processing plants. If we would have used the fiscal 2015 method, fiscal 2016 capacity would have been 74 million pounds with an 89% average capacity utilization.

Chicken: Chicken processing plants include various phases of slaughtering, dressing, cutting, packaging, deboning and further-processing. We also have 29 animal nutrition operations, nine of which are associated with the Chicken rendering plants, 19 within various Chicken processing facilities and one pet treats plant. The blending mills, feed mills and broiler hatcheries have sufficient capacity to meet the needs of the chicken growout operations.

Beef: Beef plants include various phases of slaughtering live cattle and fabricating beef products. We also have various plants which have rendering operations along with tanneries and hide treatment operations. The Beef segment includes three case-ready operations that share facilities with the Pork segment. One of the beef facilities contains a tallow refinery.

Pork: Pork plants include various phases of slaughtering live hogs and fabricating pork products and allied products. The Pork segment includes three case-ready operations that share facilities with the Beef segment.

Prepared Foods: Prepared Foods plants process fresh and frozen chicken, turkey, beef, pork and other raw materials into pizza toppings, branded and processed meats, desserts, appetizers, prepared meals, ethnic foods, soups, sauces, side dishes, pizza crusts, flour and corn tortilla products and meat dishes.

In addition, our foreign chicken production operations in China and India include four processing plants, two rendering plants, three feed mills and five broiler hatcheries. The processing plants include various phases of slaughtering, dressing, cutting, packaging, deboning and further-processing chicken. The feed mills and broiler hatcheries generally have sufficient capacity to meet the needs of the foreign chicken growout operations.

We believe our present facilities are generally adequate and suitable for our current purposes; however, seasonal fluctuations in inventories and production may occur as a reaction to market demands for certain products. We regularly engage in construction and other capital improvement projects intended to expand capacity and improve the efficiency of our processing and support facilities. We also consider the efficiencies of our operations and may from time to time consider changing the number or type of plants we operate to align with our capacity needs.

ITEM 3. LEGAL PROCEEDINGS

Refer to the description of certain legal proceedings pending against us under Part II, Item 8, Notes to Consolidated Financial Statements, Note 19: Commitments and Contingencies, which discussion is incorporated herein by reference. Listed below are certain additional legal proceedings involving the Company and/or its subsidiaries.

Our subsidiary, Tyson Poultry, Inc., has been in negotiations with Region 6 of the Unites States Environmental Protection Agency (the “EPA”) to resolve concerns about an accident at the Hope, Arkansas processing plant which occurred on April 23, 2016. The EPA alleged violation of the Clean Air Act Risk Management Plan requirements related to our anhydrous ammonia refrigeration system and the accident. Pursuant to an administrative settlement with the EPA, we will pay a penalty of $106,894, perform independent, third-party audits at 20 facilities in Arkansas, Oklahoma and Texas over the next 3 years, and construct a closed vent refrigeration system at a facility in Region 6 within the next 2 years.

On April 23, 2015, the EPA issued a Finding and Notice of Violation (the “NOV”) to Tyson Foods, Inc. and our subsidiary, Southwest Products, LLC, alleging violations of the California Truck and Bus Regulation. The NOV alleges that certain diesel-powered trucks operated by us in California did not comply with California’s emission requirements for in-use trucks and that we did not verify the compliance status of independent carriers hired to carry products in California. In January 2016, the EPA proposed that we pay a civil penalty of $283,990 to resolve these allegations. We are cooperating with the EPA and believe that we have defenses to the allegations of the NOV.

On June 17, 2014, the Missouri attorney general filed a civil lawsuit against us in the circuit court of Barry County, Missouri, concerning an incident that occurred in May 2014 in which some feed supplement was discharged from our plant in Monett, Missouri, to the City of Monett’s wastewater treatment plant allegedly leading to a fish kill in a local stream and odor issues around the plant. That lawsuit alleges six violations stemming from the incident and seeks penalties against us, compensation for damage to the stream, and reimbursement for the State of Missouri’s costs in investigating the matter. In January 2015, a consent judgment was entered that resolved the lawsuit. The judgment required payment of $540,000, which includes amounts for penalties, cost recovery and supplemental environmental projects. The EPA has also indicated to us that it has begun a criminal investigation into the incident. If we become subject to criminal charges, we may be subject to a fine and other relief, as well as government contract suspension and debarment. We are cooperating with the EPA but cannot predict the outcome of its investigation at this time. It is also possible that other regulatory agencies may commence investigations and allege additional violations.

On June 19, 2005, the Attorney General and the Secretary of the Environment of the State of Oklahoma filed a complaint in the United States District Court for the Northern District of Oklahoma against Tyson Foods, Inc., three subsidiaries and six other poultry integrators. The complaint, which was subsequently amended, asserts a number of state and federal causes of action including, but not limited to, counts under the Comprehensive Environmental Response, Compensation, and Liability Act, Resource Conservation and Recovery Act, and state-law public nuisance theories. Oklahoma alleges that the defendants and certain contract growers who were not joined in the lawsuit polluted the surface waters, groundwater and associated drinking water supplies of the Illinois River Watershed through the land application of poultry litter. Oklahoma’s claims were narrowed through various rulings issued before and during trial and its claims for natural resource damages were dismissed by the district court in a ruling issued on July 22, 2009, which was subsequently affirmed on appeal by the Tenth Circuit Court of Appeals. A non-jury trial of the remaining claims including Oklahoma’s request for injunctive relief began on September 24, 2009. Closing arguments were held on February 11, 2010. The district court has not yet rendered its decision from the trial.

Other Matters: As of October 1, 2016, we had approximately 114,000 employees and, at any time, have various employment practices matters outstanding. In the aggregate, these matters are significant to the Company, and we devote significant resources to managing employment issues. Additionally, we are subject to other lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of our business. While the ultimate results of these matters cannot be determined, they are not expected to have a material adverse effect on our consolidated results of operations or financial position.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE COMPANY

Our executive officers serve one-year terms from the date of their election, or until their successors are appointed and qualified. No family relationships exist among these officers. The name, title, age (as of October 1, 2016) and calendar year of initial election to executive office of our executive officers are listed below:

Name	Title	Age	Year Elected Executive Officer
John Tyson	Chairman of the Board of Directors	63	2011
Curt T. Calaway	Senior Vice President, Controller and Chief Accounting Officer	43	2012
Andrew P. Callahan	President, Retail Packaged Brands	50	2014
Howell P. Carper	Executive Vice President, Operations Services	62	2013
Sally Grimes	President, International and Chief Global Growth Officer	45	2014
Thomas P. Hayes	President	51	2014
Donnie King	President, North American Operations	54	2009
Dennis Leatherby	Executive Vice President and Chief Financial Officer	56	1994
Monica McGurk	Executive Vice President, Strategy and New Ventures and President, Foodservice	46	2016
Mary Oleksiuk	Executive Vice President and Chief Human Resources Officer	54	2014
Donnie Smith	Chief Executive Officer	56	2008
Stephen Stouffer	President, Fresh Meats	56	2013
David L. Van Bebber	Executive Vice President and General Counsel	60	2008
Noel White	President, Poultry	58	2009

John Tyson has served as Chairman of the Board of Directors since 1998 and was previously Chief Executive Officer of the Company from 2001 until 2006. Mr. Tyson was initially employed by the Company in 1973.

Curt T. Calaway was appointed Senior Vice President, Controller and Chief Accounting Officer in 2012, after serving as Vice President, Audit and Compliance since 2008, prior to which he served as the Company's Senior Director of Financial Reporting. Mr. Calaway was initially employed by the Company in 2006.

Andrew P. Callahan was appointed President, Retail Packaged Brands in September 2014. Mr. Callahan previously served as Executive Vice President and President, Retail of The Hillshire Brands Company ("Hillshire Brands") since 2012, prior to which he served as Senior Vice President, Chief Customer Officer for Sara Lee Corporation's ("Sara Lee") North American operations from 2011 to 2012, after serving as President of Sara Lee's North American Foodservice segment from 2009 to 2011. Hillshire Brands was acquired by the Company in August 2014.

Howell P. ("Hal") Carper was appointed Executive Vice President, Operations Services in April 2016, after serving as Executive Vice President, Strategy and New Ventures since 2013. He previously served as Group Vice President, Research and Development, Logistics, and Technical Services since 2008, prior to which he served as Senior Vice President, Corporate Research and Development since 2003, and Senior Vice President and General Manager, Foodbrands Foodservice since 2001. Mr. Carper was appointed by IBP, inc. as Senior Vice President, Sales and Marketing in 1999. IBP, inc. was acquired by the Company in 2001. Prior to employment with IBP, inc., he served as Senior Vice President, Sales and Marketing with Foodbrands, Inc., which was acquired by IBP, inc. in 1997.

Sally Grimes was appointed President, International and Chief Global Growth Officer in June 2015 following her appointment as President and Global Growth Officer in 2014. Ms. Grimes previously served as Senior Vice President, Chief Innovation Officer and President, Gourmet Food Group of Hillshire Brands since 2012. Prior to joining Hillshire Brands, Ms. Grimes served as Global Vice President, Marketing for the writing and creative expression business unit at Newell Rubbermaid, Inc. from 2007 to 2012.

Thomas P. Hayes was appointed President in June 2016. Mr. Hayes previously served as Chief Commercial Officer since June 2015 after being appointed President, Foodservice in 2014. Mr. Hayes previously served as Executive Vice President and Chief Supply Chain Officer of Hillshire Brands since 2012, prior to which he served as Senior Vice President and Chief Supply Chain Officer for Sara Lee's North American Retail and Foodservice businesses from 2009 to 2012. Mr. Hayes was initially employed by Sara Lee in 2006.

Donnie King was appointed President North American Operations in June 2015 following his appointment as President of North American Operations and Food Service in 2014. He previously served as President of Prepared Foods, Customer and Consumer Solutions since 2013, Senior Group Vice President, Poultry and Prepared Foods since 2009, Group Vice President, Refrigerated and Deli since 2008, Group Vice President, Operations since 2007, Senior Vice President, Consumer Products Operations since 2006 and Senior Vice President, Poultry Operations since 2003. Mr. King was initially employed by Valmac Industries, Inc. in 1982. Valmac Industries, Inc. was acquired by the Company in 1984.

Dennis Leatherby was appointed Executive Vice President and Chief Financial Officer in 2008 after serving as Senior Vice President, Finance and Treasurer since 1998. He also served as Interim Chief Financial Officer from 2004 to 2006. Mr. Leatherby was initially employed by the Company in 1990.

Monica McGurk was appointed Executive Vice President, Strategy and New Ventures and President, Foodservice in August 2016 after serving as Senior Vice President, Strategy and New Ventures since April 2016. Prior to joining the Company, Ms. McGurk served as Senior Vice President of Strategy, Decision Support and eCommerce for the North American Group of the Coca-Cola Company from 2014 to 2016, prior to which she served as Vice President, Strategy & eCommerce since late 2012. Prior to joining the Coca-Cola Company, she was the Chief Executive Officer and Executive Editor of The Alumni Factor from May through November 2012. Prior to this position, she was a partner with McKinsey & Company, a global management consulting firm with which she served in various roles for 19 years.

Mary Oleksiuk was appointed Executive Vice President and Chief Human Resources Officer in September 2014. Ms. Oleksiuk previously served as Senior Vice President, Chief Human Resources Officer for Hillshire Brands since 2012. Prior to joining Hillshire Brands, Ms. Oleksiuk served as Chief Human Resources Officer and Senior Vice President for Discover Financial Services from 2011 to 2012. From 2010 to 2011, she served as Senior Vice President, Global Human Resources with Alberto Culver Company and as Vice President, Global Human Resources with Alberto Culver Company from 2007 to 2010.

Donnie Smith was appointed President and Chief Executive Officer in November 2009 and continues to serve as Chief Executive Officer following Mr. Hayes' appointment as President in June 2016. Mr. Smith served as Senior Group Vice President, Poultry and Prepared Foods since January 2009, prior to which he served as Group Vice President of Consumer Products since 2008, Group Vice President of Logistics and Operations Services since 2007, Group Vice President Information Systems, Purchasing and Distribution since 2006 and Senior Vice President and Chief Information Officer since 2005. Mr. Smith was initially employed by the Company in 1980.

Stephen R. Stouffer was appointed President, Fresh Meats in 2013, after serving as Senior Vice President, Beef Margin Management since 2012, prior to which he served as Vice President, Ground Beef, Trim and Variety Meats Sales since 2009, and Director, Ground Beef, Trim and Carcass Sales since 2006. Mr. Stouffer was initially employed by IBP, inc. in 1982.

David L. Van Bebber was appointed Executive Vice President and General Counsel in 2008, after serving as Senior Vice President and Deputy General Counsel since 2004. Mr. Van Bebber was initially employed by Lane Processing in 1982. Lane Processing was acquired by the Company in 1986.

Noel White was appointed President, Poultry in 2013, after serving as Senior Group Vice President, Fresh Meats since 2009, after serving as Senior Vice President, Pork Margin Management since 2007 and Group Vice President, Fresh Meats Operations/Commodity Sales since 2005. Mr. White was initially employed by IBP, inc. in 1983.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

We have issued and outstanding two classes of capital stock, Class A stock and Class B stock. Holders of Class B stock may convert such stock into Class A stock on a share-for-share basis. Holders of Class B stock are entitled to 10 votes per share and holders of Class A stock are entitled to one vote per share on matters submitted to shareholders for approval. As of October 29, 2016, there were approximately 23,000 holders of record of our Class A stock and six holders of record of our Class B stock.

DIVIDENDS

Cash dividends cannot be paid to holders of Class B stock unless they are simultaneously paid to holders of Class A stock. The per share amount of the cash dividend paid to holders of Class B stock cannot exceed 90% of the cash dividend simultaneously paid to holders of Class A stock. We have paid uninterrupted quarterly dividends on common stock each year since 1977. In fiscal 2016, the annual dividend rate for Class A stock was $0.60 per share and the annual dividend rate for Class B stock was $0.54 per share. In fiscal 2015, the annual dividend rate for Class A stock was $0.40 per share and the annual dividend rate for Class B stock was $0.36 per share. On November 17, 2016, the Board of Directors increased the dividend previously declared on August 4, 2016, to $0.225 per share on our Class A stock and $0.2025 per share on our Class B stock. The increased quarterly dividend is payable on December 15, 2016, to shareholders of record at the close of business on December 1, 2016. Also on November 17, 2016, the Board of Directors declared a quarterly dividend of $0.225 per share on our Class A stock and $0.2025 per share on our Class B stock, payable on March 15, 2017, to shareholders of record at the close of business on March 1, 2017. We anticipate the remaining quarterly dividends in fiscal 2017 will be $0.225 and $0.2025 per share of our Class A and Class B stock, respectively. We also continue to anticipate our annual dividends to increase approximately $0.10 per year.

MARKET INFORMATION

Our Class A stock is traded on the New York Stock Exchange under the symbol "TSN." No public trading market currently exists for our Class B stock. The high and low sales prices of our Class A stock for each quarter of fiscal 2016 and 2015 are represented in the table below.

	2016		2015	
	High	Low	High	Low
First Quarter	$54.42	$42.89	$43.37	$37.02
Second Quarter	68.17	48.52	42.41	37.10
Third Quarter	70.44	59.45	45.10	37.24
Fourth Quarter	77.05	65.83	44.78	39.05

ISSUER PURCHASES OF EQUITY SECURITIES

The table below provides information regarding our purchases of Class A stock during the periods indicated.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs [1]
Jul. 3, 2016 to Jul. 30, 2016	4,706,269	$ 70.20	4,598,556	44,488,878
Jul. 31, 2016 to Sept. 3, 2016	2,643,859	74.69	2,543,335	41,945,543
Sept. 4, 2016 to Oct. 1, 2016	1,652,309	74.61	1,605,689	40,339,854
Total	9,002,437 [2]	$ 72.33	8,747,580 [3]	40,339,854

(1) On February 7, 2003, we announced our Board of Directors approved a program to repurchase up to 25 million shares of Class A common stock from time to time in open market or privately negotiated transactions. On May 3, 2012, our Board of Directors approved an increase of 35 million shares, on January 30, 2014, our Board of Directors approved an increase of 25 million shares and, on February 4, 2016, our Board of Directors approved an increase of 50 million shares under the program. The program has no fixed or scheduled termination date.

(2) We purchased 254,857 shares during the period that were not made pursuant to our previously announced stock repurchase program, but were purchased to fund certain Company obligations under our equity compensation

plans. These transactions included 244,498 shares purchased in open market transactions and 10,359 shares withheld to cover required tax withholdings on the vesting of restricted stock.

(3) These shares were purchased during the period pursuant to our previously announced stock repurchase program.

PERFORMANCE GRAPH

The following graph shows a five-year comparison of cumulative total returns for our Class A stock, the Standard & Poor’s (S&P) 500 Index and a group of peer companies described below.

	Fiscal Years Ended					
	Base Period 10/1/11	9/29/12	9/28/13	9/27/14	10/3/15	10/1/16
Tyson Foods, Inc.	$100.00	$93.09	$168.50	$224.16	$266.17	$452.03
S&P 500 Index	100.00	130.20	155.39	186.05	184.91	213.44
Peer Group	100.00	117.85	143.56	165.74	182.04	205.49

The total cumulative return on investment (change in the year-end stock price plus reinvested dividends), which is based on the stock price or composite index at the end of fiscal 2011, is presented for each of the periods for the Company, the S&P 500 Index, and our peer group. The peer group includes: Archer-Daniels-Midland Company, Bunge Limited, Campbell Soup Company, ConAgra Foods, Inc., Dean Foods Company, General Mills, Inc., Hormel Foods Corp., Kellogg Co., McCormick & Co., Mondelez International Inc., PepsiCo, Inc., Pilgrim's Pride Corporation, Sanderson Farms, Inc., The Hershey Company, and The J.M. Smucker Company. The graph compares the performance of the Company's Class A common stock with that of the S&P 500 Index and peer group, with the return of each company in the peer group weighted on market capitalization. The stock price performance of the Company's Class A common stock shown in the above graph is not necessarily indicative of future stock price performance.

The information in this "Performance Graph" section shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Securities Exchange Act of 1934.

ITEM 6. SELECTED FINANCIAL DATA
FIVE-YEAR FINANCIAL SUMMARY
in millions, except per share, percentage and ratio data

	2016	2015	2014	2013	2012
Summary of Operations					
Sales	$36,881	$41,373	$37,580	$34,374	$33,055
Operating income	2,833	2,169	1,430	1,375	1,286
Net interest expense	243	284	125	138	344
Income from continuing operations	1,772	1,224	856	848	614
Loss from discontinued operation, net of tax	—	—	—	(70)	(38)
Net income	1,772	1,224	856	778	576
Net income attributable to Tyson	1,768	1,220	864	778	583
Diluted net income per share attributable to Tyson:					
Income from continuing operations	4.53	2.95	2.37	2.31	1.68
Loss from discontinued operation	—	—	—	(0.19)	(0.10)
Net income	4.53	2.95	2.37	2.12	1.58
Dividends declared per share:					
Class A	0.650	0.425	0.325	0.310	0.160
Class B	0.585	0.383	0.294	0.279	0.144
Balance Sheet Data					
Cash and cash equivalents	$349	$688	$438	$1,145	$1,071
Total assets	22,373	22,969	23,906	12,167	11,882
Total debt	6,279	6,690	8,128	2,398	2,418
Shareholders' equity	9,624	9,706	8,904	6,233	6,042
Other Key Financial Measures					
Depreciation and amortization	$705	$711	$530	$519	$499
Capital expenditures	695	854	632	558	690
EBITDA	3,538	2,906	1,897	1,818	1,731
Return on invested capital	18.1 %	13.4 %	11.9 %	18.5 %	17.7 %
Effective tax rate for continuing operations	31.8 %	36.3 %	31.6 %	32.6 %	36.4 %
Total debt to capitalization	39.5 %	40.8 %	47.7 %	27.8 %	28.6 %
Book value per share	$25.67	$24.25	$21.86	$18.13	$16.84
Stock price high	77.05	45.10	44.24	32.40	21.06
Stock price low	42.89	37.02	27.33	15.93	14.07

Notes to Five-Year Financial Summary

a. Fiscal 2016 net income included $53 million related to the recognition of previously unrecognized tax benefits and audit settlements. In fiscal 2016, we adopted new accounting guidance, retrospectively, requiring classification of debt issuance costs as a reduction of the carrying value of the debt. In doing so, $29 million, $35 million, $50 million, $10 million and $14 million of deferred issuance costs have been reclassified from Other Assets to Long-Term Debt in our Consolidated Balance Sheets for fiscal 2016, 2015, 2014, 2013 and 2012 respectively. This change is reflected above in total assets, total debt, total debt to capitalization and return on invested capital ratios.

b. Fiscal 2015 was a 53-week year, while the other years presented were 52-week years. Fiscal 2015 included a $169 million pretax impairment charge related to our China operation, $57 million pretax expense related to merger and integration costs, $59 million pretax impairment charges related to our Prepared Foods network optimization, $12 million pretax charges related to Denison impairment and plant closure costs, $8 million pretax gain related to net insurance proceeds (net of costs) related to a legacy Hillshire Brands plant fire, $21 million pretax gain on the sale of equity securities, $161 million pretax gain on the sale of the Mexico operation, $39 million pretax gain related to the impact of the additional week in fiscal 2015 and $26 million unrecognized tax benefit gain.

c.

Fiscal 2014 included a $42 million pretax impairment charge and other costs related to the sale of our Brazil operation and Mexico's undistributed earnings tax, $197 million pretax expense related to the Hillshire Brands acquisition, integration and costs associated with our Prepared Foods improvement plan, $40 million pretax expense related to the Hillshire Brands post-closing results, purchase price accounting, and costs related to a legacy Hillshire Brands plant fire, $27 million pretax expense related to the Hillshire Brands acquisition financing incremental interest cost and $52 million unrecognized tax benefit gain.

d. Fiscal 2013 included a $19 million currency translation adjustment gain recognized in conjunction with the receipt of proceeds constituting the final resolution of our investment in Canada. Additionally in fiscal 2013, we determined our Weifang operation (Weifang) was no longer core to the execution of our strategy in China. In July 2013, we completed the sale of Weifang. Non-cash charges related to the impairment of assets in Weifang amounted to $56 million and $15 million in fiscal 2013 and 2012, respectively.

e. Fiscal 2012 included a pretax charge of $167 million related to the early extinguishment of debt.

f. Return on invested capital is calculated by dividing operating income by the sum of the average of beginning and ending total debt and shareholders’ equity less cash and cash equivalents.

g. For the total debt to capitalization calculation, capitalization is defined as total debt plus total shareholders’ equity.

h. In fiscal 2016, we changed our methodology of calculating the book value per share to include the remaining minimum shares that will be issued from our tangible equity units for each period presented above.

i. "EBITDA" is a Non-GAAP measure and defined as net income less interest income, plus interest, taxes, depreciation and amortization. A reconciliation of net income to EBITDA immediately follows.

EBITDA RECONCILIATIONS

A reconciliation of net income to EBITDA is as follows:

in millions, except ratio data

	2016	2015	2014	2013	2012
Net income	$1,772	$1,224	$856	$778	$576
Less: Interest income	(6)	(9)	(7)	(7)	(12)
Add: Interest expense	249	293	132	145	356
Add: Income tax expense (a)	826	697	396	411	351
Add: Depreciation	617	609	494	474	443
Add: Amortization (b)	80	92	26	17	17
EBITDA	$3,538	$2,906	$1,897	$1,818	$1,731
Total gross debt (c)	$6,279	$6,690	$8,128	$2,398	$2,418
Less: Cash and cash equivalents	(349)	(688)	(438)	(1,145)	(1,071)
Less: Short-term investments	(4)	(2)	(1)	(1)	(3)
Total net debt	$5,926	$6,000	$7,689	$1,252	$1,344
Ratio Calculations:					
Gross debt/EBITDA	1.8x	2.3x	4.3x	1.3x	1.4x
Net debt/EBITDA	1.7x	2.1x	4.1x	0.7x	0.8x

(a) Includes income tax expense of discontinued operation.

(b) Excludes the amortization of debt discount expense of $8 million, $10 million, $10 million, $28 million and $39 million for fiscal 2016, 2015, 2014, 2013 and 2012, respectively, as it is included in Interest expense.

(c) In fiscal 2016, we adopted new accounting guidance, retrospectively, requiring classification of debt issuance costs as a reduction of the carrying value of the debt. In doing so, $29 million, $35 million, $50 million, $10 million and $14 million of deferred issuance costs have been reclassified from Other Assets to Long-Term Debt in our Consolidated Balance Sheets for fiscal 2016, 2015, 2014, 2013 and 2012, respectively.

EBITDA represents net income, net of interest, income tax and depreciation and amortization. Net debt to EBITDA represents the ratio of our debt, net of cash and short-term investments, to EBITDA. EBITDA and net debt to EBITDA are presented as supplemental financial measurements in the evaluation of our business. We believe the presentation of these financial measures helps investors to assess our operating performance from period to period, including our ability to generate earnings sufficient to service our debt, and enhances understanding of our financial performance and highlights operational trends. These measures are widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies; however, the measurements of EBITDA and net debt to EBITDA may not be comparable to those of other companies, which limits their usefulness as comparative measures. EBITDA and net debt to EBITDA are not measures required by or calculated in accordance with generally accepted accounting principles (GAAP) and should not be considered as substitutes for net income or any other measure of financial performance reported in accordance with GAAP or as a measure of operating cash flow or liquidity. EBITDA is a useful tool for assessing, but is not a reliable indicator of, our ability to generate cash to service our debt obligations because certain of the items added to net income to determine EBITDA involve outlays of cash. As a result, actual cash available to service our debt obligations will be different from EBITDA. Investors should rely primarily on our GAAP results, and use non-GAAP financial measures only supplementally, in making investment decisions.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

DESCRIPTION OF THE COMPANY

We are one of the world's largest food companies with leading brands such as Tyson®, Jimmy Dean®, Hillshire Farm®, Sara Lee®, Ball Park®, Wright®, Aidells® and State Fair®. We are a recognized market leader in chicken, beef and pork as well as prepared foods, including bacon, breakfast sausage, turkey, lunchmeat, hot dogs, pizza crusts and toppings, tortillas and desserts. Some of the key factors influencing our business are customer demand for our products; the ability to maintain and grow relationships with customers and introduce new and innovative products to the marketplace; accessibility of international markets; market prices for our products; the cost and availability of live cattle and hogs, raw materials, and feed ingredients; and operating efficiencies of our facilities.

We operate in four reportable segments: Chicken, Beef, Pork and Prepared Foods. Other primarily includes our foreign chicken production operations in China and India and third-party merger and integration costs.

On August 28, 2014, we acquired and consolidated The Hillshire Brands Company ("Hillshire Brands"), a manufacturer and marketer of branded, convenient foods. Hillshire Brands results from operations subsequent to the acquisition closing are included in the Prepared Foods segment.

OVERVIEW

- Fiscal year – Our accounting cycle resulted in a 52-week year for both fiscal 2016 and 2014 and a 53-week year for fiscal 2015.
- General – Our operating income grew 31% in fiscal 2016 over fiscal 2015, which was led by the Beef segment's $413 million improvement in operating income and record earnings in our Prepared Foods segment, as well as continued strong performance in the Chicken and Pork segments. Sales decreased 11% in fiscal 2016 over fiscal 2015, primarily due to declining beef prices, the impact of an additional week in fiscal 2015 and the sale of our Brazil and Mexico chicken production operations. We continued to execute our strategy of accelerating growth in domestic value-added chicken sales, prepared food sales, innovating products, services and customer insights and cultivating our talent development to support Tyson's growth for the future.
- Integration – We continue to maintain focus on the integration of Hillshire Brands and synergy capture. We expect to realize synergies of around $675 million in fiscal 2017 from the acquisition as well as our profit improvement plan for our legacy Prepared Foods business. The amount expected to be realized in fiscal 2017 is reduced from our previous estimate of $700 million as some of the incremental synergies are now expected to be realized in fiscal 2018. The majority of these benefits are expected to be realized in the Prepared Foods segment. We will continue to invest a portion of the synergies in innovation, new product launches and support the growth of our brands. In fiscal 2016, we captured $258 million of incremental synergies above the $322 million captured in fiscal 2015, for a total of $580 million of synergies realized in fiscal 2016.
- Market Environment – Domestic protein production (chicken, beef, pork and turkey according to the USDA) increased approximately 3% in fiscal 2016 over fiscal 2015 and export market conditions experienced some improvement over fiscal 2015. Our Chicken segment delivered strong results in fiscal 2016 driven by favorable demand for our products and lower feed costs. The Beef segment earnings improved over fiscal 2015 due to more favorable market conditions associated with an increase in cattle supply which resulted in lower fed cattle costs. The Pork segment's operating margin was above its normalized range as domestic market conditions were favorable with lower livestock cost and increased demand for our pork products. Our Prepared Foods segment delivered record operating income as we continued to realize synergies and lower input costs, partially offset with higher marketing, advertising, and promotion spend.
- Margins – Our total operating margin was 7.7% in fiscal 2016. Operating margins by segment were as follows:
  - Chicken – 11.9%
  - Beef – 2.4%
  - Pork – 10.8%
  - Prepared Foods – 10.0%
- Liquidity – During fiscal 2016, we generated $2.7 billion of operating cash flows. We repurchased 30.8 million shares of our Class A common stock for $1,868 million under our share repurchase program in fiscal 2016. At

October 1, 2016, we had $1.3 billion of liquidity, which included the availability under our revolving credit facility and $349 million of cash and cash equivalents.

	in millions, except per share data		
	2016	2015	2014
Net income attributable to Tyson	$ 1,768	$ 1,220	$ 864
Net income attributable to Tyson - per diluted share	4.53	2.95	2.37

2016 – Included the following items:

- $53 million, or $0.14 per diluted share, related to recognition of previously unrecognized tax benefits and audit settlements.

2015 – Included the following items:

- $169 million, or ($0.41) per diluted share, related to an impairment charge in China.
- $59 million, or ($0.09) per diluted share, related to Prepared Foods network optimization impairment charges.
- $57 million, or ($0.09) per diluted share, related to merger and integration costs.
- $12 million, or ($0.02) per diluted share, related to closure and impairment charges related to the ceasing of beef operations at our Denison facility.
- $161 million, or $0.24 per diluted share, related to a gain on sale of the Mexico operation.
- $39 million, or $0.06 per diluted share, related to the additional week in fiscal 2015.
- $26 million, or $0.06 per diluted share, related to recognition of previously unrecognized tax benefits.
- $21 million, or $0.03 per diluted share, related to a gain on sale of equity securities.
- $8 million, or $0.02 per diluted share, of insurance proceeds (net of costs) related to a legacy Hillshire Brands plant fire.

2014 – Included the following items (fiscal 2014 per diluted share adjustments utilized a weighted average shares outstanding amount of 356 million):

- $197 million, or ($0.37) per diluted share, related to the Hillshire Brands acquisition, integration and costs associated with our Prepared Foods improvement plan.
- $42 million, or ($0.16) per diluted share, related to an impairment in our Brazil operation and Mexico undistributed earnings tax.
- $40 million, or ($0.07) per diluted share, related to the Hillshire Brands post-closing results, purchase price accounting adjustments and costs related to a legacy Hillshire Brands plant fire.
- $27 million, or ($0.12) per diluted share, related to the Hillshire Brands acquisition financing incremental interest costs and share dilution.
- $52 million, or $0.15 per diluted share, related to a gain from previously unrecognized tax benefits.

SUMMARY OF RESULTS

Sales	in millions		
	2016	2015	2014
Sales	$36,881	$41,373	$37,580
Change in sales volume	(4.6)%	5.0 %	
Change in average sales price	(6.5)%	4.8 %	
Sales growth	(10.9)%	10.1 %	

2016 vs. 2015 –

- Sales Volume – Sales were negatively impacted by lower sales volume, which accounted for a decrease of $1.9 billion. Each segment had a decline in sales volume primarily attributed to the additional week in fiscal 2015. The decrease in sales volume was also attributable to the divestitures of the Mexico and Brazil chicken production operations in fiscal 2015. When excluding these impacts along with the divestiture of our Heinold Hog Markets business in the first quarter of fiscal 2015, total company sales volume increased 0.1%.
- Average Sales Price – Sales were negatively impacted by lower average sales prices, which accounted for a decrease of $2.6 billion. Each segment had a decrease in average sales prices largely due to decreased pricing associated with lower beef, pork, and chicken prices, with the largest decrease in the Beef segment.

2015 vs. 2014 –

- Sales Volume – Sales were positively impacted by higher sales volume, which accounted for an increase of $2.4 billion. The Chicken segment had an increase in sales volume primarily due to an extra week in fiscal 2015, and the Prepared Foods segment had an increase in sales volume primarily due to the acquisition and consolidation of Hillshire Brands in our final month of fiscal 2014 in addition to an extra week in fiscal 2015. The increase in sales volume was partially offset by a decrease in the Beef and Pork segments along with the divestitures of the Mexico and Brazil chicken operations in fiscal 2015.
- Average Sales Price – Sales were positively impacted by higher average sales prices, which accounted for an increase of $1.4 billion. The Beef and Prepared Foods segments each had an increase in average sales prices, partially offset by a decrease in average sales prices in the Chicken and Pork segments. The increase in average sales price was largely due to continued tight domestic availability of beef products along with the change in mix in the Prepared Foods segment as a result of the acquisition and consolidation of Hillshire Brands in our final month of fiscal 2014.

Cost of Sales	in millions		
	2016	2015	2014
Cost of sales	$32,184	$37,456	$34,895
Gross profit	4,697	3,917	2,685
Cost of sales as a percentage of sales	87.3 %	90.5 %	92.9 %

2016 vs. 2015 –

- Cost of sales decreased by approximately $5.3 billion. Lower input costs per pound decreased cost of sales approximately $3.6 billion and lower sales volume decreased cost of sales approximately $1.7 billion.
- The approximate $3.6 billion impact of lower input costs was primarily driven by:
- Decrease in live cattle cost of approximately $2.6 billion in our Beef segment.
- Decrease in live hog costs of approximately $360 million in our Pork segment.
- Decrease in raw material and other input costs of approximately $300 million in our Prepared Foods segment.
- Decreases in feed costs of approximately $170 million in our Chicken segment.
- Decrease due to net realized derivative gains of $96 million in fiscal 2016, compared to net realized derivative losses of $102 million in fiscal 2015 due to our risk management activities. These amounts exclude offsetting impacts from related physical purchase transactions, which are included in the change in live cattle and hog costs and raw material and feed costs described above. Additionally, cost of sales increased due to net unrealized gains of $11 million in fiscal 2016, compared to net unrealized gains of $80 million in fiscal 2015, primarily due to our Chicken, Beef and Pork segment commodity risk management activities.
- The $1.7 billion impact of lower sales volume was primarily due to the sale of our Mexico chicken production operation in fiscal 2015 along with the additional week in fiscal 2015.

2015 vs. 2014 –

- Cost of sales increased by approximately $2.6 billion. Higher input costs per pound increased cost of sales approximately $330 million and higher sales volume increased cost of sales approximately $2.3 billion.
- The approximate $330 million impact of higher input costs was primarily driven by:
- Increase in live cattle cost of approximately $1.1 billion and operating costs of approximately $90 million in our Beef segment.
- Increase in input cost per pound related to the acquisition of Hillshire Brands on August 28, 2014.
- Increase of $49 million and $12 million related to Prepared Foods network optimization impairment charges and Denison plant impairment and closure costs, respectively.
- Decrease in live hog costs of approximately $500 million in our Pork segment.
- Decrease in raw material and other input costs of approximately $290 million in our Prepared Foods segment.
- Decreases in feed costs of approximately $450 million in our Chicken segment.
- Decrease due to net unrealized gains of $55 million in fiscal 2015, compared to net unrealized losses of $39 million in fiscal 2014, from our Beef and Pork segment commodity risk management activities.
- The $2.3 billion impact of higher sales volume was driven by an increase in sales volume in our Chicken and Prepared Foods segments, partially offset by decreases in sales volume in our Beef and Pork segments. Prepared

Foods contributed a majority of the increase due to the acquisition of Hillshire Brands on August 28, 2014, in addition to the extra week in fiscal 2015.

Selling, General and Administrative

	in millions		
	2016	2015	2014
Selling, general and administrative	$1,864	$1,748	$1,255
As a percentage of sales	5.1 %	4.2 %	3.3 %

2016 vs. 2015 –

- Increase of $116 million in selling, general and administrative was primarily driven by:
- Increase of $88 million related to marketing, advertising and promotion expense to drive sales growth.
- Increase of $71 million of employee costs including payroll and stock-based and incentive-based compensation.
- Increase of $11 million related to bad debt expense.
- Increase of $17 million in all other primarily related to professional fees, information technology costs and rent.
- Decrease of $26 million due to a reduction in amortization and other expense related to our intangible assets.
- Decrease of $25 million related to fiscal 2015 sale of our chicken production operations in Brazil and Mexico.
- Decrease of $20 million of merger and integration costs.

2015 vs. 2014 –

- Increase of $493 million in selling, general and administrative was primarily driven by:
- Increase of $487 million related to the inclusion of Hillshire Brands in fiscal 2015 results with only one month in fiscal 2014 results.
- Increase of $69 million related to incremental amortization associated with the acquired Hillshire Brands' intangibles.
- Increase of $27 million related to employee costs including payroll and stock-based compensation.
- Decrease of $59 million related to advertising and sales promotions in the legacy Tyson business primarily attributable to discontinuing certain programs that were present in fiscal 2014.
- Decrease of $14 million related to merger and integration costs and employee severance and retention costs associated with the Hillshire Brands acquisition and implementation of our Prepared Foods strategy.
- Decrease of $17 million in all other primarily related to professional fees.

Interest Income

	in millions		
	2016	2015	2014
	$(6)	$ (9)	$ (7)

2016/2015/2014 – Interest income remained relatively flat due to continued low interest rates.

Interest Expense

	in millions		
	2016	2015	2014
Cash interest expense	$248	$293	$132
Non-cash interest expense	1	—	—
Total Interest Expense	$249	$293	$132

2016/2015/2014 –

- Cash interest expense primarily included interest expense related to the coupon rates for senior notes and term loans and commitment/letter of credit fees incurred on our revolving credit facilities. The decrease in cash interest expense in fiscal 2016 was primarily due to a reduction of our debt. The increase in cash interest expense in fiscal 2015 was primarily due to senior notes and term loans issued and debt assumed in connection with our completed acquisition of Hillshire Brands on August 28, 2014.
- Non-cash interest expense primarily included amounts related to the amortization of debt issuance costs and discounts/premiums on note issuances, offset by interest capitalized.

Other (Income) Expense, net

	in millions		
	2016	2015	2014
	$(8)	$(36)	$ 53

2016 – Included $12 million of equity earnings in joint ventures and $4 million in net foreign currency exchange losses.
2015 – Included $12 million of equity earnings in joint ventures and $21 million of gains on the sale of equity securities.
2014 – Included $60 million of costs associated with bridge financing facilities for the Hillshire Brands acquisition and $6 million of other than temporary impairment related to an available-for-sale security, partially offset with $14

million of equity earnings in joint ventures and net foreign currency exchange gains.

Effective Tax Rate

2016	2015	2014
31.8 %	36.3 %	31.6 %

The effective tax rate on continuing operations was impacted by a number of items which result in a difference between our effective tax rate and the United States statutory rate of 35%. The table below reflects significant items impacting the rate as indicated.

2016 –

- Domestic production activity deduction reduced the rate 2.6%.
- Unrecognized tax benefits activity, mostly related to expiration of statutes of limitations and settlements with taxing authorities, reduced the rate 1.7%.
- State income taxes increased the rate 2.7%.

2015 –

- Domestic production activity deduction reduced the rate 3.7%.
- Unrecognized tax benefits activity, mostly related to expiration of statutes of limitations, reduced the rate 1.8%.
- State income taxes increased the rate 3.1%.
- Foreign rate differences and valuation allowances increased the rate 3.8%.

2014 –

- Domestic production activity deduction reduced the rate 4.0%.
- Net decrease in unrecognized tax benefits, mostly related to expiration of statutes of limitations and settlements with taxing authorities, reduced the rate 4.7%.
- State income taxes increased the rate 2.8%.
- Foreign rate differences and valuation allowances increased the rate 2.8%.

SEGMENT RESULTS

We operate in four reportable segments: Chicken, Beef, Pork and Prepared Foods. Other primarily includes our foreign chicken production operations in China and India and third-party merger and integration costs. Additionally, the results from Dynamic Fuels, which was sold in fiscal 2014, are also included in Other fiscal 2014 results until the closing date of such sale. The following table is a summary of segment sales and operating income (loss), which is how we measure segment income (loss).

in millions

	Sales			Operating Income (Loss)		
	2016	2015	2014	2016	2015	2014
Chicken	$10,927	$11,390				