

TYSON FOODS INC  
Form 10-K  
November 22, 2010  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended **October 2, 2010**

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 001-14704

**TYSON FOODS, INC.**

(Exact Name of Registrant as specified in its Charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**71-0225165**  
(I.R.S. Employer Identification No.)

**2200 Don Tyson Parkway, Springdale, Arkansas**  
(Address of principal executive offices)

**72762-6999**  
(Zip Code)

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

**(479) 290-4000**

**Title of Each Class**  
Class A Common Stock, Par Value \$0.10  
Securities Registered Pursuant to Section 12(g) of the Act: Not Applicable

**Name of Each Exchange on Which Registered**  
New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

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

## Edgar Filing: TYSON FOODS INC - Form 10-K

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, and (2) has been subject to such filing requirements for the past 90 days. Yes  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 during the preceding 12 months. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

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 Act). Yes  No

On April 3, 2010, 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 \$5,835,078,191 and \$412,523, 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 30, 2010, there were 307,209,339 shares of Class A stock and 70,021,155 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 4, 2011, are incorporated by reference into Part III of this Annual Report on Form 10-K.

---

**Table of Contents****TABLE OF CONTENTS**

	PAGE
PART I	
Item 1. <u>Business</u>	3
Item 1A. <u>Risk Factors</u>	7
Item 1B. <u>Unresolved Staff Comments</u>	12
Item 2. <u>Properties</u>	12
Item 3. <u>Legal Proceedings</u>	13
Item 4. <u>Removed and Reserved</u>	14
PART II	
Item 5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	15
Item 6. <u>Selected Financial Data</u>	17
Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	37
Item 8. <u>Financial Statements and Supplementary Data</u>	39
Item 9. <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	85
Item 9A. <u>Controls and Procedures</u>	85
Item 9B. <u>Other Information</u>	85
PART III	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	86
Item 11. <u>Executive Compensation</u>	86
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	86
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	87
Item 14. <u>Principal Accounting Fees and Services</u>	87
PART IV	
Item 15. <u>Exhibits, Financial Statement Schedules</u>	87

---

## **Table of Contents**

### **PART I**

#### **ITEM 1. BUSINESS**

##### **GENERAL**

Founded in 1935, Tyson Foods, Inc. and its subsidiaries (collectively, *Company*, *we*, *us* or *our* ) are one of the world's largest meat protein companies and the second-largest food production company in the *Fortune* 500 with one of the most recognized brand names in the food industry. We produce, distribute and market chicken, beef, pork, prepared foods and related allied products. Our operations are conducted in four 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 of live cattle and hogs, raw materials and grain; and operating efficiencies of our facilities.

We operate a fully vertically integrated poultry 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. (Cobb), 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, 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.

We have been exploring ways to commercialize our supply of poultry litter and animal fats. In June 2007, we announced a 50/50 joint venture with Syntroleum Corporation, called Dynamic Fuels LLC. Dynamic Fuels LLC produces renewable synthetic fuels targeting the renewable diesel and jet fuel markets. Construction of production facilities was completed in late fiscal 2010, and initial production began in October 2010.

##### **FINANCIAL INFORMATION OF SEGMENTS**

We operate in four segments: Chicken, Beef, Pork and Prepared Foods. The contribution of each segment to net sales and operating income (loss), and the identifiable assets attributable to each segment, are set forth in Note 20: Segment Reporting of the Notes to Consolidated Financial Statements.

##### **DESCRIPTION OF SEGMENTS**

**Chicken:** Chicken operations include breeding and raising chickens, as well as processing live chickens into fresh, frozen and value-added chicken products and logistics operations to move products through the supply chain. Products are marketed domestically to food retailers, foodservice distributors, restaurant operators and noncommercial foodservice establishments such as schools, hotel chains, healthcare facilities, the military and other food processors, as well as to international markets. It also includes sales from allied products and our chicken breeding stock subsidiary.

**Beef:** Beef operations include processing live fed cattle and fabricating dressed beef carcasses into primal and sub-primal meat cuts and case-ready products. 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. Products are marketed domestically to food retailers, foodservice distributors, restaurant operators and noncommercial foodservice establishments such as schools, hotel chains, healthcare facilities, the military and other food processors, as well as to international markets. Allied products are marketed to manufacturers of pharmaceuticals and technical products.



---

## **Table of Contents**

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

**Prepared Foods:** Prepared Foods operations include manufacturing and marketing frozen and refrigerated food products and logistics operations to move products through the supply chain. Products include pepperoni, bacon, beef and pork pizza toppings, pizza crusts, flour and corn tortilla products, appetizers, prepared meals, ethnic foods, soups, sauces, side dishes, meat dishes and processed meats. Products are marketed domestically to food retailers, foodservice distributors, restaurant operators and noncommercial foodservice establishments such as schools, hotel chains, healthcare facilities, the military and other food processors, as well as to international markets.

## **RAW MATERIALS AND SOURCES OF SUPPLY**

**Chicken:** The primary raw materials used in our 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, which are slaughtered and converted into finished products, then sent to distribution centers and delivered to customers.

We operate our own feed mills to produce scientifically-formulated feeds. In fiscal 2010, corn and soybean meal were major production costs, representing roughly 42% of our cost of growing a live chicken. 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, from time-to-time we purchase live, ice-packed or deboned chicken to meet production 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 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. We believe the sources of supply of live cattle are adequate for our present needs.

**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 buyers who 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 sources of supply of live hogs are adequate for our present needs. Additionally, we raise a number of weanling swine to sell to independent finishers and supply a minimal amount of 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, corn, flour and vegetables. 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 and beef products generally increases during the spring and summer months and generally decreases during the winter months. Pork and prepared foods products generally experience increased demand during the winter months, primarily due to the holiday season, while demand decreases during the spring and summer months.

## **CUSTOMERS**

Wal-Mart Stores, Inc. accounted for 13.4% of our fiscal 2010 consolidated sales. Sales to Wal-Mart Stores, Inc. were included in the Chicken, Beef, Pork and Prepared Foods segments. Any extended discontinuance of sales to this customer could, if not replaced, have a material impact

Edgar Filing: TYSON FOODS INC - Form 10-K

on our operations. No other single customer or customer group represents more than 10% of fiscal 2010 consolidated sales.

## **Table of Contents**

### **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, breadth and depth of product offerings, availability of products, customer service and credit terms.

### **INTERNATIONAL**

We exported to more than 100 countries in fiscal 2010. Major export markets include Canada, Central America, China, the European Union, Japan, Mexico, the Middle East, Russia, South Korea, Taiwan and Vietnam.

We have the following international operations:

- Tyson de Mexico, a Mexican subsidiary, is a vertically-integrated poultry production company;
- Cobb-Vantress, a chicken breeding stock subsidiary, has business interests in Argentina, Brazil, the Dominican Republic, India, Ireland, Japan, the Netherlands, Peru, the Philippines, Russia, Spain, Sri Lanka, the United Kingdom and Venezuela;
- Tyson do Brazil, a Brazilian subsidiary, is a vertically-integrated poultry production company;
- Shandong Tyson Xinchang Foods, joint ventures in China in which we have a majority interest, is a vertically-integrated poultry production company;
- Tyson Dalong, a joint venture in China in which we have a majority interest, is a chicken further processing facility;
- Jiangsu-Tyson, a Chinese poultry breeding company, is building a vertically-integrated poultry operation with production expected to begin in fiscal 2011;
- Godrej Tyson Foods, a joint venture in India in which we have a majority interest, is a poultry processing business; and
- Cactus Argentina, a majority interest in a vertically-integrated beef operation joint venture in Argentina; however, we do not consolidate the entity due to the lack of controlling interest.

We continue to evaluate growth opportunities in foreign countries. Additional information regarding export sales, long-lived assets located in foreign countries and income (loss) from foreign operations is set forth in Note 20: Segment Reporting of the Notes to Consolidated Financial Statements.

### **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. In 2007, we opened the Discovery Center, which includes 19 research kitchens and a USDA-inspected pilot plant. The Discovery Center brings new market-leading retail and foodservice products to the customer faster and more effectively. Research and development costs totaled \$38 million, \$33 million and \$30 million in fiscal 2010, 2009 and 2008, respectively.

### **ENVIRONMENTAL REGULATION AND FOOD SAFETY**

Our facilities for processing chicken, beef, pork and prepared foods, milling feed and housing live chickens and swine are subject to a variety of 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.



## Edgar Filing: TYSON FOODS INC - Form 10-K

Congress and the United States Environmental Protection Agency are considering various options to control greenhouse gas emissions. It is unclear at this time when or if such options will be finalized, or what the final form may be. Due to the 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.

5

---

## **Table of Contents**

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 United States Department of Agriculture (USDA) and the United States Food and Drug Administration (FDA). We are also participants in the United States Hazard Analysis Critical Control Point (HACCP) program and are subject to the Sanitation Standard Operating Procedures and the Public Health Security and Bioterrorism Preparedness and Response Act of 2002.

### **EMPLOYEES AND LABOR RELATIONS**

As of October 2, 2010, we employed approximately 115,000 employees. Approximately 97,000 employees were employed in the United States and 18,000 employees were in foreign countries, primarily China, Mexico and Brazil. Approximately 29,000 employees in the United States were subject to collective bargaining agreements with various labor unions, with approximately 19% of those employees included under agreements expiring in fiscal 2011. These agreements expire over periods throughout the next several years. Approximately 7,000 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 primary provider of chicken, beef, pork and prepared foods products for our customers and consumers. As such, we utilize our national distribution system and customer support services to achieve the leading market position for our products. On an ongoing basis, we identify distinct markets and business opportunities through continuous consumer and market research. In addition to supporting strong regional brands across multiple protein lines, we build the Tyson brand primarily through well-defined product-specific advertising and public relations efforts focused toward key consumer targets with specific needs. These efforts are designed to present key Tyson products as everyday solutions to relevant consumer problems thereby becoming part of regular eating routines. We utilize our national distribution system and customer support services to achieve a leading market position for our products.

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 less-than-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 and trademarks relating to our processes and products that either have been approved or are in the process of application. 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. 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 trademark 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. Due to volatility of the cost of raw materials, fixed price contracts are generally limited to three months in duration.

### **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 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 Committee charter, Governance Committee charter, Nominating 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.



---

**Table of Contents**

**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 2011, other future economic circumstances, industry conditions in domestic and international markets, our performance and financial results, including, without limitation, 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 publicly 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 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) risks associated with leverage, including cost increases due to rising interest rates or changes in debt ratings or outlook; (xiv) 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; (xv) our ability to make effective acquisitions or joint ventures and successfully integrate newly acquired businesses into existing operations; (xvi) effectiveness of advertising and marketing programs; and (xvii) 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.

**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 are dependent upon the cost and supply of raw materials such as feed grains, live cattle, live swine, energy and ingredients, as well as the selling prices for our products, many of which are determined by constantly changing market forces of supply and demand over which we have limited or no control. Corn and soybean meal are major production costs for vertically-integrated poultry processors such as us, representing roughly 42% of our cost of growing a chicken in fiscal 2010. As a result, fluctuations in prices for these feed ingredients, which include competing demand for corn and soybean meal for use in the manufacture of renewable energy, can adversely affect our earnings. Production of feed ingredients is affected by, among other things, weather patterns throughout the world, 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.

We have cattle under contract at feed yards owned by third parties; however, most of the cattle we process are purchased from independent producers. We have cattle buyers located throughout cattle producing areas who visit feed yards and buy live cattle on the open spot market. We also enter into various risk-sharing and procurement arrangements with producers who help secure a supply of livestock for daily start-up operations at our facilities. The majority of our live swine supply is obtained through procurement arrangements with independent producers. We also employ buyers who purchase hogs on a daily basis, generally a few days before the animals are required for processing. In addition, we raise live swine and sell feeder pigs to independent producers for feeding to processing weight and have contract growers feed a minimal amount of company-owned live swine for our own processing needs. Any decrease in the supply of cattle or swine on the spot market could increase the price of these raw materials and further increase per head cost of production due to lower capacity utilization, which could adversely affect our

financial results.

7

---

## **Table of Contents**

### **Market demand and the prices we receive for our products may fluctuate due to competition from other food producers and processors.**

We face competition from other food producers and processors. Some of the factors on which we compete and which may drive demand for our products include:

- price;
- product safety and quality;
- brand identification;
- breadth and depth of product offerings;
- availability of our products;
- customer service; and
- credit terms.

Demand for our products also is affected by competitors' promotional spending, the effectiveness of our advertising and marketing programs, and the availability or price of competing proteins.

We attempt to obtain prices for our products that reflect, in part, the price we must pay for the raw materials that go into our products. If we are not able to obtain higher prices for our products when the price we pay for raw materials increases, we may be unable to maintain positive margins.

### **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 cattle and hogs 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 operations, which could negatively affect our sales to customers in foreign countries, as well as our operations and assets in such countries.**

In fiscal 2010, we exported to more than 100 countries. Major export markets include Canada, Central America, China, the European Union, Japan, Mexico, the Middle East, Russia, South Korea, Taiwan and Vietnam. Our export sales for fiscal 2010 totaled \$3.2 billion. In addition, we had approximately \$364 million of long-lived assets located in foreign countries, primarily Brazil, China, Mexico and India, at the end of fiscal 2010.

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 and pork 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 U.S. dollar and foreign currencies, particularly the Canadian dollar, the Chinese renminbi, the Mexican peso, the European euro, the British pound sterling, and the Brazilian real;
- political and economic conditions;
- difficulties and costs associated with complying with, and enforcing 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;

## Edgar Filing: TYSON FOODS INC - Form 10-K

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.

---

## **Table of Contents**

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 115,000 employees, approximately 36,000 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.

### **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 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; therefore, 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, product recalls (which may not entirely mitigate the risk of 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.

### **Our operations are subject to general risks of litigation.**

We are involved on an on-going basis in litigation arising in the ordinary course of business or otherwise. Trends in litigation may include class actions involving consumers, shareholders, employees or injured persons, and claims relating to commercial, labor, employment, antitrust, securities or environmental matters. Litigation trends and the outcome of litigation cannot be predicted with certainty and adverse litigation trends and outcomes could adversely affect our financial results.

### **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 rating 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 facility contains 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; pay dividends or make other payments in respect of our capital stock; amend material documents; change the nature of our business; make certain payments of debt; engage in certain transactions with affiliates; and enter into sale/leaseback or hedging transactions, in each case, subject to certain qualifications and exceptions. If availability under this facility is less than the greater of 15% of the commitments and \$150 million, we



## Edgar Filing: TYSON FOODS INC - Form 10-K

will be required to maintain a minimum fixed charge coverage ratio.

Our 10.50% Senior notes due March 2014 also contain affirmative and negative covenants that, among other things, may limit or restrict our ability to: incur additional debt and issue preferred stock; make certain investments and restricted payments; create liens; create restrictions on distributions from restricted subsidiaries; engage in specified sales of assets and subsidiary stock; enter into transactions with affiliates; enter new lines of business; engage in consolidation, mergers and acquisitions; and engage in certain sale/leaseback transactions.

---

## **Table of Contents**

### **An impairment in the carrying value of goodwill could negatively impact our consolidated results of operations and net worth.**

Goodwill is initially recorded at fair value and is not amortized, but is reviewed for impairment at least annually or more frequently if impairment indicators are present. In assessing the carrying value of goodwill, we make estimates and assumptions about sales, operating margins, growth 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 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. Under the income approach, 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 goodwill valuations. We could be required to evaluate the recoverability of goodwill 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 goodwill impairment charges in the future, which could be substantial. As of October 2, 2010, we had \$1.9 billion of goodwill, which represented approximately 17.6% of total assets.

### **Domestic and international government regulations could impose material costs.**

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. Our facilities for processing chicken, beef, pork, prepared foods and milling feed and for housing live chickens and swine are subject to a variety of international, federal, state and local laws relating to the protection of the environment, including provisions relating to the discharge of materials into the environment, and to the health and safety of our employees. Our chicken, beef and pork processing facilities are participants in the HACCP program and are subject to the Public Health Security and Bioterrorism Preparedness and Response Act of 2002. In addition, our products are subject to inspection prior to distribution, primarily by the USDA and the FDA. Also, our livestock procurement and poultry growout activities are regulated by the Grain Inspection, Packers and Stockyards Administration (GIPSA), which is part of USDA's Marketing and Regulatory Programs. 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. Additionally, we are routinely subject to new or modified laws, regulations and accounting standards. If we are found to be out of compliance with applicable laws and regulations in these or other areas, we could be subject to civil remedies, including fines, injunctions, recalls or asset seizures, as well as potential criminal sanctions, any of which could have an adverse effect on our financial results.

### **A material acquisition, joint venture or other significant initiative could affect our operations and financial condition.**

We have recently completed acquisitions and entered into joint venture agreements and periodically evaluate potential acquisitions, joint ventures and other initiatives (collectively, transactions), and we may seek to expand our business through the acquisition of companies, processing plants, technologies, products and services, which could include material transactions. A material transaction may involve a number of risks, including:

- failure to realize 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;
- exposure to unforeseen or undisclosed liabilities of acquired companies; and
- the need to obtain 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.

---

## **Table of Contents**

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 agreement 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.

### **Changes in consumer preference 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 products, and could have an adverse effect on our financial results.

### **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 13.4% of our sales in fiscal 2010. Many of our agreements with our customers are short-term, primarily due to the nature of our products, industry practice and the fluctuation in demand and price for our products.

### **The consolidation of customers could negatively impact our business.**

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, any of which would adversely affect our financial results.

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

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, damage to our production and processing facilities or disruption of transportation channels, among other things. Any of these factors, as well as disruptions in our information systems, could have an adverse effect on our financial results.

### **Our renewable energy ventures and other initiatives might not be as successful as we expect.**

We have been exploring ways to commercialize animal fats and other by-products from our operations, as well as the poultry litter of our contract growers, to generate energy and other value-added products. For example, in fiscal 2007, we announced the formation of Dynamic Fuels LLC, a joint venture with Syntroleum Corporation. We will continue to explore other ways to commercialize opportunities outside our core business, such as renewable energy and other technologically-advanced platforms. These initiatives might not be as financially successful as we initially announced or would expect due to factors that include, but are not limited to, possible discontinuance of tax credits, competing energy prices, failure to operate at the volumes anticipated, abilities of our joint venture partners and our limited experience in some of these new areas.

### **Members of the Tyson family can exercise significant control.**

## Edgar Filing: TYSON FOODS INC - Form 10-K

Members of the Tyson family beneficially own, in the aggregate, 99.97% of our outstanding shares of Class B Common Stock, \$0.10 par value (Class B stock) and 2.42% of our outstanding shares of Class A Common Stock, \$0.10 par value (Class A stock), giving them control of approximately 70% of the total voting power of our outstanding voting stock. In addition, three members of the Tyson family serve on our Board of Directors. As a result, members of the Tyson family 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 Tyson family's significant ownership of our outstanding voting stock, we rely on the controlled company exemption from certain corporate governance requirements of the New York Stock Exchange.

**Table of Contents****ITEM 1B. UNRESOLVED STAFF COMMENTS**

None

**ITEM 2. PROPERTIES**

We have production and distribution operations in the following states: Alabama, Arkansas, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Nebraska, New Mexico, New York, North Carolina, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, Washington and Wisconsin. We also have sales offices throughout the United States. Additionally, we, either directly or through our subsidiaries, have sales offices, facilities or participate in joint venture operations in Argentina, Brazil, China, the Dominican Republic, Hong Kong, India, Ireland, Japan, Mexico, the Netherlands, Peru, the Philippines, Russia, South Korea, Spain, Sri Lanka, Taiwan, the United Arab Emirates, the United Kingdom and Venezuela.

	Number of Facilities		
	Owned	Leased	Total
Chicken Segment:			
Processing plants	61	1	62
Rendering plants	15	-	15
Blending mills	2	-	2
Feed mills	42	1	43
Broiler hatcheries	62	5	67
Breeder houses	493	744	1,237
Broiler farm houses	834	816	1,650
Beef Segment Production Facilities	12	-	12
Pork Segment Production Facilities	9	-	9
Prepared Foods Segment Processing Plants	22	1	23
Distribution Centers	14	5	19
Cold Storage Facilities	65	13	78
		Capacity(1)	
		per week at	Fiscal 2010
		October 2, 2010	Average Capacity
			Utilization
Chicken Processing Plants		46 million head	92%
Beef Production Facilities		171,000 head	84%
Pork Production Facilities		443,000 head	88%
Prepared Foods Processing Plants		45 million pounds	89%

(1) Capacity based on a five day week for Chicken and Prepared Foods, while Beef and Pork are based on a six day week.

**Chicken:** Chicken processing plants include various phases of slaughtering, dressing, cutting, packaging, deboning and further-processing. We also have 17 pet food operations, which are part of the Chicken processing plants. 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. Some also treat and tan hides. The Beef segment includes three case-ready operations that share facilities with the Pork segment. One of the beef facilities contains a tallow refinery. Carcass facilities reduce live cattle to dressed carcass form. Processing facilities conduct fabricating operations to produce boxed beef and allied products.

**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.

## Edgar Filing: TYSON FOODS INC - Form 10-K

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

Our Dynamic Fuels LLC joint venture produces renewable synthetic fuels targeting the renewable diesel and jet fuel markets. Construction of production facilities was completed in late fiscal 2010, and initial production began in October 2010.

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.

**Table of Contents****ITEM 3. LEGAL PROCEEDINGS**

Refer to the description of certain matters under Part II, Item 8, Notes to Consolidated Financial Statements, Note 23: Contingencies, which is incorporated herein by reference. Listed below are certain additional legal proceedings involving the Company and/or its subsidiaries.

On October 23, 2001, a putative class action lawsuit styled R. Lynn Thompson, et al. vs. Tyson Foods, Inc. was filed in the District Court for Mayes County, Oklahoma by three property owners on behalf of all owners of lakefront property on Grand Lake O the Cherokees. Simmons Foods, Inc. and Peterson Farms, Inc. also are defendants. The plaintiffs allege the defendants' operations diminished the water quality in the lake thereby interfering with the plaintiffs' use and enjoyment of their properties. The plaintiffs sought injunctive relief and an unspecified amount of compensatory damages, punitive damages, attorneys' fees and costs. While the District Court certified a class, on October 4, 2005, the Court of Civil Appeals of the State of Oklahoma reversed, holding the plaintiffs' claims were not suitable for disposition as a class action. This decision was upheld by the Oklahoma Supreme Court and the case was remanded to the District Court with instructions that the matter proceed only on behalf of the three named plaintiffs. Plaintiffs seek injunctive relief, restitution and compensatory and punitive damages in an unspecified amount in excess of \$10,000. We and the other defendants have denied liability and asserted various defenses. The defendants have requested a trial date, but the court has not yet scheduled the matter for trial.

On January 9, 2003, we received a notice of liability letter from Union Pacific Railroad Company ( Union Pacific ) relating to our alleged contributions of waste oil to the Double Eagle Refinery Superfund Site in Oklahoma City, Oklahoma. On August 22, 2006, the United States and the State of Oklahoma filed a lawsuit styled United States of America, et al. v. Union Pacific Railroad Co. in the United States District Court for the Western District of Oklahoma seeking more than \$22 million (the amount sought was subsequently increased to more than \$30 million) to remediate the Double Eagle site. Certain Tyson entities joined a potentially responsible parties' group on October 31, 2006. A settlement between the potentially responsible parties' group, the United States, and the State of Oklahoma was reached and the Tyson entities paid \$625,586 into escrow towards the settlement of the matter. In furtherance of finalizing the settlement, the U.S. Department of Justice filed a complaint styled United States of America, et al. v. Albert Investment Co., Inc. et al., and includes the potentially responsible parties. A proposed Consent Decree addressing all alleged liability of the Tyson entities for the site was lodged on June 27, 2008. On October 10, 2008, Union Pacific initiated litigation to challenge the proposed Consent Decree by filing a motion to intervene, which the District Court denied. Union Pacific appealed this decision to the United States Court of Appeals for the Tenth Circuit. The potentially responsible parties' group and other parties filed briefs in the Tenth Circuit, and oral arguments occurred on September 21, 2009. On November 10, 2009, the Tenth Circuit Court of Appeals reversed the District Court's decision, and Union Pacific was permitted to intervene in the litigation. After negotiations amongst the interested parties, an Amended Consent Decree was lodged with the Court on October 8, 2010. The Amended Consent Decree includes a reopener for certain future response costs. A notice will be published in the Federal Register inviting public comment on the Amended Consent Decree. On October 14, 2010, Union Pacific filed a Notice of Dismissal of Intervention. Assuming the Court approves and enters the Amended Consent Decree, Tyson will be required to make an additional principal payment of \$50,669 plus interest. Upon such payment, the matter will be concluded.

In November 2006, the Audit Committee of our Board of Directors engaged outside counsel to conduct a review of certain payments that had been made by one of our subsidiaries in Mexico, including payments to individuals employed by Mexican governmental bodies. The payments were discontinued in November 2006. Although the review process is ongoing, we believe the amount of these payments is immaterial, and we do not expect any material impact to our financial statements. We have contacted the Securities and Exchange Commission and the U.S. Department of Justice to inform them of our review and preliminary findings and are cooperating fully with these governmental authorities.

Since 2003, nine lawsuits have been brought against us and several other poultry companies by approximately 150 plaintiffs in Washington County, Arkansas Circuit Court (Green v. Tyson Foods, Inc., et al., Bible v. Tyson Foods, Inc., Beal v. Tyson Foods, Inc., et al., McWhorter v. Tyson Foods, Inc., et al., McConnell v. Tyson Foods, Inc., et al., Carroll v. Tyson Foods, Inc., et al., Belew v. Tyson Foods, Inc., et al., Gonzalez v. Tyson Foods, Inc., et al., and Rasco v. Tyson Foods, Inc., et al.) alleging that the land application of poultry litter caused arsenic and pathogenic mold and fungi contamination of the air, soil and water in and around Prairie Grove, Arkansas. In addition to the poultry company defendants, plaintiffs sued Alpharma, the manufacturer of a feed ingredient containing an organic arsenic compound that has been used in the broiler industry. Plaintiffs are seeking recovery for several types of personal injuries, including several forms of cancer. On August 2, 2006, the Court granted summary judgment in favor of Tyson and the other poultry company defendants in the first case to go to trial and denied summary judgment as to Alpharma. The case was tried against Alpharma and the jury returned a verdict in favor of Alpharma. Plaintiffs appealed the summary judgment in favor of the poultry company defendants and the Court stayed the remaining eight lawsuits pending the appeal. On May 8, 2008, the Arkansas Supreme Court reversed the summary judgment in favor of the poultry company defendants. The remanded trial in this case against us and the other poultry company defendants was held, and on May 14, 2009, the jury returned a verdict in favor of the defendants. The plaintiffs appealed this verdict to the Arkansas Supreme Court. The parties have submitted briefs in this matter and are awaiting the Arkansas Supreme Court's ruling.





**Table of Contents**

**Other Matters:** We have approximately 115,000 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. REMOVED AND RESERVED**

Not applicable.

**EXECUTIVE OFFICERS OF THE COMPANY**

Our 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 and year of initial election to executive office of our executive officers are listed below:

Name	Title	Age	Year Elected Executive Officer
Craig J. Hart	Senior Vice President, Controller and Chief Accounting Officer	54	2004
Kenneth J. Kimbro	Senior Vice President, Chief Human Resources Officer	57	2009
Donnie King	Senior Group Vice President, Poultry and Prepared Foods	48	2009
Dennis Leatherby	Executive Vice President and Chief Financial Officer	50	1994
James V. Lochner	Chief Operating Officer	58	2005
Donnie Smith	President and Chief Executive Officer	51	2008
David L. Van Bebber	Executive Vice President and General Counsel	54	2008
Jeffrey D. Webster	Group Vice President, Renewable Products Division	49	2008
Noel White	Senior Group Vice President, Fresh Meats	52	2009

Craig J. Hart was appointed Senior Vice President, Controller and Chief Accounting Officer in 2004. Mr. Hart was initially employed by IBP in 1978.

Kenneth J. Kimbro was appointed Senior Vice President, Chief Human Resources Officer in 2007, after serving as Senior Vice President, Human Resources since 2001. Mr. Kimbro was initially employed by IBP in 1995.

Donnie King was appointed Senior Group Vice President, Poultry and Prepared Foods in December 2009, after serving as 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.

James V. Lochner was appointed Chief Operating Officer in November 2009, after serving as Senior Group Vice President, Fresh Meats since 2007, Senior Group Vice President, Fresh Meats and Margin Optimization since 2006 and Senior Group Vice President, Margin Optimization, Purchasing and Logistics since 2005. Mr. Lochner was initially employed by IBP in 1983.

Donnie Smith was appointed President and Chief Executive Officer in November 2009, after serving as Senior Group Vice President, Poultry and Prepared Foods since January 2009, 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.

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.

## Edgar Filing: TYSON FOODS INC - Form 10-K

Jeffrey D. Webster was appointed Group Vice President, Renewable Products Division in 2008, after serving as Senior Vice President, Renewable Products Division since 2007, Senior Vice President, Corporate Strategy Development and Renewable Energy since 2006 and Senior Vice President, Strategy and Development since 2005. Mr. Webster was initially employed by the Company in 2004.

Noel White was appointed Senior Group Vice President, Fresh Meats in December 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 in 1983.

**Table of Contents****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 while holders of Class A stock are entitled to one vote per share on matters submitted to shareholders for approval. As of October 30, 2010, there were approximately 30,000 holders of record of our Class A stock and 10 holders of record of our Class B stock, excluding holders in the security position listings held by nominees.

**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 and expect to continue our cash dividend policy during fiscal 2011. In both fiscal 2010 and 2009, the annual dividend rate for Class A stock was \$0.16 per share and the annual dividend rate for Class B stock was \$0.144 per share.

**MARKET INFORMATION**

The Class A stock is traded on the New York Stock Exchange under the symbol TSN. No public trading market currently exists for the Class B stock. The high and low closing sales prices of our Class A stock for each quarter of fiscal 2010 and 2009 are represented in the table below.

	Fiscal 2010		Fiscal 2009	
	High	Low	High	Low
First Quarter	\$ 13.19	\$ 12.02	\$ 12.87	\$ 4.40
Second Quarter	19.50	12.24	9.93	7.59
Third Quarter	20.40	16.25	13.88	9.33
Fourth Quarter	18.06	15.22	13.23	10.95

**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)	or Programs (1)
July 4 to July 31, 2010	112,095	\$17.27	-	22,474,439
Aug. 1 to Sept. 4, 2010	134,160	16.12	-	22,474,439
Sept. 5 to Oct. 2, 2010	87,986	17.61	-	22,474,439
Total	(2) 344,241	\$16.91	-	22,474,439

- (1) On February 7, 2003, we announced our board of directors approved a plan to repurchase up to 25 million shares of Class A stock from time to time in open market or privately negotiated transactions. The plan has no fixed or scheduled termination date.
- (2) We purchased 344,241 shares during the period that were not made pursuant to our previously announced stock repurchase plan, but were purchased to fund certain Company obligations under our equity compensation plans. These transactions included 319,643 shares

Edgar Filing: TYSON FOODS INC - Form 10-K

purchased in open market transactions and 24,598 shares withheld to cover required tax withholdings on the vesting of restricted stock.

**Table of Contents****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.

	Base Period		Years Ending			
	10/1/05	9/30/06	9/29/07	9/27/08	10/3/09	10/2/10
Tyson Foods, Inc.	100	88.90	100.77	72.38	71.48	95.31
S&P 500 Index	100	110.79	129.01	100.66	93.70	103.22
Peer Group	100	111.25	118.91	120.14	109.23	129.53

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 2005, is presented for each of the periods for the Company, the S&P 500 Index and a peer group. The peer group includes: Campbell Soup Company, ConAgra Foods, Inc., General Mills, Inc., H.J. Heinz Co., Hershey Foods Corp., Hormel Foods Corp., Kellogg Co., McCormick & Co., Pilgrim's Pride Corporation, Sara Lee Corp. and Smithfield Foods, Inc. The graph compares the performance of the Company with that of the S&P 500 Index and peer group, with the investment weighted on market capitalization.

**Table of Contents****ITEM 6. SELECTED FINANCIAL DATA****FIVE-YEAR FINANCIAL SUMMARY**

	in millions, except per share and ratio data				
	2010	2009	2008	2007	2006
<b>Summary of Operations</b>					
Sales	\$28,430	\$26,704	\$26,862	\$25,729	\$24,589
Goodwill impairment	29	560	-	-	-
Operating income (loss)	1,556	(215)	331	613	(50)
Net interest expense	333	310	206	224	238
Income (loss) from continuing operations	765	(550)	86	268	(174)
Loss from discontinued operation	-	(1)	-	-	(17)
Cumulative effect of change in accounting principle	-	-	-	-	(5)
Net income (loss)	765	(551)	86	268	(196)
Net income (loss) attributable to Tyson	780	(547)	86	268	(196)
Diluted earnings (loss) per share attributable to Tyson:					
Income (loss) from continuing operations	2.06	(1.47)	0.24	0.75	(0.51)
Loss from discontinued operation	-	-	-	-	(0.05)
Cumulative effect of change in accounting principle	-	-	-	-	(0.02)
Net income (loss)	2.06	(1.47)	0.24	0.75	(0.58)
Dividends per share:					
Class A	0.160	0.160	0.160	0.160	0.160
Class B	0.144	0.144	0.144	0.144	0.144
<b>Balance Sheet Data</b>					
Cash and cash equivalents	\$978	\$1,004	\$250	\$42	\$28
Total assets	10,752	10,595	10,850	10,227	11,121
Total debt	2,536	3,477	2,804	2,779	3,979
Shareholders' equity	5,201	4,431	5,099	4,735	4,444
<b>Other Key Financial Measures</b>					
Depreciation and amortization	\$497	\$513	\$493	\$514	\$517
Capital expenditures	550	368	425	285	531
Return on invested capital	22.8%	(3.0)%	4.4%	7.7%	(0.6)%
Effective tax rate	36.4%	(1.5)%	44.6%	34.6%	35.0%
Book value per share	\$13.78	\$11.77	\$13.51	\$13.32	\$12.52
Closing stock price high	20.40	13.88	19.44	24.08	18.70
Closing stock price low	12.02	4.40	12.14	14.20	12.92

## Notes to Five-Year Financial Summary

- Fiscal 2010 included \$61 million related to losses on notes repurchased/redeemed during fiscal 2010, a \$29 million non-tax deductible charge related to a full goodwill impairment related to an immaterial Chicken segment reporting unit and a \$12 million charge related to the partial impairment of an equity method investment. Additionally, fiscal 2010 included insurance proceeds received of \$38 million related to Hurricane Katrina.
- Fiscal 2009 was a 53-week year, while the other years presented were 52-week years.
- Fiscal 2009 included a \$560 million non-tax deductible charge related to Beef segment goodwill impairment and a \$15 million pretax charge related to closing a prepared foods plant.
- Fiscal 2008 included \$76 million of pretax charges related to: restructuring a beef operation; closing a poultry plant; asset impairments for packaging equipment, intangible assets, unimproved real property and software; flood damage; and severance charges. Additionally, fiscal 2008 included an \$18 million non-operating gain related to the sale of an investment.
- Fiscal 2007 included tax expense of \$17 million related to a fixed asset tax cost correction, primarily related to a fixed asset system conversion in 1999.
- Fiscal 2006 included \$63 million of pretax charges primarily related to closing one poultry plant, two beef plants and two prepared foods plants.
- Return on invested capital is calculated by dividing operating income (loss) by the sum of the average of beginning and ending total debt and shareholders' equity less cash and cash equivalents.
- In March 2009, we completed the sale of the beef processing, cattle feed yard and fertilizer assets of three of our Alberta, Canada subsidiaries (collectively, Lakeside). Lakeside was reported as a discontinued operation for all periods presented.

**Table of Contents**

**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 meat protein companies and the second-largest food production company in the *Fortune* 500 with one of the most recognized brand names in the food industry. We produce, distribute and market chicken, beef, pork, prepared foods and related allied products. Our operations are conducted in four 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 of live cattle and hogs, raw materials and grain; and operating efficiencies of our facilities.

**OVERVIEW**

General We had improved operating results in fiscal 2010 as compared to fiscal 2009, as a result of improved internal performance and a better market environment. The following are a few of the key drivers:

We achieved margin management gains and operational efficiency improvements, which were the key drivers that led to the nearly \$1.2 billion improvement in operating income, excluding the impact of the \$560 million Beef segment goodwill impairment charge recorded in fiscal 2009. Margin management improvements occurred in the areas of mix, export sales, price optimization and value-added products initiatives. The operational efficiencies occurred in the areas of yields, cost reduction, labor management, logistics cost optimization, capacity and live bird operations (including livability, feed conversion, and net to processing improvements).

Tyson and the meat industry in general have benefitted from improving domestic market conditions. For the first time in 40 years, industry forecasters predict a reduction in available protein in two consecutive years for 2009/2010. This is a factor of reduced protein production, fewer imports, increased exports and reduced freezer inventories. Poor industry results for 2008 and 2009 led to a reduction in industry capacity and a better balance between overall meat products supply and demand. While the recent economic conditions have caused decreased demand at foodservice establishments, most of the lost demand has shifted to retailers as consumers are choosing to eat at home.

As a result of improving domestic market conditions and our own operational efficiency and margin management improvements, our operating margins were 5.5% in fiscal 2010 (5.4% after removing \$38 million of insurance proceeds received during the year and \$29 million related to the goodwill impairment). This is the first time since the acquisition of IBP, inc. in 2001 that annual operating margins have exceeded 5.0%. The following is a summary of operating margins by segment:

Chicken 5.2% (or 5.1% excluding \$38 million of insurance proceeds received and \$29 million related to a goodwill impairment)  
 Beef 4.6%  
 Pork 8.4%  
 Prepared Foods 4.1%

Debt and Liquidity During fiscal 2010, we generated \$1.4 billion of operating cash flows. We used these cash flows, as well as restricted cash, to repurchase, retire or redeem \$956 million of senior notes. As a result, our total debt is \$2.5 billion, the lowest level since the acquisition of IBP, inc. At October 2, 2010, we had \$1.8 billion of liquidity, which includes the availability under our credit facility and \$978 million of cash and cash equivalents.

Our accounting cycle resulted in a 52-week year for both fiscal 2010 and 2008 and a 53-week year for fiscal 2009.



**Table of Contents**

	in millions, except per share data		
	2010	2009	2008
Net income (loss) attributable to Tyson	\$780	\$(547)	\$86
Net income (loss) attributable to Tyson per diluted share	2.06	(1.47)	0.24

**2010** Net income included the following items:

\$61 million in charges related to losses on notes repurchased during fiscal 2010;  
 \$29 million non-cash, non-tax deductible charge related to a full goodwill impairment in an immaterial Chicken segment reporting unit;  
 \$12 million non-cash, non-tax deductible charge related to the impairment of an equity method investment; and  
 \$38 million gain from insurance proceeds.

**2009** Net loss included the following items:

\$560 million non-cash, non-tax deductible charge related to a goodwill impairment in our Beef segment; and  
 \$15 million charge related to the closing of our Ponca City, Oklahoma, processed meats plant.

**2008** Net income included the following items:

\$33 million of charges related to asset impairments, including packaging equipment, intangible assets, unimproved real property and software;  
 \$17 million charge related to restructuring our Emporia, Kansas, beef operation;  
 \$13 million charge related to closing our Wilkesboro, North Carolina, Cooked Products poultry plant;  
 \$13 million of charges related to flood damage at our Jefferson, Wisconsin, plant and severance charges related to the FAST initiative;  
 and  
 \$18 million non-operating gain related to sale of an investment.

**FISCAL 2011 OUTLOOK**

In 2011, overall protein (chicken, beef, pork and turkey) production is expected to increase. Because exports are likely to grow as well, we forecast that total domestic availability of protein should be relatively flat compared to 2010. The following is a summary of the fiscal 2011 outlook for each of our segments, as well as an outlook on capital expenditures, net interest expense and debt:

**Chicken** While we expect chicken production to increase, domestic availability will depend on export volumes. Because of the less than expected yields in global feed grain crop production, current futures prices indicate higher grain costs in fiscal 2011 compared to fiscal 2010. We expect to offset the impact of increased grain costs with operational and pricing improvements.

**Beef** We expect to see a gradual reduction in cattle supplies of 1-2% in fiscal 2011; however, we do not expect a significant change in the fundamentals of our Beef business as it relates to the previous few quarters. We expect adequate supplies in the regions we operate our plants. We expect beef exports to remain strong in fiscal 2011.

**Pork** We expect hog supplies in fiscal 2011 will be comparable to fiscal 2010 and we believe we will have adequate supplies in the regions in which we operate. We expect pork exports to remain strong in fiscal 2011.

**Prepared Foods** We expect operational improvements and increased pricing will more than offset the likely increase in raw material costs in fiscal 2011. While many of our sales contracts are formula based or shorter-term in nature, we are typically able to absorb rising input costs. However, there is a lag time for price increases to take effect, so it is more difficult to absorb rapidly rising raw material costs.

**Capital Expenditures** Our preliminary capital expenditures plan for fiscal 2011 is approximately \$700 million.

**Net Interest Expense** We expect fiscal 2011 net interest expense will be approximately \$245 million, down nearly \$90 million compared to fiscal 2010.

**Debt** We will continue to use our available cash to repurchase notes when available at attractive rates. We do not have any significant maturities of debt coming due over the next three fiscal years, as our 8.25% Notes due October 1, 2011 (2011 Notes) balance was \$315 million at October 2, 2010. We plan to retire these notes with current cash on hand and/or cash flows from operations.

**Table of Contents****SUMMARY OF RESULTS CONTINUING OPERATIONS**

Sales	in millions		
	2010	2009	2008
Sales	\$ 28,430	\$ 26,704	\$ 26,862
Change in sales volume	(0.6)%	4.4%	
Change in average sales price	7.1%	(4.8)%	
Sales growth (decline)	6.5%	(0.6)%	

**2010 vs. 2009**

**Average Sales Price** The increase in sales was largely due to an increase in average sales prices, which accounted for an increase of approximately \$1.9 billion. While all segments had an increase in average sales prices, the majority of the increase was driven by the Beef and Pork segments.

**Sales Volume** Sales were negatively impacted by a decrease in sales volume, which accounted for a decrease of approximately \$150 million. This was primarily due to an extra week in fiscal 2009 and the decrease in Pork segment sales volume, partially offset by an increase from a fiscal 2009 acquisition in the Chicken segment.

**2009 vs. 2008**

**Average Sales Price** The decline in sales was largely due to a reduction in average sales prices, which accounted for a decrease of approximately \$1.2 billion. While all segments had a reduction in average sales prices, the majority of the decrease was driven by the Beef and Pork segments.

**Sales Volume** Sales were positively impacted by an increase in sales volume, which accounted for an increase of approximately \$1.0 billion. This was primarily due to an extra week in fiscal 2009, increased sales volume in our Chicken segment, which was driven by inventory reductions, and sales volume related to recent acquisitions.

Cost of Sales	in millions		
	2010	2009	2008
Cost of sales	\$25,916	\$25,501	\$25,616
Gross margin	\$2,514	\$1,203	\$1,246
Cost of sales as a percentage of sales	91.2%	95.5%	95.4%

**2010 vs. 2009**

Cost of sales increased \$415 million. Higher cost per pound increased cost of sales by \$558 million, partially offset by lower sales volume which decreased cost of sales by \$143 million.

Increase in average live cattle and hog costs of approximately \$1.0 billion.

Increase due to net losses of \$78 million in fiscal 2010, as compared to net gains of \$191 million in fiscal 2009, from our commodity risk management activities related to forward futures contracts for live cattle and hogs, and excludes the impact from related physical purchase transactions which impact current and future period operating results.

Increase in raw material costs of approximately \$218 million in our Prepared Foods segment.

Increase in incentive-based compensation of approximately \$97 million.

Decrease due to net losses of \$6 million in fiscal 2010, as compared to net losses of \$257 million in fiscal 2009, from our commodity risk management activities related to grain and energy purchases, and excludes the impact from related physical purchase transactions which impact current and future period operating results.

Decrease in grain costs in the Chicken segment of approximately \$158 million.

Decrease in the Chicken segment costs resulting from operational improvements.

**2009 vs. 2008**

Cost of sales decreased \$115 million. Cost per pound contributed to a \$1.1 billion decrease, offset partially by an increase in sales volume increasing cost of sales \$987 million.

Increase due to net losses of \$257 million in fiscal 2009, as compared to net gains of \$206 million in fiscal 2008, from our commodity risk management activities related to grain and energy purchases, which exclude the effect from related physical purchase transactions which impact current and future period operating results.

## Edgar Filing: TYSON FOODS INC - Form 10-K

Increase due to sales volumes, which included an extra week in fiscal 2009, as well as increased sales volume in our Chicken segment, which was driven by inventory reductions and sales volume related to recent acquisitions.

Decrease in average domestic live cattle and hog costs of approximately \$1.2 billion.

**Table of Contents**

<b>Selling, General and Administrative</b>	in millions		
	2010	2009	2008
Selling, general and administrative	\$929	\$841	\$879
As a percentage of sales	3.3%	3.1%	3.3%

**2010 vs. 2009**

Increase of \$118 million related to incentive-based compensation.

Reductions include decreases resulting from one less week in fiscal 2010 compared to fiscal 2009, as well as a \$16 million reduction in professional fees, advertising and sales promotions.

**2009 vs. 2008**

Decrease of \$33 million related to advertising and sales promotions.

Decrease of \$11 million related to the change in investment returns on company-owned life insurance, which is used to fund non-qualified retirement plans.

Other reductions include decreases in our payroll-related expenses and professional fees.

Increase of \$20 million due to our newly acquired foreign operations.

<b>Goodwill Impairment</b>	in millions		
	2010	2009	2008
	\$29	\$560	\$-

We perform our annual goodwill impairment test on the first day of the fourth quarter. We estimate the fair value of our reporting units using a discounted cash flow analysis. This analysis requires us to make various judgmental estimates and assumptions about sales, operating margins, growth rates and discount factors.

**2010** Includes the full impairment of an immaterial Chicken segment reporting unit.

**2009** The disruptions in global credit and other financial markets and deterioration of economic conditions led to an increase in our discount rate in fiscal 2009 as compared to fiscal 2008. The discount rate used in our annual goodwill impairment test increased to 10.1% in fiscal 2009 from 9.3% in fiscal 2008. There were no significant changes in the other key estimates and assumptions. The increased discount rate resulted in the non-cash partial impairment of our beef reporting unit's goodwill. The impairment has no impact on management's estimates of the Beef segment's long-term profitability or value.

<b>Other Charges</b>	in millions		
	2010	2009	2008
	\$-	\$17	\$36

**2009** Included \$15 million charge related to closing our Ponca City, Oklahoma, processed meats plant.

**2008**

Included \$17 million charge related to restructuring our Emporia, Kansas, beef operation.

Included \$13 million charge related to closing our Wilkesboro, North Carolina, Cooked Products poultry plant.

Included \$6 million of severance charges related to the FAST initiative.

<b>Interest Income</b>	in millions		
	2010	2009	2008
	\$14	\$17	\$9

**2010/2009** Fiscal 2010 and fiscal 2009 increased as compared to fiscal 2008 due primarily to the increase in our cash balance.



**Table of Contents**

<b>Interest Expense</b>	in millions		
	2010	2009	2008
Cash interest expense	\$ 245	\$ 270	\$ 214
Losses on notes repurchased	61	3	-
Non-cash interest expense	41	54	1
<b>Total Interest Expense</b>	<b>\$ 347</b>	<b>\$ 327</b>	<b>\$ 215</b>

**2010 vs. 2009**

Cash interest expense includes interest expense related to the coupon rates for senior notes and commitment/letter of credit fees incurred on our revolving credit facilities. The decrease is due to lower average weekly indebtedness of approximately 11%, partially offset by an increase in the overall average borrowing rates.

Losses on notes repurchased during fiscal 2010 includes the amount paid exceeding the carrying value of the notes repurchased, which primarily includes the repurchases of the 2011 Notes and the 7.35% Senior notes due April 2016 (2016 Notes).

Non-cash interest expense primarily includes interest related to the amortization of debt issuance costs and discounts/premiums on note issuances. This includes debt issuance costs incurred on the new credit facility in March 2009 and the 10.50% Senior Notes due 2014 (2014 Notes) issued in March 2009, as well as the accretion of the debt discount on the 3.25% Convertible Senior Notes due 2013 (2013 Notes) and 2014 Notes. Fiscal 2009 also includes expenses related to amendment fees paid in December 2008 on our then existing credit agreements.

**2009 vs. 2008**

Cash interest expense includes interest expense related to the coupon rates for senior notes and commitment/letter of credit fees incurred on our revolving credit facilities. The increase was due primarily to higher average weekly indebtedness of approximately 13%. We also had an increase in the overall average borrowing rates.

Non-cash interest expense primarily includes interest related to the amortization of debt issuance costs and discounts/premiums on note issuances. The increase was primarily due to debt issuance costs incurred on the new credit facility in fiscal 2009, the 2014 Notes issued in fiscal 2009 and amendment fees paid in December 2008 on our then existing credit agreements. In addition, we had an increase due to the accretion of the debt discount on the 2013 Notes and 2014 Notes. Non-cash interest expense also includes an unrealized loss on our interest rate swap.

<b>Other (Income) Expense, net</b>	in millions		
	2010	2009	2008
	\$20	\$18	\$(29)

**2010** Included \$12 million charge related to the impairment of an equity method investment.

**2009** Included \$24 million in foreign currency exchange loss.

**2008** Included \$18 million non-operating gain related to the sale of an investment.

**Table of Contents**

**Effective Tax Rate**

	2010	2009	2008
	36.4%	(1.5)%	44.6%

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 U.S. statutory rate of 35%. The table below reflects significant items impacting the rate as indicated.

**2010**

- Domestic production activity deduction reduced the rate 2.0%.
- Decrease in unrecognized tax benefits reduced the rate 1.4%.
- Decrease in state valuation allowances reduced the rate 1.0%.
- State income taxes, excluding unrecognized tax benefits, increased the rate 3.4%.
- Impairment of goodwill, which is not deductible for income tax purposes, increased the rate 0.9%.

**2009**

- Impairment of goodwill, which is not deductible for income tax purposes, reduced the rate 36.1%.
- Increase in foreign valuation allowances reduced the rate 3.8%.
- General business credits increased the rate 2.2%.
- Tax planning in foreign jurisdictions increased the rate 1.7%.

**2008**

- Increase in state valuation allowances increased the rate 5.0%.
- Increase in unrecognized tax benefits increased the rate 4.4%.
- Net negative return on company-owned life insurance policies, which is not deductible for federal income tax purposes, increased the rate 3.8%.
- General business credits reduced the rate 3.8%.

**SEGMENT RESULTS**

We operate in four segments: Chicken, Beef, Pork and Prepared Foods. Beginning in the third quarter of fiscal 2010, we modified the presentation of our segment sales to include the impact of intersegment sales. All periods presented below include this impact. The following table is a summary of sales and operating income (loss), which is how we measure segment income (loss). Segment results exclude the results of our discontinued operation, Lakeside.

	in millions					
	Sales			Operating Income (Loss)		
	2010	2009	2008	2010	2009	2008
Chicken	\$10,062	\$9,660	\$8,900	\$519	\$(157)	\$(118)
Beef	11,707	10,937	11,806	542	(346)	106
Pork	4,552	3,875	4,104	381	160	280
Prepared Foods	2,999	2,836	2,711	124	133	63
Other	-	-	-	(10)	(5)	-
Intersegment Sales	(890)	(604)	(659)	-	-	-
Total	\$28,430	\$26,704	\$26,862	\$1,556	\$(215)	\$331

**Table of Contents****Chicken Segment Results**

	2010	2009	Change 2010 vs. 2009	2008	in millions Change 2009 vs. 2008
Sales	\$10,062	\$9,660	\$402	\$8,900	\$760
Sales Volume Change			2.0%		8.8%
Average Sales Price Change			2.1%		(0.2)%
Operating Income (Loss)	\$519	\$(157)	\$676	\$(118)	\$(39)
Operating Margin	5.2%	(1.6)%		(1.3)%	

**2010** Operating income included a \$38 million gain from insurance proceeds and a \$29 million non-cash, non-tax deductible charge related to a full goodwill impairment of an immaterial Chicken segment reporting unit.

**2008** Operating loss included \$26 million of charges related to: plant closings; impairments of unimproved real property and software; and severance.

**2010 vs. 2009**

**Sales Volume** The increase in sales volume for fiscal 2010 was due to sales volume related to a fiscal 2009 acquisition, partially offset by a decrease due to the extra week in fiscal 2009.

**Average Sales Price** The increase in average sales prices is primarily due to sales mix changes associated with the reduced sales volume of lower price per pound rendered products.

**Operating Income (Loss)**

**Operational Improvements** Operating results were positively impacted by operational improvements, which included: yield, mix and live production performance improvements; additional processing flexibility; and reduced interplant product movement.

**Derivative Activities** Operating results included the following amounts for commodity risk management activities related to grain and energy purchases. These amounts exclude the impact from related physical purchase transactions, which impact current and future period operating results.

	2010 Loss	\$(6) million
	2009 Loss	(257) million
	Improvement in operating results	\$251 million

**Grain Costs** Operating results were positively impacted in fiscal 2010 by a decrease in grain costs of \$158 million.

Operating results included an increase in incentive-based compensation.

**2009 vs. 2008**

**Sales Volume** The increase in sales volume for fiscal 2009 was due to the extra week in fiscal 2009, as well as inventory reductions and sales volume related to recent acquisitions.

**Average Sales Price** The inventory reductions and recent acquisitions lowered the average sales price, as most of the inventory reduction related to commodity products shipped internationally and sales volume from recent acquisitions was on lower priced products.

**Operating Loss**

**Operational Improvements** Operating results were positively impacted by operational improvements, which included: yield, mix and live production performance improvements; additional processing flexibility; and reduced interplant product movement.

**Derivative Activities** Operating results included the following amounts for commodity risk management activities related to grain and energy purchases. These amounts exclude the impact from related physical purchase transactions, which impact current and future period operating results.

	2009 Loss	\$(257) million
	2008 Income	206 million



## Edgar Filing: TYSON FOODS INC - Form 10-K

Decline in operating results      \$(463) million

**SG&A Expenses**    We reduced our selling, general and administrative expenses during fiscal 2009 by approximately \$37 million.  
**Grain Costs**      Operating results were positively impacted in fiscal 2009 by a decrease in grain costs of \$28 million.

**Table of Contents**

**Beef Segment Results**

	2010	2009	Change 2010 vs. 2009	2008	in millions Change 2009 vs. 2008
Sales	\$11,707	\$10,937	\$770	\$11,806	\$(869)
Sales Volume Change			(1.9)%		0.8%
Average Sales Price Change			9.1%		(8.1)%
Operating Income (Loss)	\$542	\$(346)	\$888	\$106	\$(452)
Operating Margin	4.6%	(3.2)%		0.9%	

**2009** Operating loss included a \$560 million non-cash charge related to the partial impairment of goodwill.

**2008** Operating income included \$35 million of charges related to: plant restructuring, impairments of packaging equipment and intangible assets, and severance.

**2010 vs. 2009**

**Sales and Operating Income (Loss)**

We increased our operating margins by maximizing our revenues relative to the rising live cattle markets, as well as improved our operating costs. In addition, we had an improvement in our export sales. Operating results included an increase in incentive-based compensation.

**Derivative Activities** Operating results included the following amounts for commodity risk management activities related to forward futures contracts for live cattle. These amounts exclude the impact from related physical sale and purchase transactions, which impact current and future period operating results.

2010	Loss	\$ (15) million
2009	Income	102 million

Decline in operating results      \$(117) million

**2009 vs. 2008**

**Sales and Operating Income (Loss)**

While our average sales prices have decreased as compared to fiscal 2008, we have still maintained a margin as the average live costs decreased in line with the drop in our average sales price.

**Derivative Activities** Operating results included the following amounts for commodity risk management activities related to forward futures contracts for live cattle. These amounts exclude the impact from related physical sale and purchase transactions, which impact current and future period operating results.

2009	Income	\$102 million
2008	Income	53 million

Improvement in operating results      \$49 million

**Table of Contents**

Pork Segment Results	in millions				
	2010	2009	Change 2010 vs. 2009	2008	Change 2009 vs. 2008
Sales	\$4,552	\$3,875	\$677	\$4,104	\$(229)
Sales Volume Change			(3.3)%		1.7%
Average Sales Price Change			21.4%		(7.2)%
Operating Income	\$381	\$160	\$221	\$280	\$(120)
Operating Margin	8.4%	4.1%		6.8%	

**2008** Operating income included \$5 million of charges related to impairment of packaging equipment and severance.

**2010 vs. 2009****Sales and Operating Income**

We increased our operating margins by maximizing our revenues relative to the rising live hog markets. In addition, we had an improvement in our export sales. Operating results included an increase in incentive-based compensation.

**Derivative Activities** Operating results included the following amounts for commodity risk management activities related to forward futures contracts for live hogs. These amounts exclude the impact from related physical sale and purchase transactions, which impact current and future period operating results.

2010 Loss	\$36 million
2009 Income	55 million

Decline in operating results (\$91) million

**2009 vs. 2008****Sales and Operating Income**

Operating results for fiscal 2009 were strong, but down when compared to the record year we had in fiscal 2008. While sales volume was relatively flat versus fiscal 2008, results were negatively impacted by a decrease in our average sales prices, which were only partially offset by the decrease in average live costs.

**Derivative Activities** Operating results included the following amounts for commodity risk management activities related to forward futures contracts for live hogs. These amounts exclude the impact from related physical sale and purchase transactions, which impact current and future period operating results.

2009 Income	\$55 million
2008 Income	95 million

Decline in operating results (\$40) million

**Table of Contents****Prepared Foods Segment Results**

			in millions		
	2010	2009	Change 2010 vs. 2009	2008	Change 2009 vs. 2008
Sales	\$2,999	\$2,836	\$163	\$2,711	\$125
Sales Volume Change			0.3%		5.2%
Average Sales Price Change			5.5%		(0.6)%
Operating Income	\$124	\$133	\$(9)	\$63	\$70
Operating Margin	4.1%	4.7%		2.3%	

**2009** Operating income included a \$15 million charge related to closing our Ponca City, Oklahoma, processed meats plant.

**2008** Operating income included \$10 million of charges related to flood damage, an intangible asset impairment and severance.

**2010 vs. 2009**

**Sales and Operating Income** Despite the increase in average sales prices and sales volume, operating income declined in fiscal 2010 as compared to fiscal 2009 due to an increase in raw material costs. However, we made several operational improvements in late fiscal 2009 that allow us to run our plants more efficiently. We also received \$8 million in insurance proceeds in fiscal 2010 related to the flood damage at our Jefferson, Wisconsin, plant. Operating results included an increase in incentive-based compensation.

**2009 vs. 2008**

**Sales and Operating Income** Operating results improved due to an increase in sales volume, as well as a reduction in raw material costs that exceeded the decrease in our average sales prices. In addition, we made several operational improvements in fiscal 2009 that allow us to run our plants more efficiently. We began realizing the majority of these improvements in our operating results during the latter part of fiscal 2009.

**LIQUIDITY AND CAPITAL RESOURCES**

Our cash needs for working capital, capital expenditures, growth opportunities and the repurchase/redemption of our 2011 Notes are expected to be met with current cash on hand, cash flows provided by operating activities, or short-term borrowings. Based on our current expectations, we believe our liquidity and capital resources will be sufficient to operate our business. However, we may take advantage of opportunities to generate additional liquidity or refinance existing debt through capital market transactions. The amount, nature and timing of any capital market transactions will depend on: our operating performance and other circumstances; our then-current commitments and obligations; the amount, nature and timing of our capital requirements; any limitations imposed by our current credit arrangements; and overall market conditions.

**Cash Flows from Operating Activities**

	in millions		
	2010	2009	2008
Net income (loss)	\$765	\$(551)	\$86
Non-cash items in net income (loss):			
Depreciation and amortization	497	513	493
Deferred taxes	18	(33)	35
Impairment of goodwill	29	560	-
Impairment of assets	36	32	57
Other, net	76	72	26
Changes in working capital	11	367	(342)
Net cash provided by operating activities	\$1,432	\$960	\$355

Cash flows associated with changes in working capital:

**2010** Increased due to the increase in accrued salaries, wages and benefits and accounts payable balances, almost entirely offset by the increase in inventory and accounts receivable balances. The increase in accrued salaries, wages and benefits is primarily due to the accruals for incentive-based compensation.

**2009** Increased primarily due to a reduction in inventory and accounts receivable balances, partially offset by a reduction in accounts payable. The lower inventory balance was primarily due to the reduction of inventory volumes, as well as a decrease in raw material costs.

## Edgar Filing: TYSON FOODS INC - Form 10-K

**2008** Decreased primarily due to higher inventory and accounts receivable balances, partially offset by a higher accounts payable balance. Higher inventory balances were driven by an increase in raw material costs and inventory volume.

**Table of Contents**

<b>Cash Flows from Investing Activities</b>	in millions		
	2010	2009	2008
Additions to property, plant and equipment	\$(550)	\$(368)	\$(425)
Proceeds from sale (purchase) of marketable securities, net	(4)	19	(3)
Change in restricted cash to be used for investing activities	43	(43)	-
Proceeds from sale of discontinued operation	-	75	-
Acquisitions, net of cash acquired	-	(93)	(17)
Other, net	11	(17)	46
Net cash used for investing activities	\$(500)	\$(427)	\$(399)

Additions to property, plant and equipment include acquiring new equipment and upgrading our facilities to maintain competitive standing and position us for future opportunities. In fiscal 2010, our capital spending included: production efficiencies in our operations; Dynamic Fuels LLC's (Dynamic Fuels) facility; and foreign operations. In fiscal 2009, our capital spending included: improvements made in our prepared foods operations to increase efficiencies; Dynamic Fuels' facility; and foreign operations. In fiscal 2008, our capital spending included equipment updates in our chicken plants, as well as packaging equipment upgrades in our Fresh Meats case-ready facilities.

Capital spending for fiscal 2011 is expected to be approximately \$700 million, and includes spending on our operations for production and labor efficiencies, yield improvements and sales channel flexibility, as well as expansion of our foreign operations. Acquisitions In October 2008, we acquired three vertically integrated poultry companies in southern Brazil. The aggregate purchase price was \$67 million. In addition, we had \$15 million of contingent purchase price based on production volumes. The joint ventures in China called Shandong Tyson Xinchang Foods received the necessary government approvals during fiscal 2009. The aggregate purchase price for our 60% equity interest was \$21 million, which excludes \$93 million of cash transferred to the joint venture for future capital needs.

Change in restricted cash In October 2008, Dynamic Fuels received \$100 million in proceeds from the sale of Gulf Opportunity Zone tax-exempt bonds made available by the federal government to the regions affected by Hurricanes Katrina and Rita in 2005. The cash received from these bonds was restricted and could only be used towards the construction of the Dynamic Fuels' facility.

**Table of Contents**

<b>Cash Flows from Financing Activities</b>	in millions		
	2010	2009	2008
Net borrowings (payments) on revolving credit facilities	\$-	\$15	\$(213)
Payments on debt	(1,034)	(380)	(147)
Net proceeds from borrowings	-	852	449
Net proceeds from Class A stock offering	-	-	274
Convertible note hedge transactions	-	-	(94)
Warrant transactions	-	-	44
Purchases of treasury shares	(48)	(19)	(30)
Dividends	(59)	(60)	(56)
Debt issuance costs	-	(59)	-
Change in restricted cash to be used for financing activities	140	(140)	-
Other, net	42	6	27
Net cash provided by (used for) financing activities	\$(959)	\$215	\$254

Net borrowings (payments) on revolving credit facilities primarily include activity related to the accounts receivable securitization facility. With the entry into the new revolving credit facility and issuance of the 2014 Notes in March 2009, we repaid all outstanding borrowings under our accounts receivable securitization facility and terminated the facility.

Payments on debt include

2010 \$524 million of 2011 Notes; \$222 million of 2016 Notes; \$140 million of 7.95% Notes due February 2010 (2010 Notes) (using the restricted cash held in a blocked cash collateral account for the retirement of these notes); \$52 million of 7.0% Notes due May 2018; and \$61 million related to the premiums on notes repurchased during the year.

2009 \$161 million of 2011 Notes; \$94 million of 2010 Notes (using the restricted cash held in a blocked cash collateral account for the repurchase of these notes); and \$38 million 2016 Notes.

2008 \$40 million 2016 Notes and repaid the remaining \$25 million outstanding Lakeside term loan.

Net proceeds from borrowings include

In fiscal 2009, we issued \$810 million of 2014 Notes. After the original issue discount of \$59 million, based on an issue price of 92.756% of face value, we received net proceeds of \$751 million. We used the net proceeds towards the repayment of our borrowings under our accounts receivable securitization facility and for other general corporate purposes.

In fiscal 2009, Dynamic Fuels received \$100 million in proceeds from the sale of Gulf Opportunity Zone tax-exempt bonds made available by the Federal government to the regions affected by Hurricanes Katrina and Rita in 2005. These floating rate bonds are due October 1, 2033.

In fiscal 2008, we issued \$458 million 3.25% Convertible Senior Notes due October 15, 2013. Net proceeds were used for the net cost of the related Convertible Note Hedge and Warrant Transactions, toward the repayment of our borrowings under the accounts receivable securitization facility, and for other general corporate purposes.

In fiscal 2008, we issued 22.4 million shares of Class A stock in a public offering. Net proceeds were used toward repayment of our borrowings under the accounts receivable securitization facility and for other general corporate purposes.

In conjunction with the entry into our new credit facility and the issuance of the 2014 Notes during fiscal 2009, we paid \$48 million for debt issuance costs.

**Table of Contents**

Liquidity	in millions					
	Commitments	Outstanding Letters of		Amount	Amount	Amount
		Facility	Borrowing			
Expiration Date	Amount	Base Adjustment	draw downs)	Borrowed	Available	
Cash and cash equivalents					\$978	
Revolving credit facility	March 2012	\$1,000	\$-	\$175	\$825	
Total liquidity					\$1,803	

The revolving credit facility supports our short-term funding needs and letters of credit. Letters of credit are issued primarily in support of workers' compensation insurance programs, derivative activities and Dynamic Fuels' Gulf Opportunity Zone tax-exempt bonds.

Borrowing Base Adjustment Availability under this facility, up to \$1.0 billion, is based on a percentage of certain eligible accounts receivable and eligible inventory and is reduced by certain reserves. At October 2, 2010, the entire \$1.0 billion was eligible for borrowing and issuing letters of credit.

Our 2013 Notes may be converted early during any fiscal quarter in the event our Class A stock trades at or above \$21.96 for at least 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter. In this event, the note holders may require us to pay outstanding principal in cash, which totaled \$458 million at October 2, 2010. Any conversion premium would be paid in shares of Class A stock. The conditions for early conversion were not met in our fourth fiscal quarter of fiscal 2010, and thus, the notes may not be converted in our first quarter fiscal 2011. Should the conditions for early conversion be satisfied in future quarters, and the holders exercised their early conversion option, we would use current cash on hand and cash flow from operations for principal payments.

At October 2, 2010, we had \$315 million of 2011 Notes outstanding. We plan presently to use current cash on hand and cash flows from operations for payment on the remaining 2011 Notes due on October 1, 2011.

Our current ratio was 1.81 to 1 and 2.20 to 1 at October 2, 2010, and October 3, 2009, respectively.

**Deterioration of Credit and Capital Markets**

Credit market conditions deteriorated rapidly during our fourth quarter of fiscal 2008 and although they have improved, they have not returned to pre-2008 levels. Several major banks and financial institutions failed or were forced to seek assistance through distressed sales or emergency government measures. While not all-inclusive, the following summarizes some of the impacts to our business:

**Credit Facility**

Cash flows from operating activities and current cash on hand are our primary source of liquidity for funding debt service and capital expenditures. We also have a revolving credit facility, with a committed maximum capacity of \$1.0 billion, to provide additional liquidity for working capital needs, letters of credit, and as a source of financing for growth opportunities. As of October 2, 2010, we had outstanding letters of credit totaling \$175 million, none of which were drawn upon, which left \$825 million available for borrowing. Our revolving credit facility is funded by a syndicate of 19 banks, with commitments ranging from \$6 million to \$115 million per bank. The syndicate includes bank holding companies that are required to be adequately capitalized under federal bank regulatory agency requirements. If any of the banks in the syndicate are unable to perform on their commitments to fund the facility, our liquidity could be impaired, which could reduce our ability to fund working capital needs, support letters of credit or finance our growth opportunities.

**Customers/Suppliers**

The financial condition of some of our customers and suppliers could also be impaired by current market conditions. Although we have not experienced a material increase in customer bad debts or non-performance by suppliers, current market conditions increase the probability we could experience losses from customer or supplier defaults. Should credit and capital market conditions result in a prolonged economic downturn in the United States and abroad, demand for protein products could be reduced, which could result in a reduction of sales, operating income and cash flows. In addition, we rely on livestock producers throughout the country to supply our live cattle and hogs. If these producers are adversely impacted by the current economic conditions and terminate their production, our livestock supply for processing could be significantly impacted.



## Table of Contents

Additionally, we have cash flow assistance programs in which certain livestock suppliers participate. Under these programs, we pay an amount for livestock equivalent to a standard cost to grow such livestock during periods of low market sales prices. The amounts of such payments that are in excess of the market sales price are recorded as receivables and accrue interest. Participating suppliers are obligated to repay these receivables balances when market sales prices exceed this standard cost, or upon termination of the agreement. Our maximum obligation associated with these programs is limited to the fair value of each participating livestock supplier's net tangible assets. Although we believe the aggregate maximum obligation under the program is unlikely to ever be reached, the potential maximum obligation as of October 2, 2010, was approximately \$215 million. The total receivables under these programs were \$51 million and \$72 million at October 2, 2010 and October 3, 2009, respectively. Even though these programs are limited to the net tangible assets of the participating livestock suppliers, we also manage a portion of our credit risk associated with these programs by obtaining security interests in livestock suppliers' assets. After analyzing residual credit risks and general market conditions, we have recorded an allowance for these programs' estimated uncollectible receivables of \$15 million and \$20 million at October 2, 2010, and October 3, 2009, respectively.

## Investments

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, are impacted by market volatility. These instruments were recorded at fair value as of October 2, 2010. We did not have a significant change in fair value of these instruments during fiscal 2010.

We currently oversee two domestic and one foreign subsidiary non-contributory qualified defined benefit pension plans. All three pension plans are frozen to new participants and no additional benefits will accrue for participants. Based on our 2010 actuarial valuation, we anticipate contributions of \$5 million to these plans for fiscal 2011. We also have one domestic unfunded defined benefit plan. Based on our 2010 actuarial valuation, we anticipate contributions of \$2 million to this plan in fiscal 2011.

## Financial Instruments

As part of our commodity risk management activities, we use derivative financial instruments, primarily futures and options, to reduce our exposure to various market risks related to commodity purchases. Similar to the capital markets, the commodities markets have been volatile over the past few years. Grain and some energy prices remain volatile after reaching an all-time high during our fourth quarter of fiscal 2008 before falling sharply. While the reduction in grain and energy prices benefit us long-term, we recorded losses related to these financial instruments in fiscal 2009 of \$257 million. We have implemented policies to reduce our earnings volatility associated with mark-to-market derivative activities, including more use of normal physical purchases and normal physical sales which are not required to be marked to market.

## Insurance

We rely on insurers as a protection against liability claims, property damage and various other risks. Our primary insurers maintain an A.M. Best Financial Strength Rating of A or better. Nevertheless, we continue to monitor this situation as insurers have been and are expected to continue to be impacted by the current capital market environment.

---

## **Table of Contents**

### **Credit Ratings**

#### **2016 Notes**

On September 4, 2008, Standard & Poor's (S&P) downgraded the credit rating from BBB- to BB. This downgrade increased the interest rate on the 2016 Notes from 6.85% to 7.35%, effective beginning with the six-month interest payment due October 1, 2008.

On November 13, 2008, Moody's Investors Services, Inc. (Moody's) downgraded the credit rating from Ba1 to Ba3. This downgrade increased the interest rate on the 2016 Notes from 7.35% to 7.85%, effective beginning with the six-month interest payment due April 1, 2009.

On August 19, 2010, S&P upgraded the credit rating from BB to BB+. On September 2, 2010, Moody's upgraded the credit rating from Ba3 to Ba2. These upgrades decreased the interest rate on the 2016 Notes from 7.85% to 7.35%, effective beginning with the six-month interest payment due October 1, 2010.

A further one-notch upgrade by either ratings agency would decrease the interest rates on the 2016 Notes by 0.25%, while a one-notch downgrade by either ratings agency would increase the interest rates on the 2016 Notes by 0.25%.

#### **Revolving Credit Facility**

S&P's corporate credit rating for Tyson Foods, Inc. is BB+. Moody's corporate credit rating for Tyson Foods, Inc. is Ba2. If Moody's were to upgrade our credit rating to Ba1 or higher, while our S&P credit rating remained at BB+ or higher, our letter of credit fees would decrease by 0.25%.

If S&P were to downgrade our corporate credit rating to B+ or lower or Moody's were to downgrade our corporate credit rating to B1 or lower, our letter of credit fees would increase by an additional 0.25%.

### **Debt Covenants**

Our revolving credit facility contains 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; pay dividends or make other payments in respect of our capital stock; amend material documents; change the nature of our business; make certain payments of debt; engage in certain transactions with affiliates; and enter into sale/leaseback or hedging transactions, in each case, subject to certain qualifications and exceptions. If availability under this facility is less than the greater of 15% of the commitments and \$150 million, we will be required to maintain a minimum fixed charge coverage ratio.

Our 2014 Notes also contain affirmative and negative covenants that, among other things, may limit or restrict our ability to: incur additional debt and issue preferred stock; make certain investments and restricted payments; create liens; create restrictions on distributions from subsidiaries; engage in specified sales of assets and subsidiary stock; enter into transactions with affiliates; enter new lines of business; engage in consolidation, mergers and acquisitions; and engage in certain sale/leaseback transactions.

We were in compliance with all covenants at October 2, 2010.

### **OFF-BALANCE SHEET ARRANGEMENTS**

We do not have any off-balance sheet arrangements material to our financial position or results of operations. The off-balance sheet arrangements we have are guarantees of debt of outside third parties, including a lease and grower loans, and residual value guarantees covering certain operating leases for various types of equipment. See Note 10: Commitments of the Notes to Consolidated Financial Statements for further discussion.

**Table of Contents****CONTRACTUAL OBLIGATIONS**

The following table summarizes our contractual obligations as of October 2, 2010:

	Payments Due by Period				Total
	2011	2012-2013	2014-2015	2016 and thereafter	
Debt and capital lease obligations:					
Principal payments (1)	\$401	\$15	\$1,277	\$948	\$2,641
Interest payments (2)	209	305	199	72	785
Guarantees (3)	18	40	44	12	114
Operating lease obligations (4)	91	122	49	55	317
Purchase obligations (5)	829	55	24	36	944
Capital expenditures (6)	371	17	0	0	388
Other long-term liabilities (7)	12	5	4	28	49
<b>Total contractual commitments</b>	<b>\$1,931</b>	<b>\$559</b>	<b>\$1,597</b>	<b>\$1,151</b>	<b>\$5,238</b>

in millions

- (1) In the event of a default on payment, acceleration of the principal payments could occur.
- (2) Interest payments include interest on all outstanding debt. Payments are estimated for variable rate and variable term debt based on effective rates at October 2, 2010, and expected payment dates.
- (3) Amounts include guarantees of debt of outside third parties, which consist of a lease and grower loans, all of which are substantially collateralized by the underlying assets, as well as residual value guarantees covering certain operating leases for various types of equipment. The amounts included are the maximum potential amount of future payments.
- (4) Amounts include minimum lease payments under lease agreements.
- (5) Amounts include agreements to purchase goods or services that are enforceable and legally binding and specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. The purchase obligations amount included items, such as future purchase commitments for grains, livestock contracts and fixed grower fees that provide terms that meet the above criteria. We have excluded future purchase commitments for contracts that do not meet these criteria. Purchase orders have not been included in the table, as a purchase order is an authorization to purchase and may not be considered an enforceable and legally binding contract. Contracts for goods or services that contain termination clauses without penalty have also been excluded.
- (6) Amounts include estimated amounts to complete buildings and equipment under construction as of October 2, 2010.
- (7) Amounts include items that meet the definition of a purchase obligation and are recorded in the Consolidated Balance Sheets.

In addition to the amounts shown above in the table, we have unrecognized tax benefits of \$184 million and related interest and penalties of \$64 million at October 2, 2010, recorded as liabilities. During fiscal 2011, tax audit resolutions could potentially reduce these amounts by approximately \$20 million, either because tax positions are sustained on audit or because we agree to their disallowance.

The maximum contractual obligation associated with our cash flow assistance programs at October 2, 2010, based on the estimated fair values of the livestock supplier's net tangible assets on that date, aggregated to approximately \$215 million, or approximately \$164 million remaining maximum commitment after netting the cash flow assistance related receivables.

The minority partner in our Shandong Tyson Xinchang Foods joint ventures in China has the right to exercise put options to require us to purchase its entire 40% equity interest at a price equal to the minority partner's contributed capital plus (minus) its pro-rata share of the joint venture's accumulated and undistributed net earnings (losses). The put options are exercisable for a five-year term commencing April 2011. At October 2, 2010, the put options, if they had been exercisable, would have resulted in a purchase price of approximately \$67 million for the minority partner's entire equity interest.

**RECENTLY ISSUED/ADOPTED ACCOUNTING PRONOUNCEMENTS**

Refer to the discussion under Part II, Item 8, Notes to Consolidated Financial Statements, Note 1: Business and Summary of Significant Accounting Policies for recently issued accounting pronouncements and Note 2: Change in Accounting Principles for recently adopted accounting pronouncements.



**Table of Contents****CRITICAL ACCOUNTING ESTIMATES**

The preparation of consolidated financial statements requires us to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of certain accounting estimates we consider critical.

<b>Description</b>	<b>Judgments and Uncertainties</b>	<b>Effect if Actual Results Differ From Assumptions</b>
<p><b>Contingent liabilities</b></p> <p>We are subject to lawsuits, investigations and other claims related to wage and hour/labor, environmental, product, taxing authorities and other matters, and are required to assess the likelihood of any adverse judgments or outcomes to these matters, as well as potential ranges of probable losses.</p> <p>A determination of the amount of reserves and disclosures required, if any, for these contingencies are made after considerable analysis of each individual issue. We accrue for contingent liabilities when an assessment of the risk of loss is probable and can be reasonably estimated. We disclose contingent liabilities when the risk of loss is reasonably possible or probable.</p>	<p>Our contingent liabilities contain uncertainties because the eventual outcome will result from future events, and determination of current reserves requires estimates and judgments related to future changes in facts and circumstances, differing interpretations of the law and assessments of the amount of damages, and the effectiveness of strategies or other factors beyond our control.</p>	<p>We have not made any material changes in the accounting methodology used to establish our contingent liabilities during the past three fiscal years.</p> <p>We do not believe there is a reasonable likelihood there will be a material change in the estimates or assumptions used to calculate our contingent liabilities. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to gains or losses that could be material.</p>
<p><b>Marketing and advertising costs</b></p> <p>We incur advertising, retailer incentive and consumer incentive costs to promote products through marketing programs. These programs include cooperative advertising, volume discounts, in-store display incentives, coupons and other programs.</p> <p>Marketing and advertising costs are charged in the period incurred. We accrue costs based on the estimated performance, historical utilization and redemption of each program.</p> <p>Cash consideration given to customers is considered a reduction in the price of our products, thus recorded as a reduction to sales. The remainder of marketing and advertising costs is recorded as a selling, general and</p>	<p>Recognition of the costs related to these programs contains uncertainties due to judgment required in estimating the potential performance and redemption of each program.</p> <p>These estimates are based on many factors, including experience of similar promotional programs.</p>	<p>We have not made any material changes in the accounting methodology used to establish our marketing accruals during the past three fiscal years.</p> <p>We do not believe there is a reasonable likelihood there will be a material change in the estimates or assumptions used to calculate our marketing accruals. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to gains or losses that could be material.</p> <p>A 10% change in our marketing accruals at October 2, 2010, would impact pretax earnings by approximately \$11 million.</p>

administrative expense.

34

**Table of Contents**

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
<p><b>Accrued self insurance</b> We are self insured for certain losses related to health and welfare, workers compensation, auto liability and general liability claims.</p>	<p>Our self-insurance liability contains uncertainties due to assumptions required and judgment used.</p>	<p>We have not made any material changes in the accounting methodology used to establish our self-insurance liability during the past three fiscal years.</p>
<p>We use an independent third-party actuary to assist in determining our self-insurance liability. We and the actuary consider a number of factors when estimating our self-insurance liability, including claims experience, demographic factors, severity factors and other actuarial assumptions.</p>	<p>Costs to settle our obligations, including legal and healthcare costs, could increase or decrease causing estimates of our self-insurance liability to change.</p>	<p>We do not believe there is a reasonable likelihood there will be a material change in the estimates or assumptions used to calculate our self-insurance liability. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to gains or losses that could be material.</p>
<p>We periodically review our estimates and assumptions with our third-party actuary to assist us in determining the adequacy of our self-insurance liability. Our policy is to maintain an accrual within the central to high point of the actuarial range.</p>	<p>Incident rates, including frequency and severity, could increase or decrease causing estimates in our self-insurance liability to change.</p>	<p>A 10% increase in the actuarial range at October 2, 2010, would result in an increase in the amount we recorded for our self-insurance liability of approximately \$24 million. A 10% decrease in the actuarial range at October 2, 2010, would not result in a material change in the amount we recorded for our self-insurance liability.</p>
<p><b>Impairment of long-lived assets</b> Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Examples include a significant adverse change in the extent or manner in which we use a long-lived asset or a change in its physical condition.</p>	<p>Our impairment analysis contains uncertainties due to judgment in assumptions and estimates surrounding undiscounted future cash flows of the long-lived asset, including forecasting useful lives of assets and selecting the discount rate that reflects the risk inherent in future cash flows to determine fair value.</p>	<p>We have not made any material changes in the accounting methodology used to evaluate the impairment of long-lived assets during the last three fiscal years.</p>
<p>When evaluating long-lived assets for impairment, we compare the carrying value of the asset to the asset's estimated undiscounted future cash flows. An impairment is indicated if the estimated future cash flows are less than the carrying value of the asset. The impairment is the excess of the carrying value over the fair value of the long-lived asset.</p>	<p></p>	<p>We do not believe there is a reasonable likelihood there will be a material change in the estimates or assumptions used to calculate impairments of long-lived assets. However, if actual results are not consistent with our estimates and assumptions used to calculate estimated future cash flows, we may be exposed to impairment losses that could be material. Additionally, we continue to evaluate our future international business strategies, which may expose us to future impairment losses.</p>
<p>We recorded impairment charges related to long-lived assets of \$19 million, \$25 million, and \$52 million, respectively, in fiscal years 2010,</p>	<p></p>	<p></p>

2009, and 2008.

35



**Table of Contents**

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
<p><b>Impairment of goodwill and other intangible assets</b></p> <p>Goodwill impairment is determined using a two-step process. The first step is to identify if a potential impairment exists by comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to have a potential impairment and the second step of the impairment test is not necessary. However, if the carrying amount of a reporting unit exceeds its fair value, the second step is performed to determine if goodwill is impaired and to measure the amount of impairment loss to recognize, if any.</p>	<p>We estimate the fair value of our reporting units, generally our operating segments, using various valuation techniques, with the primary technique being a discounted cash flow analysis, which uses significant unobservable inputs, or Level 3 inputs, as defined by the fair value hierarchy. A discounted cash flow analysis requires us to make various judgmental assumptions about sales, operating margins, growth rates and discount rates.</p>	<p>We have not made any material changes in the accounting methodology used to evaluate impairment of goodwill and other intangible assets during the last three years.</p>
<p>The second step compares the implied fair value of goodwill with the carrying amount of goodwill. If the implied fair value of goodwill exceeds the carrying amount, then goodwill is not considered impaired. However, if the carrying amount of goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess.</p>	<p>Generally, we utilize normalized operating margin assumptions based on long-term expectations and operating margins historically realized in the reporting units industries. We include assumptions about sales, operating margins and growth rates which consider our budgets, business plans and economic projections, and are believed to reflect market participant views which would exist in an exit transaction. For our fiscal 2010 impairment test, none of our material reporting units operating margin assumptions were in excess of the annual margins realized in the most recent year.</p>	<p>The discount rate used in our annual goodwill impairment test decreased to an average of 8.4% in fiscal 2010 from 10.1% in fiscal 2009. There were no significant changes in the other key estimates and assumptions.</p>
<p>The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination (i.e., the fair value of the reporting unit is allocated to all the assets and liabilities, including any unrecognized intangible assets, as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit).</p>	<p>Assumptions are also made for varying perpetual growth rates for periods beyond the long-term business plan period.</p>	<p>Other than the Beef reporting unit in 2009, no other material reporting units failed the first step of the annual goodwill impairment analysis in fiscal 2010, 2009 and 2008 and therefore, the second step was not necessary. In fiscal 2009, we recorded a \$560 million partial impairment of our Beef reporting unit's goodwill, which was driven by an increase in our discount rate used in the 2009 annual goodwill impairment analysis as a result of disruptions in global credit and other financial markets and deterioration of economic conditions. In fiscal 2010, we recorded a non-cash \$29 million full impairment of an immaterial Chicken segment reporting unit's goodwill.</p>
<p>For other intangible assets, if the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.</p>	<p>Other intangible asset fair values have been calculated for trademarks using a royalty rate method. Assumptions about royalty rates are based on the rates at which similar brands and trademarks are licensed in the marketplace.</p>	<p>All material reporting units' estimated fair value exceeded their carrying value by more than 20%. Consequently, we currently do not consider any of our material reporting units at significant risk of failing the first step of the annual goodwill impairment test.</p>
<p>We have elected to make the first day of the fourth quarter the annual impairment assessment date for goodwill and other intangible assets. However, we could be required to evaluate the</p>	<p>Our impairment analysis contains uncertainties due to uncontrollable events that could positively or negatively impact the anticipated future economic and operating conditions.</p>	<p>Some of the inherent estimates and assumptions used in determining fair value of the reporting units are outside the control of management, including interest rates, cost of capital, tax rates, and our credit ratings. While we believe we have made reasonable estimates and assumptions to calculate the fair value of the reporting units and other intangible assets, it is possible a material</p>

## Edgar Filing: TYSON FOODS INC - Form 10-K

recoverability of goodwill and other intangible assets prior to the required annual assessment if, among other things, we experience disruptions to the business, unexpected significant declines in operating results, divestiture of a significant component of the business or a sustained decline in market capitalization.

change could occur. If our actual results are not consistent with our estimates and assumptions used to calculate fair value, we may be required to perform the second step which could result in additional material impairments of our goodwill.

Our fiscal 2010 other intangible asset impairment analysis did not result in a material impairment charge. A hypothetical 10% decrease in the fair value of intangible assets would not result in a material impairment.

**Table of Contents**

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
<b>Income taxes</b>		
We estimate total income tax expense based on statutory tax rates and tax planning opportunities available to us in various jurisdictions in which we earn income.	Changes in tax laws and rates could affect recorded deferred tax assets and liabilities in the future.	We do not believe there is a reasonable likelihood there will be a material change in the tax related balances or valuation allowances. However, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the current estimate of the tax liabilities.
Federal income tax includes an estimate for taxes on earnings of foreign subsidiaries expected to be remitted to the United States and be taxable, but not for earnings considered indefinitely invested in the foreign subsidiary.	Changes in projected future earnings could affect the recorded valuation allowances in the future.	To the extent we prevail in matters for which unrecognized tax benefit liabilities have been established, or are required to pay amounts in excess of our recorded unrecognized tax benefit liabilities, our effective tax rate in a given financial statement period could be materially affected. An unfavorable tax settlement would require use of our cash and result in an increase in our effective tax rate in the period of resolution. A favorable tax settlement would be recognized as a reduction in our effective tax rate in the period of resolution.
Deferred income taxes are recognized for the future tax effects of temporary differences between financial and income tax reporting using tax rates in effect for the years in which the differences are expected to reverse.	Our calculations related to income taxes contain uncertainties due to judgment used to calculate tax liabilities in the application of complex tax regulations across the tax jurisdictions where we operate.	
Valuation allowances are recorded when it is likely a tax benefit will not be realized for a deferred tax asset.	Our analysis of unrecognized tax benefits contains uncertainties based on judgment used to apply the more likely than not recognition and measurement thresholds.	
We record unrecognized tax benefit liabilities for known or anticipated tax issues based on our analysis of whether, and the extent to which, additional taxes will be due.		

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

**MARKET RISK**

Market risk relating to our operations results primarily from changes in commodity prices, interest rates and foreign exchange rates, as well as credit risk concentrations. To address certain of these risks, we enter into various derivative transactions as described below. If a derivative instrument is accounted for as a hedge, depending on the nature of the hedge, changes in the fair value of the instrument either will be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings, or be recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of an instrument's change in fair value is recognized immediately. Additionally, we hold certain positions, primarily in grain and livestock futures that either do not meet the criteria for hedge accounting or are not designated as hedges. With the exception of normal purchases and normal sales that are expected to result in physical delivery, we record these positions at fair value, and the unrealized gains and losses are reported in earnings at each reporting date. Changes in market value of derivatives used in our risk management activities relating to forward sales contracts are recorded in sales. Changes in market value of derivatives used in our risk management activities surrounding inventories on hand or anticipated purchases of inventories are recorded in cost of sales.

The sensitivity analyses presented below are the measures of potential losses of fair value resulting from hypothetical changes in market prices related to commodities. Sensitivity analyses do not consider the actions we may take to mitigate our exposure to changes, nor do they consider

## Edgar Filing: TYSON FOODS INC - Form 10-K

the effects such hypothetical adverse changes may have on overall economic activity. Actual changes in market prices may differ from hypothetical changes.

**Table of Contents**

**Commodities Risk:** We purchase certain commodities, such as grains and livestock, in the course of normal operations. As part of our commodity risk management activities, 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. However, as the commodities underlying our derivative financial instruments can experience significant price fluctuations, any requirement to mark-to-market the positions that have not been designated or do not qualify as hedges could result in volatility in our results of operations. Contract terms of a hedge instrument closely mirror those of the hedged item providing a high degree of risk reduction and correlation. Contracts designated and highly effective at meeting this risk reduction and correlation criteria are recorded using hedge accounting. The following table presents a sensitivity analysis resulting from a hypothetical change of 10% in market prices as of October 2, 2010, and October 3, 2009, on the fair value of open positions. The fair value of such positions is a summation of the fair values calculated for each commodity by valuing each net position at quoted futures prices. The market risk exposure analysis includes hedge and non-hedge derivative financial instruments.

Effect of 10% change in fair value	in millions	
	2010	2009
Livestock:		
Cattle	\$39	\$20
Hogs	42	12
Grain	10	1

**Interest Rate Risk:** At October 2, 2010, we had variable rate debt of \$212 million with a weighted average interest rate of 4.5%. A hypothetical 10% increase in interest rates effective at October 2, 2010, and October 3, 2009, would have a minimal effect on interest expense.

Additionally, changes in interest rates impact the fair value of our fixed-rate debt. At October 2, 2010, we had fixed-rate debt of \$2.3 billion with a weighted average interest rate of 9.2%. Market risk for fixed-rate debt is estimated as the potential increase in fair value, resulting from a hypothetical 10% decrease in interest rates. A hypothetical 10% decrease in interest rates would have increased the fair value of our fixed-rate debt by approximately \$9 million at October 2, 2010, and \$32 million at October 3, 2009. The fair values of our debt were estimated based on quoted market prices and/or published interest rates.

**Foreign Currency Risk:** We have foreign exchange gain/loss exposure from fluctuations in foreign currency exchange rates primarily as a result of certain receivable and payable balances. The primary currency exchanges we have exposure to are the Canadian dollar, the Chinese renminbi, the Mexican peso, the European euro, the British pound sterling and the Brazilian real. We periodically enter into foreign exchange forward contracts to hedge some portion of our foreign currency exposure. A hypothetical 10% change in foreign exchange rates effective at October 2, 2010, and October 3, 2009, related to the foreign exchange forward contracts would have a \$17 million and \$15 million, respectively, impact on pretax income. In the future, we may enter into more foreign exchange forward contracts as a result of our international growth strategy.

**Concentrations of Credit Risk:** Our financial instruments exposed to concentrations of credit risk consist primarily of cash equivalents and trade receivables. Our cash equivalents are in high quality securities placed with major banks and financial institutions. Concentrations of credit risk with respect to receivables are limited due to our large number of customers and their dispersion across geographic areas. We perform periodic credit evaluations of our customers' financial condition and generally do not require collateral. At October 2, 2010, and October 3, 2009, 15.3% and 13.0%, respectively, of our net accounts receivable balance was due from Wal-Mart Stores, Inc. No other single customer or customer group represents greater than 10% of net accounts receivable.

**Table of Contents****ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA****CONSOLIDATED STATEMENTS OF INCOME**Three years ended October 2, 2010  
in millions, except per share data

	2010	2009	2008
Sales	\$28,430	\$26,704	\$26,862
Cost of Sales	25,916	25,501	25,616
Gross Profit	2,514	1,203	1,246
Operating Expenses:			
Selling, general and administrative	929	841	879
Goodwill impairment	29	560	0
Other charges	0	17	36
Operating Income (Loss)	1,556	(215)	331
Other (Income) Expense:			
Interest income	(14)	(17)	(9)
Interest expense	347	327	215
Other, net	20	18	(29)
Total Other (Income) Expense	353	328	177
Income (Loss) from Continuing Operations before Income Taxes	1,203	(543)	154
Income Tax Expense	438	7	68
Income (Loss) from Continuing Operations	765	(550)	86
Loss from Discontinued Operation, Net of Tax	0	(1)	0
Net Income (Loss)	765	(551)	86
Less: Net Loss Attributable to Noncontrolling Interest	(15)	(4)	0
Net Income (Loss) Attributable to Tyson	\$780	\$(547)	\$86
Weighted Average Shares Outstanding:			
Class A Basic	303	302	281
Class B Basic	70	70	70
Diluted	379	372	356
Earnings (Loss) Per Share from Continuing Operations Attributable to Tyson:			
Class A Basic	\$2.13	\$(1.49)	\$0.25
Class B Basic	\$1.91	\$(1.35)	\$0.22
Diluted	\$2.06	\$(1.47)	\$0.24
Loss Per Share from Discontinued Operation Attributable to Tyson:			
Class A Basic	\$0.00	\$0.00	\$0.00
Class B Basic	\$0.00	\$0.00	\$0.00
Diluted	\$0.00	\$0.00	\$0.00
Net Earnings (Loss) per Share Attributable to Tyson:			
Class A Basic	\$2.13	\$(1.49)	\$0.25
Class B Basic	\$1.91	\$(1.35)	\$0.22
Diluted	\$2.06	\$(1.47)	\$0.24

See accompanying notes.

**Table of Contents****CONSOLIDATED BALANCE SHEETS**October 2, 2010, and October 3, 2009  
in millions, except share and per share data

	2010	2009
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$978	\$1,004
Restricted cash	0	140
Accounts receivable, net	1,198	1,100
Inventories, net	2,274	2,009
Other current assets	168	122
Total Current Assets	4,618	4,375
Restricted Cash	0	43
Net Property, Plant and Equipment	3,674	3,576
Goodwill	1,893	1,917
Intangible Assets	166	187
Other Assets	401	497
Total Assets	\$10,752	\$10,595
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities:		
Current debt	\$401	\$219
Accounts payable	1,110	1,013
Other current liabilities	1,034	761
Total Current Liabilities	2,545	1,993
Long-Term Debt	2,135	3,258
Deferred Income Taxes	321	309
Other Liabilities	486	539
Redeemable Noncontrolling Interest	64	65
Shareholders' Equity:		
Common stock (\$0.10 par value):		
Class A-authorized 900 million shares:		
issued 322 million shares in both 2010 and 2009	32	32
Convertible Class B-authorized 900 million shares:		
issued 70 million shares in both 2010 and 2009	7	7
Capital in excess of par value	2,243	2,236
Retained earnings	3,113	2,399
Accumulated other comprehensive income	0	(34)
Treasury stock, at cost-		
15 million shares in 2010 and 16 million shares in 2009	(229)	(242)
Total Tyson Shareholders' Equity	5,166	4,398
Noncontrolling Interest	35	33
Total Shareholders' Equity	5,201	4,431
Total Liabilities and Shareholders' Equity	\$10,752	\$10,595
See accompanying notes.		

**Table of Contents****CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**

	Three years ended October 2, 2010 in millions					
	October 2, 2010		October 3, 2009		September 27, 2008	
	Shares	Amount	Shares	Amount	Shares	Amount
<b>Class A Common Stock:</b>						
Balance at beginning of year	322	\$32	322	\$32	300	\$30
Issuance of Class A Common Stock	0	0	0	0	22	2
Balance at end of year	322	32	322	32	322	32
<b>Class B Common Stock:</b>						
Balance at beginning and end of year	70	7	70	7	70	7
<b>Capital in Excess of Par Value:</b>						
Balance at beginning of year		2,236		2,217		1,877
Issuance of Class A Common Stock		0		0		272
Convertible note hedge transactions		0		0		(58)
Warrant transactions		0		0		44
Issuance of convertible debt		0		0		56
Stock-based compensation		7		19		21
Other		0		0		5
Balance at end of year		2,243		2,236		2,217
<b>Retained Earnings:</b>						
Balance at beginning of year		2,399		3,006		2,993
Cumulative effect for adoption of new accounting guidance for uncertainty in income taxes		0		0		(17)
Net income (loss) attributable to Tyson		780		(547)		86
Dividends paid		(59)		(60)		(56)
Redeemable noncontrolling interest accretion		(7)		0		0
Balance at end of year		3,113		2,399		3,006
<b>Accumulated Other Comprehensive Income (Loss), Net of Tax:</b>						
Balance at beginning of year		(34)		41		50
Hedge accounting		12		6		(2)
Investment accounting		0		10		(1)
Currency translation adjustments		27		(81)		(2)
Net change in postretirement liabilities		(5)		(10)		(4)
Balance at end of year		0		(34)		41
<b>Treasury Stock:</b>						
Balance at beginning of year	16	(242)	15	(233)	14	(226)
Purchase of treasury shares	3	(48)	2	(19)	2	(30)
Stock-based compensation	(4)	61	(1)	10	(1)	23
Balance at end of year	15	(229)	16	(242)	15	(233)
Total Shareholders' Equity Attributable to Tyson		\$5,166		\$4,398		\$5,070
<b>Equity Attributable to Noncontrolling Interests</b>						
Balance at beginning of year		\$33		\$29		\$4
Net income (loss) attributable to noncontrolling interests (1)		(6)		(4)		0
Contributions by (distributions to) noncontrolling interest		10		9		25
Net foreign currency translation adjustment and other		(2)		(1)		0
Total Equity Attributable to Noncontrolling Interests		\$35		\$33		\$29
Total Shareholders' Equity		\$5,201		\$4,431		\$5,099
<b>Comprehensive Income (Loss):</b>						
Net income (loss)		\$765		\$(551)		\$86



## Edgar Filing: TYSON FOODS INC - Form 10-K

Other comprehensive income (loss), net of tax	34	(75)	(9)
Total Comprehensive Income (Loss)	799	(626)	77
Comprehensive Income (Loss) attributable to noncontrolling interest	(6)	(4)	0
Total Comprehensive Income (Loss) attributable to Tyson	\$805	\$(622)	\$77

See accompanying notes.

(1) Excludes income (loss) related to redeemable noncontrolling interest of \$(9) million, \$0 and \$0, for fiscal 2010, 2009 and 2008, respectively.

**Table of Contents****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three years ended October 2, 2010 in millions		
	2010	2009	2008
Cash Flows From Operating Activities:			
Net income (loss)	\$765	\$(551)	\$86
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Depreciation	416	445	468
Amortization	81	68	25
Deferred income taxes	18	(33)	35
Impairment of goodwill	29	560	0
Impairment of assets	36	32	57
Other, net	76	72	26
(Increase) decrease in accounts receivable	(79)	137	(59)
(Increase) decrease in inventories	(239)	493	(376)
Increase (decrease) in accounts payable	101	(216)	165
Increase (decrease) in income taxes payable/receivable	(53)	33	(22)
Decrease in interest payable	(4)	(60)	0
Net change in other current assets and liabilities	285	(20)	(50)
Cash Provided by Operating Activities	1,432	960	355
Cash Flows From Investing Activities:			
Additions to property, plant and equipment	(550)	(368)	(425)
Purchases of marketable securities	(53)	(37)	(115)
Proceeds from sale of marketable securities	49	56	112
Change in restricted cash to be used for investing activities	43	(43)	0
Proceeds from sale of discontinued operation	0	75	0
Acquisitions, net of cash acquired	0	(93)	(17)
Other, net	11	(17)	46
Cash Used for Investing Activities	(500)	(427)	(399)
Cash Flows From Financing Activities:			
Net borrowings (payments) on revolving credit facilities	0	15	(213)
Payments of debt	(1,034)	(380)	(147)
Net proceeds from borrowings	0	852	449
Net proceeds from Class A stock offering	0	0	274
Convertible note hedge transactions	0	0	(94)
Warrant transactions	0	0	44
Purchase of treasury shares	(48)	(19)	(30)
Dividends	(59)	(60)	(56)
Debt issuance costs	0	(59)	0
Change in restricted cash to be used for financing activities	140	(140)	0
Other, net	42	6	27
Cash Provided by (Used for) Financing Activities	(959)	215	254
Effect of Exchange Rate Change on Cash	1	6	(2)
Increase (Decrease) in Cash and Cash Equivalents	(26)	754	208
Cash and Cash Equivalents at Beginning of Year	1,004	250	42
Cash and Cash Equivalents at End of Year	\$978	\$1,004	\$250
See accompanying notes.			

**Table of Contents**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1: BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Business:** Tyson Foods, Inc. (collectively, Company, we, us or our ), founded in 1935 with world headquarters in Springdale, Arkansas, is one of the world's largest meat protein companies and the second-largest food production company in the *Fortune* 500. We produce a wide variety of brand name protein-based and prepared food products marketed in the United States and approximately 100 countries around the world.

**Consolidation:** The consolidated financial statements include the accounts of all wholly-owned subsidiaries, as well as majority-owned subsidiaries for which we have a controlling interest. All significant intercompany accounts and transactions have been eliminated in consolidation.

We have an investment in a joint venture, Dynamic Fuels LLC (Dynamic Fuels), in which we have a 50 percent ownership interest. Dynamic Fuels qualifies as a variable interest entity. Effective June 30, 2008, we began consolidating Dynamic Fuels since we are the primary beneficiary. At October 2, 2010, Dynamic Fuels had \$154 million of total assets, of which \$145 million was property, plant and equipment, and \$107 million of total liabilities, of which \$100 million was long-term debt. At October 3, 2009, Dynamic Fuels had \$144 million of total assets, of which \$64 million was property, plant and equipment, and \$108 million of total liabilities, of which \$100 million was long-term debt.

**Fiscal Year:** We utilize a 52- or 53-week accounting period ending on the Saturday closest to September 30. The Company's accounting cycle resulted in a 52-week year for fiscal years 2010 and 2008 and a 53-week year for fiscal year 2009.

**Reclassification:** In the fiscal 2010 Consolidated Statements of Cash Flows, we reclassified (\$65 million) and \$67 million, respectively, for fiscal 2009 and fiscal 2008, of changes in negative book cash balances from Financing Activities to Operating Activities (included in Increase (decrease) in accounts payable) to conform with the current period presentation.

**Discontinued Operation:** On March 13, 2009, we completed the sale of the beef processing, cattle feed yard and fertilizer assets of three of our Alberta, Canada subsidiaries (collectively, Lakeside), which were part of our Beef segment, and related inventories. The financial statements report Lakeside as a discontinued operation. See Note 4: Discontinued Operation in the Notes to Consolidated Financial Statements for further information.

**Cash and Cash Equivalents:** Cash equivalents consist of investments in short-term, highly liquid securities having original maturities of three months or less, which are made as part of our cash management activity. The carrying values of these assets approximate their fair values. We primarily utilize a cash management system with a series of separate accounts consisting of lockbox accounts for receiving cash, concentration accounts where funds are moved to, and several zero-balance disbursement accounts for funding payroll, accounts payable, livestock procurement, grower payments, etc. As a result of our cash management system, checks issued, but not presented to the banks for payment, may result in negative book cash balances. These negative book cash balances are included in accounts payable and other current liabilities. At October 2, 2010, and October 3, 2009, checks outstanding in excess of related book cash balances totaled approximately \$267 million and \$254 million, respectively.

**Accounts Receivable:** We record accounts receivable at net realizable value. This value includes an appropriate allowance for estimated uncollectible accounts to reflect any loss anticipated on the accounts receivable balances and charged to the provision for doubtful accounts. We calculate this allowance based on our history of write-offs, level of past due accounts and relationships with and economic status of our customers. At October 2, 2010, and October 3, 2009, our allowance for uncollectible accounts was \$32 million and \$33 million, respectively. We generally do not have collateral for our receivables, but we do periodically evaluate the credit worthiness of our customers.

**Inventories:** Processed products, livestock and supplies and other are valued at the lower of cost or market. Cost includes purchased raw materials, live purchase costs, growout costs (primarily feed, contract grower pay and catch and haul costs), labor and manufacturing and production overhead, which are related to the purchase and production of inventories.

	in millions	
	2010	2009
Processed products:		

Edgar Filing: TYSON FOODS INC - Form 10-K

Weighted-average method	chicken and prepared foods	\$721	\$629
First-in, first-out method	beef and pork	462	414
Livestock	first-in, first-out method	759	631
Supplies and other	weighted-average method	332	335
Total inventory, net		\$2,274	\$2,009

43

## Table of Contents

**Property, Plant and Equipment:** Property, plant and equipment are stated at cost and depreciated on a straight-line method, using estimated lives for buildings and leasehold improvements of 10 to 33 years, machinery and equipment of three to 12 years and land improvements and other of three to 20 years. Major repairs and maintenance costs that significantly extend the useful life of the related assets are capitalized. Normal repairs and maintenance costs are charged to operations.

We review the carrying value of long-lived assets at each balance sheet date if indication of impairment exists. Recoverability is assessed using undiscounted cash flows based on historical results and current projections of earnings before interest and taxes. We measure impairment as the excess of carrying cost over the fair value of an asset. The fair value of an asset is measured using discounted cash flows including market participant assumptions of future operating results and discount rates.

**Goodwill and Other Intangible Assets:** 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. Our goodwill is allocated by reporting unit, and we follow a two-step process to evaluate if a potential impairment exists. The first step is to identify if a potential impairment exists by comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to have a potential impairment and the second step of the impairment test is not necessary. However, if the carrying amount of a reporting unit exceeds its fair value, the second step is performed to determine if goodwill is impaired and to measure the amount of impairment loss to recognize, if any. The second step compares the implied fair value of goodwill with the carrying amount of goodwill. If the implied fair value of goodwill exceeds the carrying amount, then goodwill is not considered impaired. However, if the carrying amount of goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination (i.e., the fair value of the reporting unit is allocated to all the assets and liabilities, including any unrecognized intangible assets, as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit). We have elected to make the first day of the fourth quarter the annual impairment assessment date for goodwill and other indefinite life intangible assets.

We have estimated the fair value of our reporting units using a discounted cash flow analysis, which uses significant unobservable inputs, or Level 3 inputs, as defined by the fair value hierarchy. This analysis requires us to make various judgmental estimates and assumptions about sales, operating margins, growth rates and discount factors and are believed to reflect market participant views which would exist in an exit transaction. Generally, we utilize normalized operating margin assumptions based on long-term expectations and operating margins historically realized in the reporting units' industries. For our fiscal 2010 impairment test, none of our material reporting units' operating margin assumptions were in excess of the annual margins realized in the most recent year. Some of the inherent estimates and assumptions used in determining fair value of the reporting units are outside the control of management, including interest rates, cost of capital, tax rates, and credit ratings. While we believe we have made reasonable estimates and assumptions to calculate the fair value of the reporting units, it is possible a material change could occur. If our actual results are not consistent with our estimates and assumptions used to calculate fair value, we may be required to perform the second step in future years, which could result in material impairments of our goodwill.

During fiscal 2010, 2009 and 2008, all of our reporting units passed the first step of the goodwill impairment analysis, with the exception of an immaterial Chicken segment reporting unit in fiscal 2010 and the Beef reporting unit in fiscal 2009. In fiscal 2010, we recorded a non-cash \$29 million full impairment of an immaterial Chicken segment reporting unit's goodwill. In fiscal 2009, we recorded a \$560 million partial impairment of our Beef reporting unit's goodwill, which was driven by an increase in our discount rate used in the 2009 annual goodwill impairment analysis as a result of disruptions in global credit and other financial markets and deterioration of economic conditions.

For our other indefinite life intangible assets, if the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The fair value of trademarks is determined using a royalty rate method based on expected revenues by trademark.

**Investments:** We have investments in joint ventures and other entities. We use the cost method of accounting when our voting interests are less than 20 percent. We use the equity method of accounting when our voting interests are in excess of 20 percent and we do not have a controlling interest or a variable interest in which we are the primary beneficiary. Investments in joint ventures and other entities are reported in the Consolidated Balance Sheets in Other Assets.

We also have investments in marketable debt securities. We have determined all of our marketable debt securities are available-for-sale investments. These investments are reported at fair value based on quoted market prices as of the balance sheet date, with unrealized gains and losses, net of tax, recorded in other comprehensive income. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is recorded in interest income. The cost of securities sold is based on the specific identification method. Realized gains and losses on the sale of debt securities and declines in value judged to be other than temporary are recorded on a net basis in other income. Interest and dividends on securities classified as available-for-sale are recorded in interest income.



**Table of Contents**

**Accrued Self Insurance:** We use a combination of insurance and self-insurance mechanisms in an effort to mitigate the potential liabilities for health and welfare, workers' compensation, auto liability and general liability risks. Liabilities associated with our risks retained are estimated, in part, by considering claims experience, demographic factors, severity factors and other actuarial assumptions.

**Capital Stock:** We have two classes of capital stock, Class A Common Stock, \$0.10 par value (Class A stock) and Class B Common Stock, \$0.10 par value (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, while holders of Class A stock are entitled to one vote per share on matters submitted to shareholders for approval. As of October 2, 2010, members of the Tyson family beneficially own, in the aggregate, 99.97% of the outstanding shares of Class B stock and 2.42% of the outstanding shares of Class A stock, giving the Tyson family control of approximately 70% of the total voting power of the outstanding voting stock. 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 pay quarterly cash dividends to Class A and Class B shareholders. We paid Class A dividends per share of \$0.16 and Class B dividends per share of \$0.144 in each of fiscal years 2010, 2009 and 2008.

The Class B stock is considered a participating security requiring the use of the two-class method for the computation of basic earnings per share. The two-class computation method for each period reflects the cash dividends paid for each class of stock, plus the amount of allocated undistributed earnings (losses) computed using the participation percentage, which reflects the dividend rights of each class of stock. Basic earnings per share were computed using the two-class method for all periods presented. The shares of Class B stock are considered to be participating convertible securities since the shares of Class B stock are convertible on a share-for-share basis into shares of Class A stock. Diluted earnings per share were computed assuming the conversion of the Class B shares into Class A shares as of the beginning of each period.

**Financial Instruments:** We purchase certain commodities, such as grains and livestock in the course of normal operations. As part of our commodity risk management activities, we use derivative financial instruments, primarily futures and options, to reduce our exposure to various market risks related to these purchases, as well as to changes in foreign currency exchange rates. Contract terms of a financial instrument qualifying as a hedge instrument closely mirror those of the hedged item, providing a high degree of risk reduction and correlation. Contracts designated and highly effective at meeting risk reduction and correlation criteria are recorded using hedge accounting. If a derivative instrument is accounted for as a hedge, changes in the fair value of the instrument will be offset either against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of an instrument's change in fair value is immediately recognized in earnings as a component of cost of sales. Instruments we hold as part of our risk management activities that do not meet the criteria for hedge accounting are marked to fair value with unrealized gains or losses reported currently in earnings. Changes in market value of derivatives used in our risk management activities relating to forward sales contracts are recorded in sales, while changes surrounding inventories on hand or anticipated purchases of inventories or supplies are recorded in cost of sales. We generally do not hedge anticipated transactions beyond 18 months.

**Revenue Recognition:** We recognize revenue when title and risk of loss are transferred to customers, which is generally on delivery based on terms of sale. Revenue is recognized as the net amount estimated to be received after deducting estimated amounts for discounts, trade allowances and product terms.

**Litigation Reserves:** There are a variety of legal proceedings pending or threatened against us. Accruals are recorded when it is probable a liability has been incurred and the amount of the liability can be reasonably estimated based on current law, progress of each case, opinions and views of legal counsel and other advisers, our experience in similar matters and intended response to the litigation. These amounts, which are not discounted and are exclusive of claims against third parties, are adjusted periodically as assessment efforts progress or additional information becomes available. We expense amounts for administering or litigating claims as incurred. Accruals for legal proceedings are included in Other current liabilities in the Consolidated Balance Sheets.

**Freight Expense:** Freight expense associated with products shipped to customers is recognized in cost of sales.

**Advertising and Promotion Expenses:** Advertising and promotion expenses are charged to operations in the period incurred. Customer incentive and trade promotion activities are recorded as a reduction to sales based on amounts estimated as being due to customers, based primarily on historical utilization and redemption rates, while other advertising and promotional activities are recorded as selling, general and administrative expenses. Advertising and promotion expenses for fiscal years 2010, 2009 and 2008 were \$505 million, \$491 million and \$495 million, respectively.

**Research and Development:** Research and development costs are expensed as incurred. Research and development costs totaled \$38 million, \$33 million and \$30 million in fiscal 2010, 2009 and 2008, respectively.





---

**Table of Contents**

**Use of Estimates:** The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States, which require us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

**Recently Issued Accounting Pronouncements:** In June 2009, the Financial Accounting Standards Board (FASB) issued guidance removing the concept of a qualifying special-purpose entity (QSPE). This guidance also clarifies the requirements for isolation and limitations on portions of financial assets eligible for sale accounting. This guidance is effective for fiscal years beginning after November 15, 2009. Accordingly, we will adopt this guidance at the beginning of fiscal year 2011 and do not expect the adoption will have a material impact.

In June 2009 and December 2009, the FASB issued guidance requiring an analysis to determine whether a variable interest gives the entity a controlling financial interest in a variable interest entity. This guidance requires an ongoing assessment and eliminates the quantitative approach previously required for determining whether an entity is the primary beneficiary. This guidance is effective for fiscal years beginning after November 15, 2009. Accordingly, we will adopt this guidance at the beginning of fiscal year 2011 and do not expect the adoption will have a material impact.

**NOTE 2: CHANGE IN ACCOUNTING PRINCIPLES**

In December 2007, the FASB issued guidance establishing principles and requirements for how an acquirer in a business combination: 1) recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree; 2) recognizes and measures goodwill acquired in a business combination or a gain from a bargain purchase; and 3) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of a business combination. This guidance is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008; therefore, we adopted this guidance at the beginning of fiscal 2010. The initial adoption did not have a significant impact on our consolidated financial statements.

In December 2007, the FASB issued guidance to establish accounting and reporting standards for a noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This guidance clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity and may be reported as equity in the consolidated financial statements, rather than in the liability or mezzanine section between liabilities and equity. This guidance also requires consolidated net income be reported at amounts that include the net income attributable to both Tyson (the parent) and the noncontrolling interest. We adopted the presentation and disclosure requirements retrospectively at the beginning of fiscal 2010. Accordingly, attributable to Tyson refers to operating results exclusive of any noncontrolling interest. In conjunction with this adoption, we also adopted guidance applicable for all noncontrolling interests in which we are or may be required to repurchase an interest in a consolidated subsidiary from the noncontrolling interest holder under a put option or other contractual redemption requirement. Because we have certain redeemable noncontrolling interests, noncontrolling interests are presented in both the equity section and the mezzanine section of the balance sheet between liabilities and equity.

In May 2008, the FASB issued guidance which specifies issuers of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The amount allocated to the equity component represents a discount to the debt, which is amortized into interest expense using the effective interest method over the life of the debt. We adopted this guidance in the first quarter of fiscal 2010 and applied it retrospectively. Upon retrospective adoption, our effective interest rate on our 3.25% Convertible Senior Notes due 2013 issued in September 2008 was determined to be 8.26%, which resulted in the recognition of a \$92 million discount to these notes with the offsetting after tax amount of \$56 million recorded to capital in excess of par value. This discount will be accreted over the five-year term of the convertible notes at the effective interest rate. The impact to our previously reported fiscal 2008 interest expense was not significant, while the impact increased fiscal 2009 non-cash interest expense by \$17 million.

In December 2008, the FASB issued guidance requiring additional disclosures about assets held in an employer's defined benefit pension or other postretirement plan. This guidance is effective for fiscal years ending after December 15, 2009, with early adoption permitted. We adopted the disclosure requirements in fiscal 2010. See Note 15: Pensions and Other Postretirement Benefits for required disclosures.

**Table of Contents**

The following table presents the effects of the retrospective application of new accounting guidance on our consolidated financial statements (in millions, except per share data):

	Previously Reported	Adjustments: Convertible Debt	Adjustments: Noncontrolling Interest	As Adjusted
<b>September 27, 2008 Income Statement:</b>				
Interest Expense	\$215	\$0	\$0	\$215
Income (Loss) from Continuing Operations before Income Taxes	154	0	0	154
Income Tax Expense	68	0	0	68
Income (Loss) from Continuing Operations	86	0	0	86
Minority Interest	0	0	0	0
Net Income (Loss)	86	0	0	86
Less: Net Loss Attributable to Noncontrolling Interest	0	0	0	0
Net Income (Loss) Attributable to Tyson	0	0	0	86
Earnings (Loss) Per Share from Continuing Operations Attributable to Tyson:				
Class A Basic	\$0.25	\$0.00	\$0.00	\$0.25
Class B Basic	\$0.22	\$0.00	\$0.00	\$0.22
Diluted	\$0.24	\$0.00	\$0.00	\$0.24
Net Income (Loss) Per Share Attributable to Tyson:				
Class A Basic	\$0.25	\$0.00	\$0.00	\$0.25
Class B Basic	\$0.22	\$0.00	\$0.00	\$0.22
Diluted	\$0.24	\$0.00	\$0.00	\$0.24
<b>October 3, 2009 Income Statement:</b>				
Interest Expense	\$310	\$17	\$0	\$327
Income (Loss) from Continuing Operations before Income Taxes	(526)	(17)	0	(543)
Income Tax Expense	14	(7)	0	7
Income (Loss) from Continuing Operations	(540)	(10)	0	(550)
Minority Interest	(4)	0	4	0
Net Income (Loss)	(537)	(10)	(4)	(551)
Less: Net Loss Attributable to Noncontrolling Interest	0	0	(4)	(4)
Net Income (Loss) Attributable to Tyson	0	0	0	(547)
Earnings (Loss) Per Share from Continuing Operations Attributable to Tyson:				
Class A Basic	\$(1.47)	\$(0.02)	\$0.00	\$(1.49)
Class B Basic	\$(1.32)	\$(0.03)	\$0.00	\$(1.35)
Diluted	\$(1.44)	\$(0.03)	\$0.00	\$(1.47)
Net Income (Loss) Per Share Attributable to Tyson:				
Class A Basic	\$(1.47)	\$(0.02)	\$0.00	\$(1.49)
Class B Basic	\$(1.32)	\$(0.03)	\$0.00	\$(1.35)
Diluted	\$(1.44)	\$(0.03)	\$0.00	\$(1.47)
<b>October 3, 2009 Balance Sheet:</b>				
Long-Term Debt	\$3,333	\$(75)	\$0	\$3,258
Deferred Income Taxes	280	29	0	309
Minority Interest	98	0	(98)	0
Redeemable Noncontrolling Interest	0	0	65	65
Capital in Excess of Par Value	2,180	56	0	2,236
Retained Earnings	2,409	(10)	0	2,399
Total Tyson Shareholders' Equity	4,352	46	0	4,398
Noncontrolling Interest	0	0	33	33
Total Shareholders' Equity	4,352	46	33	4,431



**Table of Contents****NOTE 3: ACQUISITIONS**

In August 2009, we completed the establishment of related joint ventures in China referred to as Shandong Tyson Xinchang Foods. The aggregate purchase price for our 60% equity interest was \$21 million, which excludes \$93 million of cash transferred to the joint venture for future capital needs. The purchase price included \$29 million allocated to Intangible Assets and \$19 million allocated to Goodwill, as well as the assumption of \$76 million of Current and Long-Term Debt.

In October 2008, we acquired three vertically integrated poultry companies in southern Brazil: Macedo Agroindustrial, Avicola Itaiopolis and Frangobras. The aggregate purchase price was \$67 million. In addition, we had \$15 million of contingent purchase price based on production volumes payable through fiscal 2011. The purchase price included \$23 million allocated to Goodwill and \$19 million allocated to Intangible Assets.

**NOTE 4: DISCONTINUED OPERATION**

On March 13, 2009, we completed the sale of the beef processing, cattle feed yard and fertilizer assets of three of our Alberta, Canada subsidiaries (collectively, Lakeside), which were part of our Beef segment, and related inventories for total consideration of \$145 million, based on exchange rates then in effect. This included (a) cash received at closing of \$43 million, (b) \$78 million of collateralized notes receivable from either XL Foods or an affiliated entity to be collected throughout the two years following closing, and (c) \$24 million of XL Foods Preferred Stock to be redeemed over five years.

We recorded a pretax loss on sale of Lakeside of \$10 million in fiscal 2009, which included an allocation of beef reporting unit goodwill of \$59 million and cumulative currency translation adjustment gains of \$41 million.

The following is a summary of Lakeside's operating results (in millions):

	2010	2009	2008
Sales	\$0	\$461	\$1,268
Pretax income from discontinued operation	\$0	\$20	\$0
Loss on sale of discontinued operation	0	(10)	0
Income tax expense	0	11	0
Loss from discontinued operation	\$0	\$(1)	\$0

**NOTE 5: OTHER INCOME AND CHARGES**

During fiscal 2010, we recognized \$38 million of insurance proceeds received related to losses incurred from Hurricane Katrina in 2005. These proceeds are reflected in the Chicken segment's Operating Income and included in the Consolidated Statements of Income in Cost of Sales. Also in fiscal 2010, we recorded a \$12 million impairment charge related to an equity method investment. This charge is included in the Consolidated Statements of Income in Other, net.

On March 27, 2009, we announced the decision to close our Ponca City, Oklahoma, processed meats plant. The plant ceased operation in August 2009. The closing resulted in the elimination of approximately 600 jobs. During fiscal 2009, we recorded charges of \$15 million, which included \$14 million for estimated impairment charges and \$1 million of employee termination benefits. The charges are reflected in the Prepared Foods segment's Operating Income and included in the Consolidated Statements of Income in Other Charges.

In fiscal 2008, we recorded charges of \$10 million related to intangible asset impairments. Of this amount, \$8 million is reflected in the Beef segment's Operating Income and \$2 million in the Prepared Foods segment's Operating Income, and both are recorded in the Consolidated Statements of Income in Cost of Sales. We recorded charges of \$7 million related to flood damage at our Jefferson, Wisconsin, plant. This amount is reflected in the Prepared Foods segment's Operating Income and included in the Consolidated Statements of Income in Cost of Sales. We also recorded a charge of \$6 million related to the impairment of unimproved real property in Memphis, Tennessee. This amount is reflected in the Chicken segment's Operating Income (Loss) and included in the Consolidated Statements of Income in Cost of Sales. Additionally, we recorded an \$18 million non-operating gain as the result of a private equity firm's purchase of a technology company in which we held a minority interest. This gain was recorded in Other Income in the Consolidated Statements of Income.

## Edgar Filing: TYSON FOODS INC - Form 10-K

In February 2008, we announced discontinuation of an existing product line and closing of one of our three poultry plants in Wilkesboro, North Carolina. The Wilkesboro cooked products plant ceased operations in April 2008. The closure resulted in elimination of approximately 400 jobs. In fiscal 2008, we recorded charges of \$13 million for impairment charges. This amount is reflected in the Chicken segment's Operating Income (Loss) and included in the Consolidated Statements of Income in Other Charges.

**Table of Contents**

In January 2008, we announced the decision to restructure operations at our Emporia, Kansas, beef plant. Beef slaughter operations ceased during the second quarter of fiscal 2008. However, the facility is still used to process certain commodity, specialty cuts and ground beef, as well as a cold storage and distribution warehouse. This restructuring resulted in elimination of approximately 1,700 jobs at the Emporia plant. In fiscal 2008, we recorded charges of \$10 million for impairment charges and \$7 million of other closing costs, consisting of \$6 million for employee termination benefits and \$1 million in other plant-closing related liabilities. These amounts were reflected in the Beef segment's Operating Income (Loss) and included in the Consolidated Statements of Income in Other Charges. We have fully paid employee termination benefits and other plant-closing related liabilities.

In fiscal 2008, management approved plans for implementation of certain recommendations resulting from the previously announced FAST initiative, which was focused on process improvement and efficiency creation. As a result, in fiscal 2008, we recorded charges of \$6 million related to employee termination benefits resulting from termination of approximately 200 employees. Of these charges, \$2 million, \$2 million, \$1 million and \$1 million, respectively, were recorded in the Chicken, Beef, Pork and Prepared Foods segments' Operating Income (Loss) and included in the Consolidated Statements of Income in Other Charges. We have fully paid the employee termination benefits.

**NOTE 6: DERIVATIVE FINANCIAL INSTRUMENTS**

Our business operations give rise to certain market risk exposures mostly due to changes in commodity prices, foreign currency exchange rates and interest rates. We manage a portion of these risks through the use of derivative financial instruments, primarily futures and options, to reduce our exposure to commodity price risk, foreign currency risk and interest rate risk. Forward contracts on various commodities, including grains, livestock and energy, are primarily entered into to manage the price risk associated with forecasted purchases of these inputs used in our production processes. Foreign exchange forward contracts are entered into to manage the fluctuations in foreign currency exchange rates, primarily as a result of certain receivable and payable balances. We also periodically utilize interest rate swaps to manage interest rate risk associated with our variable-rate borrowings.

Our risk management programs are periodically reviewed by our Board of Directors' Audit Committee. These programs are monitored by senior management and may be revised as market conditions dictate. Our current risk management programs utilize industry-standard models that take into account the implicit cost of hedging. Risks associated with our market risks and those created by derivative instruments and the fair values are strictly monitored at all times, using Value-at-Risk and stress tests. Credit risks associated with our derivative contracts are not significant as we minimize counterparty concentrations, utilize margin accounts or letters of credit, and deal with credit-worthy counterparties. Additionally, our derivative contracts are mostly short-term in duration and we generally do not make use of credit-risk-related contingent features. No significant concentrations of credit risk existed at October 2, 2010.

We recognize all derivative instruments as either assets or liabilities at fair value in the Consolidated Balance Sheets, with the exception of normal purchases and normal sales expected to result in physical delivery. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, we designate the hedging instrument based upon the exposure being hedged (i.e., fair value hedge, cash flow hedge, or hedge of a net investment in a foreign operation). We qualify, or designate, a derivative financial instrument as a hedge when contract terms closely mirror those of the hedged item, providing a high degree of risk reduction and correlation. If a derivative instrument is accounted for as a hedge, depending on the nature of the hedge, changes in the fair value of the instrument either will be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings, or be recognized in other comprehensive income (loss) (OCI) until the hedged item is recognized in earnings. The ineffective portion of an instrument's change in fair value is recognized in earnings immediately. We designate certain forward contracts as follows:

Cash Flow Hedges include certain commodity forward and option contracts of forecasted purchases (i.e., grains) and certain foreign exchange forward contracts.

Fair Value Hedges include certain commodity forward contracts of forecasted purchases (i.e., livestock).

Net Investment Hedges include certain foreign currency forward contracts of permanently invested capital in certain foreign subsidiaries.

**Table of Contents**Cash flow hedges

Derivative instruments, such as futures and options, are designated as hedges against changes in the amount of future cash flows related to procurement of certain commodities utilized in our production processes. We do not purchase forward and option commodity contracts in excess of our physical consumption requirements and generally do not hedge forecasted transactions beyond 18 months. The objective of these hedges is to reduce the variability of cash flows associated with the forecasted purchase of those commodities. For the derivative instruments we designate and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of OCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses representing hedge ineffectiveness are recognized in earnings in the current period. Ineffectiveness related to our cash flow hedges was not significant during fiscal 2010, 2009 and 2008.

We had the following aggregated notionals of outstanding forward and option contracts accounted for as cash flow hedges:

	Metric	October 2, 2010	October 3, 2009
Commodity:			
Corn	Bushels	16 million	4 million
Soy meal	Tons	101,500	16,900

The net amount of pretax gains in accumulated OCI as of October 2, 2010, expected to be reclassified into earnings within the next 12 months was \$10 million. During fiscal 2010, 2009 and 2008, we did not reclassify significant pretax gains/losses into earnings as a result of the discontinuance of cash flow hedges due to the probability the original forecasted transaction would not occur by the end of the originally specified time period or within the additional period of time allowed by generally accepted accounting principles.

The following table sets forth the pretax impact of cash flow hedge derivative instruments on the Consolidated Statements of Income (in millions):

	Gain/(Loss)			Consolidated Statements of Income Classification	Gain/(Loss)		
	Recognized in OCI				Reclassified from		
	2010	2009	2008		2010	2009	2008
Cash Flow Hedge							
Derivatives designated							
as hedging instruments:							
Commodity contracts	\$6	\$(61)	\$39	Cost of Sales	\$(6)	\$(67)	\$42
Foreign exchange contracts	1	8	(2)	Other Income/Expense	1	6	0
Total	\$7	\$(53)	\$37		\$(5)	\$(61)	\$42

Fair value hedges

We designate certain futures contracts as fair value hedges of firm commitments to purchase livestock for slaughter. Our objective of these hedges is to minimize the risk of changes in fair value created by fluctuations in commodity prices associated with fixed price livestock firm commitments. We had the following aggregated notionals of outstanding forward contracts entered into to hedge forecasted commodity purchases which are accounted for as a fair value hedge:

	Metric	October 2, 2010	October 3, 2009
Commodity:			
Live Cattle	Pounds	361 million	133 million
Lean Hogs	Pounds	508 million	171 million





**Table of Contents**

For these derivative instruments we designate and qualify as a fair value hedge, the gain or loss on the derivative, as well as the offsetting gain or loss on the hedged item attributable to the hedged risk, are recognized in earnings in the current period. We include the gain or loss on the hedged items (i.e., livestock purchase firm commitments) in the same line item, Cost of Sales, as the offsetting gain or loss on the related livestock forward position.

		in millions		
Consolidated Statements of Income				
	Classification	2010	2009	2008
Gain/(Loss) on forwards	Cost of Sales	\$(58)	\$152	\$65
Gain/(Loss) on purchase contract	Cost of Sales	58	(152)	(65)

Ineffectiveness related to our fair value hedges was not significant during fiscal 2010, 2009 and 2008.

**Foreign net investment hedges**

We utilize forward foreign exchange contracts to protect the value of our net investments in certain foreign subsidiaries. For derivative instruments that are designated and qualify as a hedge of a net investment in a foreign currency, the gain or loss is reported in OCI as part of the cumulative translation adjustment to the extent it is effective, with the related amounts due to or from counterparties included in other liabilities or other assets. We utilize the forward-rate method of assessing hedge effectiveness. Any ineffective portions of net investment hedges are recognized in the Consolidated Statements of Income during the period of change. Ineffectiveness related to our foreign net investment hedges was not significant during fiscal 2010, 2009 and 2008. At October 2, 2010 and October 3, 2009, we had approximately \$49 million and \$0 aggregate outstanding notionals related to our forward foreign currency contracts accounted for as foreign net investment hedges.

The following table sets forth the pretax impact of these derivative instruments on the Consolidated Statements of Income (in millions):

		Gain/(Loss)			Consolidated			
		Recognized in OCI			Statements of Income			
		on Derivatives			Classification			
		2010	2009	2008		2010	2009	2008
Net Investment Hedge	Derivatives designated as							
	hedging instruments:							
	Foreign exchange contracts	\$(1)	\$(5)	\$0	Other Income/Expense	\$0	\$(2)	\$0
<b><u>Undesignated positions</u></b>								

In addition to our designated positions, we also hold forward and option contracts for which we do not apply hedge accounting. These include certain derivative instruments related to commodities price risk, including grains, livestock and energy, foreign currency risk and interest rate risk. We mark these positions to fair value through earnings at each reporting date. We generally do not enter into undesignated positions beyond 18 months.

The objective of our undesignated grains, energy and livestock commodity positions is to reduce the variability of cash flows associated with the forecasted purchase of certain grains, energy and livestock inputs to our production processes. We also enter into certain forward sales of boxed beef and boxed pork and forward purchases of cattle and hogs at fixed prices. The fixed price sales contracts lock in the proceeds from a sale in the future and the fixed cattle and hog purchases lock in the cost. However, the cost of the livestock and the related boxed beef and boxed pork market prices at the time of the sale or purchase could vary from this fixed price. As we enter into fixed forward sales of boxed beef and boxed pork and forward purchases of cattle and hogs, we also enter into the appropriate number of livestock futures positions to mitigate a portion of this risk. Changes in market value of the open livestock futures positions are marked to market and reported in earnings at each reporting date, even though the economic impact of our fixed prices being above or below the market price is only realized at the time of sale or purchase. These positions generally do not qualify for hedge treatment due to location basis differences between the commodity exchanges and the actual

locations when we purchase the commodities.

We have a foreign currency cash flow hedging program to hedge portions of forecasted transactions denominated in foreign currencies, primarily with forward contracts, to protect against the reduction in value of forecasted foreign currency cash flows. Our undesignated foreign currency positions generally would qualify for cash flow hedge accounting. However, to reduce earnings volatility, we normally will not elect hedge accounting treatment when the position provides an offset to the underlying related transaction that currently impacts earnings.

**Table of Contents**

The objective of our undesignated interest rate swap is to manage interest rate risk exposure on a floating-rate bond. Our interest rate swap agreement effectively modifies our exposure to interest rate risk by converting a portion of the floating-rate bond to a fixed rate basis for the first five years, thus reducing the impact of the interest-rate changes on future interest expense. This interest rate swap does not qualify for hedge treatment due to differences in the underlying bond and swap contract interest-rate indices.

We had the following aggregate outstanding notionals related to our undesignated positions:

Commodity:	Metric	October 2, 2010	October 3, 2009
Corn	Bushels	38 million	11 million
Soy meal	Tons	367,000	73,000
Live Cattle	Pounds	73 million	82 million
Lean Hogs	Pounds	134 million	11 million
Natural Gas	British thermal units	450 billion	850 billion
Foreign Currency	United States dollars	\$146 million	\$124 million
Interest Rate	Average monthly notional debt	\$53 million	\$64 million

Included in our undesignated positions are certain commodity grain positions (which do not qualify for hedge treatment) we enter into to manage the risk of costs associated with forward sales to certain customers for which sales prices are determined under cost-plus arrangements. These unrealized positions totaled gains of \$2 million and losses of \$17 million at October 2, 2010, and October 3, 2009, respectively. When these positions are liquidated, we expect any realized gains or losses will be reflected in the prices of the poultry products sold. Since these derivative positions did not qualify for hedge treatment, they initially created volatility in our earnings associated with changes in fair value. However, once the positions were liquidated and included in the sales price to the customer, there was ultimately no earnings impact as any previous fair value gains or losses were included in the prices of the poultry products.

The following table sets forth the pretax impact of the undesignated derivative instruments on the Consolidated Statements of Income (in millions):

	Consolidated Statements of Income Classification	Gain/(Loss) Recognized in Earnings		
		2010	2009	2008
		Derivatives not designated as hedging instruments:		
Commodity contracts	Sales	\$27	\$(34)	\$(12)
Commodity contracts	Cost of Sales	(20)	(151)	259
Foreign exchange contracts	Other Income/Expense	(5)	0	1
Interest rate contracts	Interest Expense	1	(4)	0
<b>Total</b>		<b>\$3</b>	<b>\$(189)</b>	<b>\$248</b>

**Table of Contents**

The following table sets forth the fair value of all derivative instruments outstanding in the Consolidated Balance Sheets (in millions):

	Fair Value	
	2010	2009
<b>Derivative Assets:</b>		
Derivatives designated as hedging instruments:		
Commodity contracts	\$20	\$12
Derivatives not designated as hedging instruments:		
Commodity contracts	10	9
Foreign exchange contracts	1	0
Total derivative assets not designated	11	9
Total derivative assets	\$31	\$21
<b>Derivative Liabilities:</b>		
Derivatives designated as hedging instruments:		
Commodity contracts	\$16	\$2
Derivatives not designated as hedging instruments:		
Commodity contracts	34	13
Foreign exchange contracts	6	1
Interest rate contracts	3	4
Total derivative liabilities not designated	43	18
Total derivative liabilities	\$59	\$20

Our derivative assets and liabilities are presented in our Consolidated Balance Sheets on a net basis. We net derivative assets and liabilities, including cash collateral when a legally enforceable master netting arrangement exists between the counterparty to a derivative contract and us. See Note 12: Fair Value Measurements for a reconciliation to amounts reported in the Consolidated Balance Sheets in Other current assets and Other current liabilities.

**NOTE 7: PROPERTY, PLANT AND EQUIPMENT**

Major categories of property, plant and equipment and accumulated depreciation at October 2, 2010, and October 3, 2009:

	in millions	
	2010	2009
Land	\$97	\$96
Building and leasehold improvements	2,617	2,570
Machinery and equipment	4,694	4,640
Land improvements and other	232	227
Buildings and equipment under construction	513	297
	8,153	7,830
Less accumulated depreciation	4,479	4,254
Net property, plant and equipment	\$3,674	\$3,576

Approximately \$388 million will be required to complete buildings and equipment under construction at October 2, 2010.

**Table of Contents****NOTE 8: GOODWILL AND OTHER INTANGIBLE ASSETS**

The following table reflects goodwill activity for fiscal years 2010 and 2009:

	in millions				
	Chicken	Beef	Pork	Prepared Foods	Consolidated
<b>Balances at September 27, 2008:</b>					
Goodwill	\$945	\$1,185	\$317	\$64	\$2,511
Accumulated impairment losses	0	0	0	0	0
	945	1,185	317	64	2,511
Fiscal 2009 Activity:					
Acquisitions	42	0	0	0	42
Disposal of goodwill related to discontinued operation	0	(59)	0	0	(59)
Impairment losses	0	(560)	0	0	(560)
Currency translation and other	(14)	(3)	0	0	(17)
<b>Balances at October 3, 2009:</b>					
Goodwill	973	1,123	317	64	2,477
Accumulated impairment losses	0	(560)	0	0	(560)
	\$973	\$563	\$317	\$64	\$1,917
Fiscal 2010 Activity:					
Impairment losses	(29)	0	0	0	(29)
Currency translation and other	6	0	0	(1)	5
<b>Balances at October 2, 2010:</b>					
Goodwill	979	1,123	317	63	2,482
Accumulated impairment losses	(29)	(560)	0	0	(589)
	\$950	\$563	\$317	\$63	\$1,893

Other intangible assets by type at October 2, 2010, and October 3, 2009:

	in millions	
	2010	2009
Gross Carrying Value:		
Trademarks	\$56	\$57
Patents, intellectual property and other	144	145
Land use rights	23	23
Less Accumulated Amortization	57	38
<b>Total Intangible Assets</b>	<b>\$166</b>	<b>\$187</b>

Amortization expense of \$19 million, \$10 million and \$3 million was recognized during fiscal 2010, 2009 and 2008, respectively. We estimate amortization expense on intangible assets for the next five fiscal years subsequent to October 2, 2010 will be: 2011 - \$17 million; 2012 - \$16 million; 2013 - \$16 million; 2014 - \$15 million; 2015 - \$15 million. Beginning with the date benefits are realized, other intangible assets are amortized using the straight-line method over their estimated period of benefit of 10-30 years.

**NOTE 9: OTHER CURRENT LIABILITIES**

Other current liabilities at October 2, 2010, and October 3, 2009, include:

in millions

Edgar Filing: TYSON FOODS INC - Form 10-K

	2010	2009
Accrued salaries, wages and benefits	\$444	\$187
Self-insurance reserves	256	230
Other	334	344
Total other current liabilities	\$1,034	\$761

54

**Table of Contents****NOTE 10: COMMITMENTS**

We lease equipment, properties and certain farms for which total rentals approximated \$188 million, \$175 million and \$163 million, respectively, in fiscal 2010, 2009 and 2008. Most leases have initial terms up to seven years, some with varying renewal periods. The most significant obligations assumed under the terms of the leases are the upkeep of the facilities and payments of insurance and property taxes.

Minimum lease commitments under non-cancelable leases at October 2, 2010, were:

	in millions
2011	\$91
2012	71
2013	51
2014	32
2015	17
2016 and beyond	55
Total	\$317

We guarantee obligations of certain outside third parties, which consists of a lease and grower loans, all of which are substantially collateralized by the underlying assets. Terms of the underlying debt cover periods up to eight years, and the maximum potential amount of future payments as of October 2, 2010, was \$69 million. We also maintain operating leases for various types of equipment, some of which contain residual value guarantees for the market value of the underlying leased assets at the end of the term of the lease. The remaining terms of the lease maturities cover periods over the next seven years. The maximum potential amount of the residual value guarantees is \$45 million, of which \$21 million would be recoverable through various recourse provisions and an additional undeterminable recoverable amount based on the fair value of the underlying leased assets. The likelihood of material payments under these guarantees is not considered probable. At October 2, 2010, and October 3, 2009, no material liabilities for guarantees were recorded.

We have cash flow assistance programs in which certain livestock suppliers participate. Under these programs, we pay an amount for livestock equivalent to a standard cost to grow such livestock during periods of low market sales prices. The amounts of such payments that are in excess of the market sales price are recorded as receivables and accrue interest. Participating suppliers are obligated to repay these receivables balances when market sales prices exceed this standard cost, or upon termination of the agreement. Our maximum obligation associated with these programs is limited to the fair value of each participating livestock supplier's net tangible assets. The potential maximum obligation as of October 2, 2010, was approximately \$215 million. The total receivables under these programs were \$51 million and \$72 million at October 2, 2010, and October 3, 2009, respectively, and are included, net of allowance for uncollectible amounts, in Other Assets in our Consolidated Balance Sheets. Even though these programs are limited to the net tangible assets of the participating livestock suppliers, we also manage a portion of our credit risk associated with these programs by obtaining security interests in livestock suppliers' assets. After analyzing residual credit risks and general market conditions, we have recorded an allowance for these programs' estimated uncollectible receivables of \$15 million and \$20 million at October 2, 2010 and October 3, 2009, respectively.

The minority partner in our Shandong Tyson Xinchang Foods joint ventures in China has the right to exercise put options to require us to purchase its entire 40% equity interest at a price equal to the minority partner's contributed capital plus (minus) its pro-rata share of the joint venture's accumulated and undistributed net earnings (losses). The put options are exercisable for a five-year term commencing April 2011. At October 2, 2010, the put options, if they had been exercisable, would have resulted in a purchase price of approximately \$67 million for the minority partner's entire equity interest. We do not believe the exercise of the put options would materially impact our results of operations or financial condition.

Additionally, we enter into future purchase commitments for various items, such as grains, livestock contracts and fixed grower fees. At October 2, 2010, these commitments totaled:

	in millions
2011	\$829
2012	38
2013	17

Edgar Filing: TYSON FOODS INC - Form 10-K

2014	12
2015	12
2016 and beyond	36
Total	\$944

55



**Table of Contents****NOTE 11: DEBT**

The major components of debt are as follows (in millions):

	2010	2009
Revolving credit facility expires March 2012	\$0	\$0
Senior notes:		
7.95% Notes due February 2010 (2010 Notes)	0	140
8.25% Notes due October 2011 (2011 Notes)	315	839
3.25% Convertible senior notes due October 2013 (2013 Notes)	458	458
10.50% Senior notes due March 2014 (2014 Notes)	810	810
7.35% Senior notes due April 2016 (2016 Notes)	701	923
7.00% Notes due May 2018	122	174
7.125% Senior notes due February 2026	0	9
7.00% Notes due January 2028	18	27
Discount on senior notes	(105)	(132)
GO Zone tax-exempt bonds due October 2033 (0.23% at 10/02/10)	100	100
Other	117	129
<b>Total debt</b>	<b>2,536</b>	<b>3,477</b>
Less current debt	401	219
<b>Total long-term debt</b>	<b>\$2,135</b>	<b>\$3,258</b>

Annual maturities of debt for the five fiscal years subsequent to October 2, 2010, are: 2011 - \$401 million; 2012 - \$10 million; 2013 - \$5 million; 2014 - \$1,274 million; 2015 - \$3 million.

**Revolving Credit Facility**

We have a \$1.0 billion revolving credit facility that supports short-term funding needs and letters of credit. Loans made under this facility will mature and the commitments thereunder will terminate in March 2012. However, if our 2011 Notes are not refinanced, purchased or defeased prior to July 3, 2011, the outstanding loans under this facility will mature on and commitments thereunder will terminate on July 3, 2011. We incurred approximately \$30 million in transaction fees which will be amortized over the three-year life of this facility.

Availability under this facility, up to \$1.0 billion, is based on a percentage of certain eligible receivables and eligible inventory and is reduced by certain reserves. After reducing the amount eligible by outstanding letters of credit issued under this facility, the amount available for borrowing under this facility at October 2, 2010, was \$825 million. At October 2, 2010, we had outstanding letters of credit issued under this facility totaling approximately \$175 million, none of which were drawn upon. Our letters of credit are issued primarily in support of workers compensation insurance programs, derivative activities and Dynamic Fuels Gulf Opportunity Zone tax-exempt bonds. We had an additional \$66 million of bilateral letters of credit not issued under this facility, none of which were drawn upon.

This facility is fully and unconditionally guaranteed on a senior secured basis by substantially all of our domestic subsidiaries. The guarantors cash, accounts receivable, inventory and proceeds received related to these items secure our obligations under this facility.

---

**Table of Contents****2013 Notes**

In September 2008, we issued \$458 million principal amount 3.25% convertible senior unsecured notes due October 15, 2013, with interest payable semi-annually in arrears on April 15 and October 15. The conversion rate initially is 59.1935 shares of Class A stock per \$1,000 principal amount of notes, which is equivalent to an initial conversion price of \$16.89 per share of Class A stock. The 2013 Notes may be converted before the close of business on July 12, 2013, only under the following circumstances:

during any fiscal quarter after December 27, 2008, if the last reported sale price of our Class A stock for at least 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter is at least 130% of the applicable conversion price on each applicable trading day (which would currently require our shares to trade at or above \$21.96); or during the five business days after any 10 consecutive trading days (measurement period) in which the trading price per \$1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our Class A stock and the applicable conversion rate on each such day; or upon the occurrence of specified corporate events as defined in the supplemental indenture.

On and after July 15, 2013, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time, regardless of the foregoing circumstances. Upon conversion, we will deliver cash up to the aggregate principal amount of the 2013 Notes to be converted and shares of our Class A stock in respect of the remainder, if any, of our conversion obligation in excess of the aggregate principal amount of the 2013 Notes being converted. As of October 2, 2010, none of the conditions permitting conversion of the 2013 Notes had been satisfied.

The 2013 Notes were originally accounted for as a combined instrument because the conversion feature did not meet the requirements to be accounted for separately as a derivative financial instrument. However, we adopted new accounting guidance in the first quarter of fiscal 2010 and applied it retrospectively to all periods presented. This new accounting guidance required us to separately account for the liability and equity conversion features. Upon retrospective adoption, our effective interest rate on the 2013 Notes was determined to be 8.26%, which resulted in the recognition of a \$92 million discount to these notes with the offsetting after tax amount of \$56 million recorded to capital in excess of par value. This discount will be accreted over the five-year term of the convertible notes at the effective interest rate.

In connection with the issuance of the 2013 Notes, we entered into separate convertible note hedge transactions with respect to our Class A stock to minimize the potential economic dilution upon conversion of the 2013 Notes. We also entered into separate warrant transactions. We recorded the purchase of the note hedge transactions as a reduction to capital in excess of par value, net of \$36 million pertaining to the related deferred tax asset, and we recorded the proceeds of the warrant transactions as an increase to capital in excess of par value. Subsequent changes in fair value of these instruments are not recognized in the financial statements as long as the instruments continue to meet the criteria for equity classification.

We purchased call options in private transactions for \$94 million that permit us to acquire up to approximately 27 million shares of our Class A stock at an initial strike price of \$16.89 per share, subject to adjustment. The call options allow us to acquire a number of shares of our Class A stock initially equal to the number of shares of Class A stock issuable to the holders of the 2013 Notes upon conversion. These call options will terminate upon the maturity of the 2013 Notes.

We sold warrants in private transactions for total proceeds of \$44 million. The warrants permit the purchasers to acquire up to approximately 27 million shares of our Class A stock at an initial exercise price of \$22.31 per share, subject to adjustment. The warrants are exercisable on various dates from January 2014 through March 2014.

The maximum amount of shares that may be issued to satisfy the conversion of the 2013 Notes is limited to 35.9 million shares. However, the convertible note hedge and warrant transactions, in effect, increase the initial conversion price of the 2013 Notes from \$16.89 per share to \$22.31 per share, thus reducing the potential future economic dilution associated with conversion of the 2013 Notes. If our share price is below \$22.31 upon conversion of the 2013 Notes, there is no economic net share impact. Upon conversion, a 10% increase in our share price above the \$22.31 conversion price would result in the issuance of 2.5 million incremental shares. The 2013 Notes and the warrants could have a dilutive effect on our earnings per share to the extent the price of our Class A stock during a given measurement period exceeds the respective exercise prices of those instruments. The call options are excluded from the calculation of diluted earnings per share as their impact is anti-dilutive.

---

## Table of Contents

### 2014 Notes

In March 2009, we issued \$810 million of senior unsecured notes, which will mature in March 2014. The 2014 Notes carry a 10.50% interest rate, with interest payments due semi-annually on March 1 and September 1. After the original issue discount of \$59 million, based on an issue price of 92.756% of face value, we received net proceeds of \$751 million. In addition, we incurred offering expenses of \$18 million. We used the net proceeds towards the repayment of our borrowings under our former accounts receivable securitization facility and for other general corporate purposes. We also placed \$234 million of the net proceeds in a blocked cash collateral account which was used for the payment and repurchase of the 2010 Notes. The 2014 Notes are fully and unconditionally guaranteed by substantially all of our domestic subsidiaries.

### 2016 Notes

The 2016 Notes carried an interest rate at issuance of 6.60%, with an interest step up feature dependent on their credit rating. On November 13, 2008, Moody's Investor Services, Inc. (Moody's) downgraded the credit rating from Ba1 to Ba3. This downgrade increased the interest rate from 7.35% to 7.85%, effective beginning with the six-month interest payment due April 1, 2009.

On August 19, 2010, Standard & Poor's upgraded the credit rating from BB to BB+. On September 2, 2010, Moody's upgraded the credit rating from Ba3 to Ba2. These upgrades decreased the interest rate on the 2016 Notes from 7.85% to 7.35%, effective beginning with the six-month interest payment due October 1, 2010.

### GO Zone Tax-Exempt Bonds

In October 2008, Dynamic Fuels received \$100 million in proceeds from the sale of Gulf Opportunity Zone tax-exempt bonds made available by the federal government to the regions affected by Hurricanes Katrina and Rita in 2005. These floating rate bonds are due October 1, 2033. In November 2008, we entered into an interest rate swap related to these bonds to mitigate our interest rate risk on a portion of the bonds for five years. We also issued a letter of credit as a guarantee for the entire bond issuance. The proceeds from the bond issuance could only be used towards the construction of the Dynamic Fuels facility. Accordingly, the unused proceeds were recorded as non-current Restricted Cash in the Consolidated Balance Sheets and were utilized prior to the end of fiscal 2010.

### Debt Covenants

Our revolving credit facility contains 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; pay dividends or make other payments in respect of our capital stock; amend material documents; change the nature of our business; make certain payments of debt; engage in certain transactions with affiliates; and enter into sale/leaseback or hedging transactions, in each case, subject to certain qualifications and exceptions. If availability under this facility is less than the greater of 15% of the commitments and \$150 million, we will be required to maintain a minimum fixed charge coverage ratio.

Our 2014 Notes also contain affirmative and negative covenants that, among other things, may limit or restrict our ability to: incur additional debt and issue preferred stock; make certain investments and restricted payments; create liens; create restrictions on distributions from subsidiaries; engage in specified sales of assets and subsidiary stock; enter into transactions with affiliates; enter new lines of business; engage in consolidation, mergers and acquisitions; and engage in certain sale/leaseback transactions.

We were in compliance with all covenants at October 2, 2010.

### Condensed Consolidating Financial Statements

Tyson Fresh Meats, Inc. (TFM Parent), our wholly-owned subsidiary, has fully and unconditionally guaranteed the 2016 Notes. TFM Parent and substantially all of our wholly-owned domestic subsidiaries have fully and unconditionally guaranteed the 2014 Notes. The following financial information presents condensed consolidating financial statements, which include Tyson Foods, Inc. (TFI Parent); TFM Parent; the other 2014 Notes guarantor subsidiaries (Guarantors) on a combined basis; the elimination entries necessary to reflect TFM Parent and the Guarantors, which collectively represent the 2014 Notes total guarantor subsidiaries (2014 Guarantors), on a combined basis; the 2014 Notes non-guarantor subsidiaries (Non-Guarantors) on a combined basis; the elimination entries necessary to consolidate TFI Parent, the 2014 Guarantors and the Non-Guarantors; and Tyson Foods, Inc. on a consolidated basis, and is provided as an alternative to providing separate financial statements for the guarantor(s).



Edgar Filing: TYSON FOODS INC - Form 10-K

**Table of Contents**

Condensed Consolidating Statement of Income for the year ended October 2, 2010 in millions

	2014 Guarantors								
					Non-				
	TFI	TFM	Guar-	Elimin-	Guar-	Elimin-	Total		
Parent	Parent	antors	ations	Subtotal	antors	ations			
Net Sales	\$454	\$15,950	\$12,248	\$(966)	\$27,232	\$1,167	\$(423)	\$28,430	
Cost of Sales	16	14,867	11,343	(966)	25,244	1,079	(423)	25,916	
Gross Profit	438	1,083	905	0	1,988	88	0	2,514	
Operating Expenses:									
Selling, general and administrative	93	199	550	0	749	87	0	929	
Goodwill impairment	0	0	0	0	0	29	0	29	
Other charges	0	0	0	0	0	0	0	0	
Operating Income (Loss)	345	884	355	0	1,239	(28)	0	1,556	
Other (Income) Expense:									
Interest expense, net	328	2	17	0	19	(14)	0	333	
Other, net	25	1	(7)	0	(6)	1	0	20	
Equity in net earnings of subsidiaries	(782)	(51)	25	37	11	(14)	785	0	
Total Other (Income) Expense	(429)	(48)	35	37	24	(27)	785	353	
<b>Income (Loss) from Continuing Operations before</b>									
Income Taxes	774	932	320	(37)	1,215	(1)	(785)	1,203	
Income Tax Expense (Benefit)	(6)	304	116	0	420	24	0	438	
Income (Loss) from Continuing Operations	780	628	204	(37)	795	(25)	(785)	765	
<b>Income (Loss) from Discontinued Operation, net of</b>									
tax	0	0	0	0	0	0	0	0	
Net Income (Loss)	780	628	204	(37)	795	(25)	(785)	765	
Less: Net Loss Attributable to Noncontrolling									
Interest	0	0	0	0	0	(15)	0	(15)	
Net Income (Loss) Attributable to Tyson	\$780	\$628	\$204	\$(37)	\$795	\$(10)	\$(785)	\$780	

Condensed Consolidating Statement of Income for the year ended October 3, 2009 in millions

	2014 Guarantors								
					Non-				
	TFI	TFM	Guar-	Elimin-	Guar-	Elimin-	Total		
Parent	Parent	antors	ations	Subtotal	antors	ations			
Net Sales	\$11	\$14,504	\$12,245	\$(725)	\$26,024	\$709	\$(40)	\$26,704	
Cost of Sales	132	13,970	11,526	(725)	24,771	638	(40)	25,501	
Gross Profit (Loss)	(121)	534	719	0	1,253	71	0	1,203	
Operating Expenses:									
Selling, general and administrative	132	187	450	0	637	72	0	841	
Goodwill impairment	0	560	0	0	560	0	0	560	
Other charges	0	0	17	0	17	0	0	17	
Operating Income (Loss)	(253)	(213)	252	0	39	(1)	0	(215)	
Other (Income) Expense:									
Interest expense, net	285	13	20	0	33	(8)	0	310	
Other, net	11	(3)	(6)	0	(9)	16	0	18	
Equity in net earnings of subsidiaries	157	(32)	44	13	25	(17)	(165)	0	
Total Other (Income) Expense	453	(22)	58	13	49	(9)	(165)	328	
<b>Income (Loss) from Continuing Operations before</b>									
	(706)	(191)	194	(13)	(10)	8	165	(543)	

Edgar Filing: TYSON FOODS INC - Form 10-K

Income Taxes								
Income Tax Expense (Benefit)	(138)	111	34	0	145	0	0	7
Income (Loss) from Continuing Operations	(568)	(302)	160	(13)	(155)	8	165	(550)
Income (Loss) from Discontinued Operation, net of								
tax	21	5	0	0	5	(27)	0	(1)
Net Income (Loss)	(547)	(297)	160	(13)	(150)	(19)	165	(551)
Less: Net Loss Attributable to Noncontrolling								
Interest	0	0	0	0	0	(4)	0	(4)
Net Income (Loss) Attributable to Tyson	\$(547)	\$(297)	\$160	\$(13)	\$(150)	\$(15)	\$165	\$(547)

Edgar Filing: TYSON FOODS INC - Form 10-K

**Table of Contents**

Condensed Consolidating Statement of Income for the year ended September 27, 2008 in millions

	2014 Guarantors							
			Non-					
	TFI Parent	TFM Parent	Guar- antors	Elimin- ations	Subtotal	Guar- antors	Elimin- ations	Total
Net Sales	\$19	\$15,638	\$11,463	\$(811)	\$26,290	\$580	\$(27)	\$26,862
Cost of Sales	74	15,105	10,796	(811)	25,090	479	(27)	25,616
Gross Profit (Loss)	(55)	533	667	0	1,200	101	0	1,246
Operating Expenses:								
Selling, general and administrative	83	208	533	0	741	55	0	879
Other charges	1	18	17	0	35	0	0	36
Operating Income (Loss)	(139)	307	117	0	424	46	0	331
Other (Income) Expense:								
Interest expense, net	181	17	16	0	33	(8)	0	206
Other, net	(13)	(5)	(11)	0	(16)	0	0	(29)
Equity in net earnings of subsidiaries	(285)	(27)	5	18	(4)	(9)	298	0
Total Other (Income) Expense	(117)	(15)	10	18	13	(17)	298	177
Income (Loss) from Continuing Operations before								
Income Taxes	(22)	322	107	(18)	411	63	(298)	154
Income Tax Expense (Benefit)	(108)	116	37	0	153	23	0	68
Income (Loss) from Continuing Operations	86	206	70	(18)	258	40	(298)	86
Income from Discontinued Operation, net of tax	0	0	0	0	0	0	0	0
Net Income (Loss)	86	206	70	(18)	258	40	(298)	86
Less: Net Loss Attributable to Noncontrolling								
Interest	0	0	0	0	0	0	0	0
Net Income (Loss) Attributable to Tyson	\$86	\$206	\$70	\$(18)	\$258	\$40	\$(298)	\$86

Condensed Consolidating Balance Sheet as of October 2, 2010 in millions

	2014 Guarantors							
			Non-					
	TFI Parent	TFM Parent	Guar- antors	Elimin- ations	Subtotal	Guar- antors	Elimin- ations	Total
<b>Assets</b>								
Current Assets:								
Cash and cash equivalents	\$2	\$2	\$731	\$0	\$733	\$243	\$0	\$978
Restricted cash	0	0	0	0	0	0	0	0
Accounts receivable, net	0	2,389	4,670	0	7,059	132	(5,993)	1,198
Inventories, net	0	734	1,361	0	2,095	179	0	2,274
Other current assets	43	49	27	(9)	67	95	(37)	168
Total Current Assets	45	3,174	6,789	(9)	9,954	649	(6,030)	4,618
Restricted Cash	0	0	0	0	0	0	0	0
Net Property, Plant and Equipment	39	870	2,257	0	3,127	508	0	3,674
Goodwill	0	880	967	0	1,847	46	0	1,893
Intangible Assets	0	37	53	0	90	76	0	166
Other Assets	2,804	101	61	0	162	295	(2,860)	401
Investment in Subsidiaries	10,776	1,785	631	(1,607)	809	307	(11,892)	0
Total Assets	\$13,664	\$6,847	\$10,758	\$(1,616)	\$15,989	\$1,881	\$(20,782)	\$10,752
<b>Liabilities and Shareholders' Equity</b>								
Current Liabilities:								
Current debt	\$317	\$0	\$0	\$0	\$0	\$84	\$0	\$401
Accounts payable	16	421	608	0	1,029	65	0	1,110
Other current liabilities	6,044	168	335	(9)	494	526	(6,030)	1,034
Total Current Liabilities	6,377	589	943	(9)	1,523	675	(6,030)	2,545

Edgar Filing: TYSON FOODS INC - Form 10-K

Long-Term Debt	2,011	1,638	1,228	0	2,866	118	(2,860)	2,135
Deferred Income Taxes	0	105	204	0	309	12	0	321
Other Liabilities	110	148	179	0	327	49	0	486
Redeemable Noncontrolling Interest	0	0	0	0	0	64	0	64
<b>Total Tyson Shareholders Equity</b>	<b>5,166</b>	<b>4,367</b>	<b>8,204</b>	<b>(1,607)</b>	<b>10,964</b>	<b>928</b>	<b>(11,892)</b>	<b>5,166</b>
Noncontrolling Interest	0	0	0	0	0	35	0	35
<b>Total Shareholders Equity</b>	<b>5,166</b>	<b>4,367</b>	<b>8,204</b>	<b>(1,607)</b>	<b>10,964</b>	<b>963</b>	<b>(11,892)</b>	<b>5,201</b>
<b>Total Liabilities and Shareholders Equity</b>	<b>\$13,664</b>	<b>\$6,847</b>	<b>\$10,758</b>	<b>\$(1,616)</b>	<b>\$15,989</b>	<b>\$1,881</b>	<b>\$(20,782)</b>	<b>\$10,752</b>

60



Edgar Filing: TYSON FOODS INC - Form 10-K

**Table of Contents**

Condensed Consolidating Balance Sheet as of October 3, 2009

in millions

2014 Guarantors

Non-

	TFI Parent	TFM Parent	Guar- antors	Elimin- ations	Subtotal	Guar- antors	Elimin- ations	Total
<b>Assets</b>								
Current Assets:								
Cash and cash equivalents	\$0	\$0	\$788	\$0	\$788	\$216	\$0	\$1,004
Restricted cash	0	0	140	0	140	0	0	140
Accounts receivable, net	2	418	3,309	(7)	3,720	116	(2,738)	1,100
Inventories, net	1	586	1,239	0	1,825	183	0	2,009
Other current assets	198	89	29	(17)	101	36	(213)	122
<b>Total Current Assets</b>	<b>201</b>	<b>1,093</b>	<b>5,505</b>	<b>(24)</b>	<b>6,574</b>	<b>551</b>	<b>(2,951)</b>	<b>4,375</b>
Restricted Cash	0	0	0	0	0	43	0	43
Net Property, Plant and Equipment	40	883	2,256	0	3,139	397	0	3,576
Goodwill	0	881	977	0	1,858	59	0	1,917
Intangible Assets	0	42	59	0	101	86	0	187
Other Assets	211	120	37	0	157	346	(217)	497
Investment in Subsidiaries	10,038	1,763	674	(1,597)	840	296	(11,174)	0
<b>Total Assets</b>	<b>\$10,490</b>	<b>\$4,782</b>	<b>\$9,508</b>	<b>\$(1,621)</b>	<b>\$12,669</b>	<b>\$1,778</b>	<b>\$(14,342)</b>	<b>\$10,595</b>
<b>Liabilities and Shareholders' Equity</b>								
Current Liabilities:								
Current debt	\$3	\$140	\$0	\$0	\$140	\$76	\$0	\$219
Accounts payable	15	375	550	0	925	73	0	1,013
Other current liabilities	2,790	251	296	(24)	523	399	(2,951)	761
<b>Total Current Liabilities</b>	<b>2,808</b>	<b>766</b>	<b>846</b>	<b>(24)</b>	<b>1,588</b>	<b>548</b>	<b>(2,951)</b>	<b>1,993</b>
Long-Term Debt	3,112	15	180	0	195	131	(180)	3,258
Deferred Income Taxes	29	108	182	0	290	27	(37)	309
Other Liabilities	143	161	202	0	363	33	0	539
Redeemable Noncontrolling Interest	0	0	0	0	0	65	0	65
<b>Total Tyson Shareholders' Equity</b>	<b>4,398</b>	<b>3,732</b>	<b>8,098</b>	<b>(1,597)</b>	<b>10,233</b>	<b>941</b>	<b>(11,174)</b>	<b>4,398</b>
Noncontrolling Interest	0	0	0	0	0	33	0	33
<b>Total Shareholders' Equity</b>	<b>4,398</b>	<b>3,732</b>	<b>8,098</b>	<b>(1,597)</b>	<b>10,233</b>	<b>974</b>	<b>(11,174)</b>	<b>4,431</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$10,490</b>	<b>\$4,782</b>	<b>\$9,508</b>	<b>\$(1,621)</b>	<b>\$12,669</b>	<b>\$1,778</b>	<b>\$(14,342)</b>	<b>\$10,595</b>

Condensed Consolidating Statement of Cash Flows for the year ended October 2, 2010

in millions

2014 Guarantors

Non-

	TFI Parent	TFM Parent	Guar- antors	Elimin- ations	Subtotal	Guar- antors	Elimin- ations	Total
Cash Provided by Operating Activities	\$386	\$499	\$462	\$0	\$961	\$85	\$0	\$1,432
Cash Flows From Investing Activities:								
Additions to property, plant and equipment	(3)	(85)	(323)	0	(408)	(139)	0	(550)
Change in restricted cash-investing	0	0	0	0	0	43	0	43
Purchases of marketable securities, net	0	0	0	0	0	(4)	0	(4)
Proceeds from sale of discontinued operation	0	0	0	0	0	0	0	0
Acquisitions, net of cash acquired	0	0	0	0	0	0	0	0
Other, net	(1)	(1)	15	0	14	(2)	0	11
<b>Cash Used for Investing Activities</b>	<b>(4)</b>	<b>(86)</b>	<b>(308)</b>	<b>0</b>	<b>(394)</b>	<b>(102)</b>	<b>0</b>	<b>(500)</b>
Cash Flows from Financing Activities:								
Net change in debt	(874)	(149)	0	0	(149)	(11)	0	(1,034)
Debt issuance costs	0	0	0	0	0	0	0	0
Change in restricted cash-financing	0	0	140	0	140	0	0	140
Purchase of treasury shares	(48)	0	0	0	0	0	0	(48)
Dividends	(59)	0	0	0	0	0	0	(59)
Other, net	32	0	0	0	0	10	0	42
Net change in intercompany balances	569	(262)	(351)	0	(613)	44	0	0
<b>Cash Provided by (Used for) Financing Activities</b>	<b>(380)</b>	<b>(411)</b>	<b>(211)</b>	<b>0</b>	<b>(622)</b>	<b>43</b>	<b>0</b>	<b>(959)</b>
Effect of Exchange Rate Change on Cash	0	0	0	0	0	1	0	1
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>2</b>	<b>2</b>	<b>(57)</b>	<b>0</b>	<b>(55)</b>	<b>27</b>	<b>0</b>	<b>(26)</b>
Cash and Cash Equivalents at Beginning of Year	0	0	788	0	788	216	0	1,004

Edgar Filing: TYSON FOODS INC - Form 10-K

Cash and Cash Equivalents at End of Year	\$2	\$2	\$731	\$0	\$733	\$243	\$0	\$978
--	-----	-----	-------	-----	-------	-------	-----	-------

61

**Table of Contents**

Condensed Consolidating Statement of Cash Flows for the year ended October 3, 2009 in millions

	2014 Guarantors					Non-		Total
	TFI Parent	TFM Parent	Guarantors	Eliminations	Subtotal	Guarantors	Eliminations	
Cash Provided by (Used for) Operating Activities	\$(617)	\$507	\$982	\$0	\$1,489	\$113	\$(25)	\$960
Cash Flows From Investing Activities:								
Additions to property, plant and equipment	0	(56)	(211)	0	(267)	(101)	0	(368)
Change in restricted cash-investing	0	0	0	0	0	(43)	0	(43)
Proceeds from sale of marketable securities, net	0	0	0	0	0	19	0	19
Proceeds from sale of discontinued operation	0	0	0	0	0	75	0	75
Acquisitions, net of cash acquired	0	0	(13)	0	(13)	(80)	0	(93)
Other, net	(37)	1	12	0	13	7	0	(17)
Cash Used for Investing Activities	(37)	(55)	(212)	0	(267)	(123)	0	(427)
Cash Flows from Financing Activities:								
Net change in debt	545	(94)	0	0	(94)	36	0	487
Debt issuance costs	(58)	0	0	0	0	(1)	0	(59)
Change in restricted cash-financing	0	0	(140)	0	(140)	0	0	(140)
Purchase of treasury shares	(19)	0	0	0	0	0	0	(19)
Dividends	(60)	0	0	0	0	(25)	25	(60)
Other, net	0	0	0	0	0	6	0	6
Net change in intercompany balances	106	(358)	123	0	(235)	129	0	0
Cash Provided by (Used for) Financing Activities	514	(452)	(17)	0	(469)	145	25	215
Effect of Exchange Rate Change on Cash	0	0	0	0	0	6	0	6
Increase (Decrease) in Cash and Cash Equivalents	(140)	0	753	0	753	141	0	754
Cash and Cash Equivalents at Beginning of Year	140	0	35	0	35	75	0	250
Cash and Cash Equivalents at End of Year	\$0	\$0	\$788	\$0	\$788	\$216	\$0	\$1,004

Condensed Consolidating Statement of Cash Flows for the year ended September 27, 2008 in millions

	2014 Guarantors					Non-		Total
	TFI Parent	TFM Parent	Guarantors	Eliminations	Subtotal	Guarantors	Eliminations	
Cash Provided by (Used for) Operating Activities	\$(164)	\$278	\$256	\$0	\$534	\$0	\$(15)	\$355
Cash Flows From Investing Activities:								
Additions to property, plant and equipment	(2)	(104)	(302)	0	(406)	(17)	0	(425)
Purchases of marketable securities, net	(1)	0	0	0	0	(2)	0	(3)
Acquisitions, net of cash acquired	0	0	0	0	0	(17)	0	(17)
Other, net	27	11	16	0	27	(8)	0	46
Cash Provided by (Used for) Investing Activities	24	(93)	(286)	0	(379)	(44)	0	(399)
Cash Flows from Financing Activities:								
Net change in debt	145	(5)	0	0	(5)	(51)	0	89
Net proceeds from Class A stock offering	274	0	0	0	0	0	0	274
Convertible note hedge transactions	(94)	0	0	0	0	0	0	(94)
Warrant transactions	44	0	0	0	0	0	0	44
Purchase of treasury shares	(30)	0	0	0	0	0	0	(30)
Dividends	(56)	0	0	0	0	(15)	15	(56)
Other, net	13	0	0	0	0	14	0	27
Net change in intercompany balances	(19)	(180)	62	0	(118)	137	0	0
Cash Provided by (Used for) Financing Activities	277	(185)	62	0	(123)	85	15	254
Effect of Exchange Rate Change on Cash	0	0	0	0	0	(2)	0	(2)
Increase in Cash and Cash Equivalents	137	0	32	0	32	39	0	208
Cash and Cash Equivalents at Beginning of Year	3	0	3	0	3	36	0	42
Cash and Cash Equivalents at End of Year	\$140	\$0	\$35	\$0	\$35	\$75	\$0	\$250

**Table of Contents****NOTE 12: FAIR VALUE MEASUREMENTS**

We adopted fair value measurement accounting guidance at the beginning of fiscal 2009. This guidance defines fair value, establishes a framework for measuring fair value and expands disclosure requirements about fair value measurements. This guidance also defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy prescribed by this standard contains three levels as follows:

*Level 1* Unadjusted quoted prices available in active markets for the identical assets or liabilities at the measurement date.

*Level 2* Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs derived principally from or corroborated by other observable market data.

*Level 3* Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

The fair value hierarchy requires the use of observable market data when available. In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input significant to the fair value measurement in its entirety. Our assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability. The following tables set forth by level within the fair value hierarchy our financial assets and liabilities accounted for at fair value on a recurring basis according to the valuation techniques we used to determine their fair values (in millions):

<b>October 2, 2010</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Netting (a)</b>	<b>Total</b>
<b>Assets:</b>					
Commodity Derivatives	\$0	\$30	\$0	\$(18)	\$12
Foreign Exchange Forward Contracts	0	1	0	(1)	0
<b>Available for Sale Securities:</b>					
Debt securities	0	42	73	0	115
Equity securities	15	3	0	0	18
Deferred Compensation Assets	0	86	0	0	86
<b>Total Assets</b>	<b>\$15</b>	<b>\$162</b>	<b>\$73</b>	<b>\$(19)</b>	<b>\$231</b>
<b>Liabilities:</b>					
Commodity Derivatives	\$0	\$50	\$0	\$(50)	\$0
Foreign Exchange Forward Contracts	0	6	0	(1)	5
Interest Rate Swap	0	3	0	(1)	2
<b>Total Liabilities</b>	<b>\$0</b>	<b>\$59</b>	<b>\$0</b>	<b>\$(52)</b>	<b>\$7</b>

<b>October 3, 2009</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Netting (a)</b>	<b>Total</b>
<b>Assets:</b>					
Commodity Derivatives	\$0	\$21	\$0	\$(17)	\$4
<b>Available for Sale Securities:</b>					
Debt securities	0	33	72	0	105

Edgar Filing: TYSON FOODS INC - Form 10-K

Equity securities	20	0	0	0	20
Deferred Compensation Assets	2	84	0	0	86
Total Assets	\$22	\$138	\$72	\$(17)	\$215
Liabilities:					
Commodity Derivatives	\$0	\$15	\$0	\$(11)	\$4
Foreign Exchange Forward Contracts	0	1	0	0	1
Interest Rate Swap	0	4	0	(2)	2
Total Liabilities	\$0	\$20	\$0	\$(13)	\$7

63

**Table of Contents**

(a) Our derivative assets and liabilities are presented in our Consolidated Balance Sheets on a net basis. We net derivative assets and liabilities, including cash collateral, when a legally enforceable master netting arrangement exists between the counterparty to a derivative contract and us. At October 2, 2010, and October 3, 2009, we had posted \$35 million and \$4 million of cash collateral and held \$3 million and \$0 cash collateral with various counterparties, respectively.

The following table provides a reconciliation between the beginning and ending balance of debt securities measured at fair value on a recurring basis in the table above that used significant unobservable inputs (Level 3) (in millions):

	October 2, 2010	October 3, 2009
Balance at beginning of year	\$72	\$54
Total realized and unrealized gains (losses):		
Included in earnings	1	(4)
Included in other comprehensive income (loss)	1	4
Purchases, issuances and settlements, net	(1)	18
Balance at end of year	\$73	\$72
Total gains (losses) for the periods included in earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held at end of year	\$0	\$(4)

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

**Derivative Assets and Liabilities:** Our derivatives, including commodities, foreign exchange forward contracts and an interest rate swap, primarily include exchange-traded and over-the-counter contracts which are further described in Note 6: Derivative Financial Instruments. We record our commodity derivatives at fair value using quoted market prices adjusted for credit and non-performance risk and internal models that use as their basis readily observable market inputs including current and forward commodity market prices. Our foreign exchange forward contracts are recorded at fair value based on quoted prices and spot and forward currency prices adjusted for credit and non-performance risk. Our interest rate swap is recorded at fair value based on quoted LIBOR swap rates adjusted for credit and non-performance risk. We classify these instruments in Level 2 when quoted market prices can be corroborated utilizing observable current and forward commodity market prices on active exchanges, observable market transactions of spot currency rates and forward currency prices or observable benchmark market rates at commonly quoted intervals.

**Available for Sale Securities:** Our investments in marketable debt securities are classified as available-for-sale and are included in Other Assets in the Consolidated Balance Sheets. These investments, which are generally long-term in nature with maturities ranging up to 46 years, are reported at fair value based on pricing models and quoted market prices adjusted for credit and non-performance risk. We classify our investments in U.S. government and agency debt securities as Level 2 as fair value is generally estimated using discounted cash flow models that are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other readily available relevant economic measures. We classify certain corporate, asset-backed and other debt securities as Level 3 as there is limited activity or less observable inputs into proprietary valuation models, including estimated prepayment, default and recovery rates on the underlying portfolio or structured investment vehicle.

In October 2008, we received eight million warrants to purchase an equivalent amount of Syntroleum Corporation common stock for one cent each in return for our entering into a letter of credit to guarantee all of the Dynamic Fuels Gulf Opportunity Zone tax-exempt bonds (see Note 11: Debt), including Syntroleum Corporation's 50 percent ownership portion. In April 2009, we exercised these warrants for eight million shares of Syntroleum Corporation. We record the shares in Other Assets in the Consolidated Balance Sheets at fair value based on quoted market prices. We classify the shares as Level 1 as the fair value is based on unadjusted quoted prices available in active markets.

**Table of Contents**

We also received 4.25 million warrants to purchase an equivalent amount of Syntroleum Corporation common stock at an average price of \$2.87. These warrants are classified as available for sale and expire in early fiscal 2013. We recorded the warrants in Other Assets in the Consolidated Balance Sheets at fair value based on quoted market prices. We classify the warrants as Level 2 as fair value can be corroborated based on observable market data. Unrealized gains (losses), net of tax, are recorded in OCI. Realized gains or losses on the sale of the securities and declines in value judged to be other than temporary would be recorded in earnings.

(in millions)	October 2, 2010			October 3, 2009		
	Amortized Cost Basis	Fair Value	Unrealized Gain	Amortized Cost Basis	Fair Value	Unrealized Gain
<b>Available for Sale Securities:</b>						
<b>Debt Securities:</b>						
U.S. Treasury and Agency	\$41	\$42	\$1	\$33	\$33	\$0
Corporate and Asset-Backed (a)	43	46	3	46	48	2
Redeemable Preferred Stock	27	27	0	24	24	0
<b>Equity Securities:</b>						
Common Stock	9	15	6	9	20	11
Stock Warrants	0	3	3	0	0	0

(a) At October 2, 2010, and October 3, 2009, the amortized cost basis for Corporate and Asset-Backed debt securities had been reduced by accumulated other than temporary impairments of \$3 million and \$4 million, respectively.

Unrealized holding gains (losses), net of tax, are excluded from earnings and reported in OCI until the security is settled or sold. On a quarterly basis, we evaluate whether losses related to our available-for-sale securities are temporary in nature. Losses on equity securities are recognized in earnings if the decline in value is judged to be other than temporary. If losses related to our debt securities are determined to be other than temporary, the loss would be recognized in earnings if we intend, or more likely than not will be required, to sell the security prior to recovery. For debt securities in which we have the intent and ability to hold until maturity, losses determined to be other than temporary would remain in OCI, other than expected credit losses which are recognized in earnings. We consider many factors in determining whether a loss is temporary, including the length of time and extent to which the fair value has been below cost, the financial condition and near-term prospects of the issuer and our ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery. During fiscal 2010 and 2008, we recognized no other than temporary impairments in earnings, while we recognized \$4 million of other than temporary impairments during fiscal 2009. No other than temporary losses were deferred in OCI as of October 2, 2010, and October 3, 2009.

**Deferred Compensation Assets:** We maintain two non-qualified deferred compensation plans for certain executives and other highly compensated employees. Investments are maintained within a trust and include money market funds, mutual funds and life insurance policies. The cash surrender value of the life insurance policies is invested primarily in mutual funds. The investments are recorded at fair value based on quoted market prices and are included in Other Assets in the Consolidated Balance Sheets. We classify the investments which have observable market prices in active markets in Level 1 as these are generally publicly-traded mutual funds. The remaining deferred compensation assets are classified in Level 2, as fair value can be corroborated based on observable market data. Realized and unrealized gains (losses) on deferred compensation are included in earnings.

**Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis**

In addition to assets and liabilities that are recorded at fair value on a recurring basis, we record assets and liabilities at fair value on a nonrecurring basis. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges. During fiscal 2010, we recorded a \$29 million charge to fully impair an immaterial Chicken segment reporting unit's goodwill. We utilized a discounted cash flow analysis that incorporated unobservable Level 3 inputs. We did not have any other significant measurements of assets or liabilities at fair value on a nonrecurring basis subsequent to their initial recognition.

**Table of Contents****Other Financial Instruments**

Fair values for debt are based on quoted market prices or published forward interest rate curves. Fair value and carrying value for our debt were as follows (in millions):

	October 2, 2010		October 3, 2009	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Total Debt	\$2,770	\$2,536	\$3,724	\$3,477

For all of our other financial instruments, the estimated fair value approximated the carrying value at October 2, 2010, and October 3, 2009. The carrying value of our other financial instruments, not otherwise disclosed herein, included notes receivable, which approximated fair value at October 2, 2010, and October 3, 2009. Notes receivable were recorded in Other Current Assets in the Consolidated Balance Sheets and totaled \$49 million at October 2, 2010, and were recorded in Other Assets at October 3, 2009, and totaled \$45 million. The fair values were determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

**Concentrations of Credit Risk**

Our financial instruments exposed to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. Our cash equivalents are in high quality securities placed with major banks and financial institutions. Concentrations of credit risk with respect to receivables are limited due to the large number of customers and their dispersion across geographic areas. We perform periodic credit evaluations of our customers' financial condition and generally do not require collateral. At October 2, 2010, and October 3, 2009, 15.3% and 13.0%, respectively, of our net accounts receivable balance was due from Wal-Mart Stores, Inc. No other single customer or customer group represents greater than 10% of net accounts receivable.



**Table of Contents****NOTE 13: COMPREHENSIVE INCOME (LOSS)**

The components of accumulated other comprehensive income are as follows:

	2010	in millions 2009
Accumulated other comprehensive income (loss):		
Unrealized net hedging gains (losses), net of taxes	\$10	\$(2)
Unrealized net gain on investments, net of taxes	9	9
Currency translation adjustment	6	(21)
Postretirement benefits reserve adjustments	(25)	(20)
Total accumulated other comprehensive income (loss)	\$0	\$(34)

The components of other comprehensive income (loss) are as follows:

	Before Tax	Income Tax	in millions After Tax
Fiscal 2010:			
Net hedging loss reclassified to earnings	\$7	\$(1)	\$6
Net hedging unrealized gain	7	(1)	6
Unrealized gain on investments	0	0	0
Currency translation adjustment	27	0	27
Net change in postretirement liabilities	(6)	1	(5)
Other comprehensive income 2010	\$35	\$(1)	\$34
Fiscal 2009:			
Net hedging loss reclassified to earnings	\$61	\$(25)	\$36
Net hedging unrealized loss	(53)	23	(30)
Loss on investments reclassified to other income	4	(1)	3
Unrealized gain on investments	12	(5)	7
Currency translation adjustment gain reclassified to loss from discontinued operation	(41)	0	(41)
Currency translation adjustment	(43)	3	(40)
Net change in postretirement liabilities	(11)	1	(10)
Other comprehensive loss 2009	\$(71)	\$(4)	\$(75)
Fiscal 2008:			
Net hedging gain reclassified to earnings	\$(41)	\$16	\$(25)
Net hedging unrealized gain	37	(14)	23
Investments unrealized loss	(1)	0	(1)
Currency translation adjustment	(2)	0	(2)
Net change in postretirement liabilities	(10)	6	(4)
Other comprehensive loss 2008	\$(17)	\$8	\$(9)

**NOTE 14: STOCK-BASED COMPENSATION**

We issue shares under our stock-based compensation plans by issuing Class A stock from treasury. The total number of shares available for future grant under the Tyson Foods, Inc. 2000 Stock Incentive Plan (Incentive Plan) was 18,455,244 at October 2, 2010.

**Stock Options**

Shareholders approved the Incentive Plan in January 2001. The Incentive Plan is administered by the Compensation Committee of the Board of Directors (Compensation Committee). The Incentive Plan includes provisions for granting incentive stock options for shares of Class A stock at a price not less than the fair value at the date of grant. Nonqualified stock options may be granted at a price equal to, less than or more than the

## Edgar Filing: TYSON FOODS INC - Form 10-K

fair value of Class A stock on the date the option is granted. Stock options under the Incentive Plan generally become exercisable ratably over two to five years from the date of grant and must be exercised within 10 years from the date of grant. Our policy is to recognize compensation expense on a straight-line basis over the requisite service period for the entire award.

**Table of Contents**

	Shares Under Option	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value (in millions)
Outstanding, October 3, 2009	18,593,844	\$12.73		
Exercised	(2,395,069)	13.14		
Canceled	(690,036)	11.56		
Granted	3,865,173	12.59		
Outstanding, October 2, 2010	19,373,912	12.69	6.1	\$246
Exercisable, October 2, 2010	9,690,215	\$14.24	4.2	\$138

We generally grant stock options once a year; however, we granted stock options twice during fiscal 2010. The weighted average grant-date fair value of options granted in fiscal 2010, 2009 and 2008 was \$4.76, \$1.29 and \$5.22, respectively. The fair value of each option grant is established on the date of grant using a binomial lattice method for grants awarded after October 1, 2005, and the Black-Scholes option-pricing model for grants awarded before October 1, 2005. The change to the binomial lattice method was made to better reflect the exercise behavior of top management. We use historical volatility for a period of time comparable to the expected life of the option to determine volatility assumptions. Expected life is calculated based on the contractual term of each grant and takes into account the historical exercise and termination behavior of participants. Risk-free interest rates are based on the five-year Treasury bond rate. Assumptions as of the grant date used in the fair value calculation of each year's grants are outlined in the following table.

	2010	2009	2008
Expected life	6.5 years	5.3 years	5.8 years
Risk-free interest rate	1.2%	2.3%	3.7%
Expected volatility	40.4%	34.6%	30.9%
Expected dividend yield	1.3%	3.3%	1.1%

We recognized stock-based compensation expense related to stock options, net of income taxes, of \$11 million, \$9 million and \$12 million, respectively, during fiscal years 2010, 2009 and 2008, with a \$7 million, \$6 million and \$7 million related tax benefit. We had 2.2 million, 2.4 million and 2.5 million options vest in fiscal years 2010, 2009 and 2008, respectively, with a fair value of \$13 million, \$15 million and \$15 million, respectively.

In fiscal years 2010, 2009 and 2008, we received cash of \$36 million, \$1 million and \$9 million, respectively, for the exercise of stock options. Shares are issued from treasury for stock option exercises. The related tax benefit realized from stock options exercised during fiscal years 2010, 2009 and 2008, was \$5 million, \$0 and \$1 million, respectively. The total intrinsic value of options exercised in fiscal years 2010, 2009 and 2008, was \$12 million, \$0 and \$3 million, respectively. Cash flows resulting from tax deductions in excess of the compensation cost of those options (excess tax deductions) are classified as financing cash flows. We realized \$3 million, \$0 and \$0, respectively, in excess tax deductions during fiscal years 2010, 2009 and 2008, respectively. As of October 2, 2010, we had \$25 million of total unrecognized compensation cost related to stock option plans that will be recognized over a weighted average period of 2.5 years.

**Table of Contents**Restricted Stock

We issue restricted stock at the market value as of the date of grant, with restrictions expiring over periods through 2013. Unearned compensation is recognized over the vesting period for the particular grant using a straight-line method.

	Number of Shares	Weighted Average Grant- Date Fair Value Per Share	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value (in millions)
Nonvested, October 3, 2009	4,656,910	\$15.20		
Granted	905,277	14.11		
Dividends	36,616	16.03		
Vested	(1,751,772)	15.88		
Forfeited	(245,417)	13.65		
Nonvested, October 2, 2010	3,601,614	\$14.55	1.7	\$59

As of October 2, 2010, we had \$21 million of total unrecognized compensation cost related to restricted stock awards that will be recognized over a weighted average period of 1.7 years.

We recognized stock-based compensation expense related to restricted stock, net of income taxes, of \$8 million, \$10 million and \$11 million for years 2010, 2009 and 2008, respectively. The related tax benefit for fiscal years 2010, 2009 and 2008 was \$5 million, \$7 million and \$6 million, respectively. We had 1.8 million, 0.7 million and 2.0 million, respectively, restricted stock awards vest in fiscal years 2010, 2009 and 2008, with a grant date fair value of \$30 million, \$11 million and \$24 million.

Performance-Based Shares

In July 2003, our Compensation Committee began authorizing us to award performance-based shares of our Class A stock to certain senior executives. These awards are typically granted on the first business day of our fiscal year. The vesting of the performance-based shares is generally over three years and each award is subject to the attainment of goals determined by the Compensation Committee prior to the date of the award. We review progress toward the attainment of goals each quarter during the vesting period. However, the attainment of goals can be determined only at the end of the vesting period. If the shares vest, the ultimate cost will be equal to the Class A stock price on the date the shares vest multiplied by the number of shares awarded for all performance grants with other than market criteria. For grants with market performance criteria, the ultimate expense will be the fair value of the probable shares to vest regardless if the shares actually vest. Total expense recorded related to performance-based shares was not material for fiscal 2010, 2009 and 2008.

**NOTE 15: PENSIONS AND OTHER POSTRETIREMENT BENEFITS**

At October 2, 2010, we had four noncontributory defined benefit pension plans consisting of three funded qualified plans and one unfunded non-qualified plan. All three of our qualified plans are frozen and provide benefits based on a formula using years of service and a specified benefit rate. Effective January 1, 2004, we implemented a non-qualified defined benefit plan for certain contracted officers that uses a formula based on years of service and final average salary. We also have other postretirement benefit plans for which substantially all of our employees may receive benefits if they satisfy applicable eligibility criteria. The postretirement healthcare plans are contributory with participants contributions adjusted when deemed necessary.

We have defined contribution retirement and incentive benefit programs for various groups of employees. We recognized expenses of \$48 million, \$49 million and \$48 million in fiscal 2010, 2009 and 2008, respectively.

We use a fiscal year end measurement date for our defined benefit plans and other postretirement plans. We generally recognize the effect of actuarial gains and losses into earnings immediately for other postretirement plans rather than amortizing the effect over future periods.

Other postretirement benefits include postretirement medical costs and life insurance.



**Table of Contents****Benefit Obligations And Funded Status**

The following table provides a reconciliation of the changes in the plans' benefit obligations, assets and funded status at October 2, 2010, and October 3, 2009:

	Pension Benefits				Other Postretirement Benefits	
	Qualified		Non-Qualified		Benefits	
	2010	2009	2010	2009	2010	2009
Change in benefit obligation						
Benefit obligation at beginning of year	\$89	\$90	\$38	\$32	\$46	\$47
Service cost	0	0	3	4	1	0
Interest cost	5	6	2	2	2	3
Plan participants' contributions	0	0	0	0	1	2
Actuarial loss	9	0	0	2	1	1
Benefits paid	(6)	(7)	(1)	(2)	(6)	(7)
Benefit obligation at end of year	97	89	42	38	45	46
Change in plan assets						
Fair value of plan assets at beginning of year	68	79	0	0	0	0
Actual return on plan assets	9	(5)	0	0	0	0
Employer contributions	3	1	1	2	5	5
Plan participants' contributions	0	0	0	0	1	2
Benefits paid	(6)	(7)	(1)	(2)	(6)	(7)
Fair value of plan assets at end of year	74	68	0	0	0	0
Funded status	\$(23)	\$(21)	\$(42)	\$(38)	\$(45)	\$(46)

Amounts recognized in the Consolidated Balance Sheets consist of:

	Pension Benefits				Other Postretirement Benefits	
	Qualified		Non-Qualified		Benefits	
	2010	2009	2010	2009	2010	2009
Accrued benefit liability	\$(23)	\$(21)	\$(42)	\$(38)	\$(45)	\$(46)
Accumulated other comprehensive (income)/loss:						
Unrecognized actuarial loss	40	35	1	1	0	0
Unrecognized prior service (cost)/credit	0	0	3	4	(6)	(8)
Net amount recognized	\$17	\$14	\$(38)	\$(33)	\$(51)	\$(54)

At October 2, 2010, and October 3, 2009, all pension plans had an accumulated benefit obligation in excess of plan assets. The accumulated benefit obligation for all qualified pension plans was \$97 million and \$89 million at October 2, 2010, and October 3, 2009, respectively. Plans with accumulated benefit obligations in excess of plan assets are as follows:

	Pension Benefits			
	Qualified		Non-Qualified	
	2010	2009	2010	2009
Projected benefit obligation	\$ 97	\$ 89	\$ 42	\$ 38

Edgar Filing: TYSON FOODS INC - Form 10-K

Accumulated benefit obligation	97	89	41	37
Fair value of plan assets	74	68	0	0

70

**Table of Contents****Net Periodic Benefit Cost**

Components of net periodic benefit cost for pension and postretirement benefit plans recognized in the Consolidated Statements of Income are as follows:

	in millions								
	Pension Benefits						Other Postretirement Benefits		
	Qualified		Non-Qualified						
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Service cost	\$0	\$0	\$0	\$3	\$4	\$3	\$1	\$0	\$1
Interest cost	5	6	6	2	2	2	2	3	3
Expected return on plan assets	(6)	(7)	(7)	0	0	0	0	0	0
Amortization of prior service cost	0	0	0	1	1	1	(1)	0	(1)
Recognized actuarial loss, net	1	1	1	0	0	0	0	1	1
Net periodic benefit cost	\$0	\$0	\$0	\$6	\$7	\$6	\$2	\$4	\$4

**Assumptions**

Weighted average assumptions are as follows:

	Pension Benefits						Other Postretirement Benefits		
	Qualified		Non-Qualified						
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Discount rate to determine net periodic benefit cost	6.00%	6.33%	5.88%	6.00%	6.50%	6.25%	5.71%	6.50%	6.25%
Discount rate to determine benefit obligations	5.06%	6.00%	6.33%	5.50%	6.00%	6.50%	4.50%	5.71%	6.50%
Rate of compensation increase	N/A	N/A	N/A	3.50%	3.50%	3.50%	N/A	N/A	N/A
Expected return on plan assets	7.80%	8.00%	8.02%	N/A	N/A	N/A	N/A	N/A	N/A

To determine the rate-of-return on assets assumption, we first examined historical rates of return for the various asset classes. We then determined a long-term projected rate-of-return based on expected returns over the next five to 10 years.

Our discount rate assumptions used to account for pension and other postretirement benefit plans reflect the rates at which the benefit obligations could be effectively settled. These were determined using a cash flow matching technique whereby the rates of a yield curve, developed from high-quality debt securities, were applied to the benefit obligations to determine the appropriate discount rate.

We have three postretirement health plans. Two of these consist of fixed, annual payments and account for \$31 million of the postretirement medical obligation at October 2, 2010. A healthcare cost trend is not required to determine this obligation. The remaining plan accounts for \$14 million of the postretirement medical obligation at October 2, 2010. The plan covers retirees who do not yet qualify for Medicare and uses a healthcare cost trend of 7% in the current year, grading down to 6% in fiscal 2012. A one-percentage point change in assumed healthcare cost trend rate would have an immaterial impact on the postretirement benefit obligation and total service and interest cost.

**Plan Assets**

The fair value of plan assets for domestic pension benefit plans was \$59 million and \$54 million as of October 2, 2010, and October 3, 2009, respectively. The following table sets forth the actual and target asset allocation for pension plan assets:

	2010		2009		Target Asset Allocation
	Actual	Target	Actual	Target	
Cash	0.3%	0.3%	0.2%	0.2%	1.0%
Fixed income securities	18.5	18.5	19.7	19.7	19.0



Edgar Filing: TYSON FOODS INC - Form 10-K

US Stock Funds	44.6	43.2	45.0
International Stock Funds	19.9	20.2	20.0
Real Estate	5.0	4.7	5.0
Alternatives	11.7	12.0	10.0
Total	100.0%	100.0%	100.0%

71

**Table of Contents**

A foreign subsidiary pension plan had \$15 million and \$14 million in plan assets at October 2, 2010, and October 3, 2009, respectively. All of this plan's assets are held in an insurance contract consistent with its target asset allocation.

The Plan Trustees have established a set of investment objectives related to the assets of the pension plans and regularly monitor the performance of the funds and portfolio managers. Objectives for the pension assets are (1) to provide growth of capital and income, (2) to achieve a target weighted average annual rate of return competitive with other funds with similar investment objectives and (3) to diversify to reduce risk. The investment objectives and target asset allocation were adopted in January 2004 and amended in November 2008. Alternative investments may include, but not limited to, hedge funds, private equity funds and fixed income funds.

The following table shows the categories of pension plan assets and the level under which fair values were determined in the fair value hierarchy, which is described in Note 12: Fair Value Measurements.

	October 2, 2010			Total
	Level 1	Level 2	Level 3	
	in millions			
Cash and cash equivalents	\$0	\$0	\$0	\$0
Fixed Income Securities Bond Fund (a)	11	0	0	11
Equity Securities:				
U.S. stock funds (a)	26	0	0	26
International stock funds (a)	12	0	0	12
Global real estate funds (a)	3	0	0	3
Total equity securities	41	0	0	41
Other Investments - Alternatives (b)	0	0	7	7
Total fair value	52	0	7	59
Insurance Contract at Contract Value	0	0	15	15
Total plan assets	\$52	\$0	\$22	\$74

(a) Valued using quoted market prices in active markets.

(b) Valued using plan's own assumptions about the assumptions market participants would use in pricing the assets based on the best information available, such as investment manager pricing.

A reconciliation of the change in the fair value measurement of the defined benefit plans' consolidated assets using significant unobservable inputs (Level 3) is as follows (in millions):

	Alternative funds	Insurance contract	Total
Balance at October 3, 2009	\$7	\$14	\$21
Actual return on plan assets:			
Assets still held at reporting date	0	1	1
Assets sold during the period	0	0	0
Purchases, sales and settlements, net	0	0	0
Transfers in and/or out of Level 3	0	0	0
Balance at October 2, 2010	\$7	\$15	\$22

We believe there are no significant concentrations of risk within our plan assets as of October 2, 2010.

**Contributions**

Our policy is to fund at least the minimum contribution required to meet applicable federal employee benefit and local tax laws. In our sole discretion, we may from time to time fund additional amounts. Expected contributions to pension plans for fiscal 2011 are approximately \$7 million. For fiscal 2010, 2009 and 2008, we funded \$4 million, \$2 million and \$2 million, respectively, to defined benefit plans.



**Table of Contents****Estimated Future Benefit Payments**

The following benefit payments are expected to be paid:

	Pension Benefits		in millions Other Postretirement
	Qualified	Non-Qualified	Benefits
2011	\$9	\$2	\$7
2012	8	2	6
2013	7	2	4
2014	7	2	4
2015	7	3	4
2016-2020	29	18	17

The above benefit payments for other postretirement benefit plans are not expected to be offset by Medicare Part D subsidies in 2011 or thereafter.

**NOTE 16: SUPPLEMENTAL CASH FLOW INFORMATION**

The following table summarizes cash payments for interest and income taxes:

	in millions		
	2010	2009	2008
Interest	\$302	\$333	\$211
Income taxes, net of refunds	470	35	51

**NOTE 17: TRANSACTIONS WITH RELATED PARTIES**

We have operating leases for farms, equipment and other facilities with Don Tyson, a director of the Company, John Tyson, Chairman of the Company, certain members of their families and the Randal W. Tyson Testamentary Trust. Total payments of \$2 million in fiscal 2010, \$3 million in fiscal 2009 and \$3 million in fiscal 2008, were paid to entities in which these parties had an ownership interest.

In 2008, a lawsuit captioned In re Tyson Foods, Inc. Consolidated Shareholders Litigation was settled. Pursuant to the settlement, Don Tyson and the Tyson Limited Partnership paid us \$4.5 million.

**NOTE 18: INCOME TAXES**

Detail of the provision for income taxes from continuing operations consists of the following:

	in millions		
	2010	2009	2008
Federal	\$374	\$7	\$56
State	44	(4)	8
Foreign	20	4	4
	\$438	\$7	\$68
Current	\$420	\$40	\$33
Deferred	18	(33)	35
	\$438	\$7	\$68



**Table of Contents**

The reasons for the difference between the statutory federal income tax rate and our effective income tax rate from continuing operations are as follows:

	2010	2009	2008
Federal income tax rate	35.0%	35.0%	35.0%
State income taxes, excluding unrecognized tax benefits	3.4	0.1	2.0
Unrecognized tax benefits, net	(1.4)	(0.3)	4.4
Goodwill impairment	0.9	(36.1)	0.0
General business credits	(0.7)	2.2	(3.8)
Domestic production deduction	(2.0)	0.5	(2.2)
Company-owned life insurance	(0.2)	(0.3)	3.8
Change in state valuation allowance	(1.0)	0.0	5.0
Change in foreign valuation allowance	0.8	(3.8)	0.0
Tax planning in foreign jurisdictions	0.0	1.7	0.0
Other	1.6	(0.5)	0.4
	36.4%	(1.5)%	44.6%

During fiscal 2010, tax expense was impacted by the domestic production deduction, reduction in unrecognized tax benefits and reduction in state valuation allowance, which decreased tax expense by \$24 million, \$16 million and \$13 million, respectively. The goodwill impairment is not deductible for income tax purposes and negatively impacted the effective income tax rate by 0.9%.

The fiscal 2009 goodwill impairment is not deductible for income tax purposes and negatively impacted our effective income tax rate by 36.1%. During fiscal 2009, our tax expense was impacted by an increase in foreign valuation allowance which increased tax expense by \$21 million, estimated general business credits which decreased tax expense by \$12 million, and tax planning in foreign jurisdictions which decreased tax expense by \$9 million.

During fiscal 2008, an increase in the state valuation allowance increased tax expense by \$8 million, while non-deductible activity relating to company-owned life insurance increased tax expense by \$6 million. The addition of unrecognized tax benefits in fiscal 2008 caused a net increase to income tax expense of \$7 million. Additionally, estimated general business credits decreased fiscal 2008 tax expense by \$6 million.

We recognize deferred income taxes for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The tax effects of major items recorded as deferred tax assets and liabilities are as follows:

	in millions			
	2010		2009	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	\$0	\$347	\$0	\$339
Suspended taxes from conversion to accrual method	0	86	0	91
Intangible assets	0	34	0	34
Inventory	9	85	19	76
Accrued expenses	202	0	197	0
Net operating loss and other carryforwards	97	0	103	0
Note hedge transactions and convertible debt premium	24	23	30	29
Insurance reserves	20	0	22	0
Other	84	67	68	74
	\$436	\$642	\$439	\$643
Valuation allowance	\$(96)		\$(75)	
Net deferred tax liability		\$302		\$279



**Table of Contents**

We record deferred tax amounts in Other Current Assets and in Deferred Income Taxes on the Consolidated Balance Sheets.

The deferred tax liability for suspended taxes from conversion to accrual method represents the 1987 change from the cash to accrual method of accounting and will be recognized by 2027.

At October 2, 2010, our gross state tax net operating loss carryforwards approximated \$787 million and expire in fiscal years 2011 through 2029. Gross foreign net operating loss carryforwards approximated \$144 million, of which \$53 million expire in fiscal years 2011 through 2019, and the remainder has no expiration.

We have accumulated undistributed earnings of foreign subsidiaries aggregating approximately \$260 million and \$220 million at October 2, 2010, and October 3, 2009, respectively. These earnings are expected to be indefinitely reinvested outside of the United States. If those earnings were distributed in the form of dividends or otherwise, we would be subject to federal income taxes (subject to an adjustment for foreign tax credits), state income taxes and withholding taxes payable to the various foreign countries. It is not currently practicable to estimate the tax liability that might be payable on the repatriation of these foreign earnings.

The following table summarizes the activity related to our gross unrecognized tax benefits at October 2, 2010, October 3, 2009, and September 27, 2008:

	in millions		
	2010	2009	2008
Balance as of the beginning of the year	\$233	\$220	\$210
Increases related to current year tax positions	4	7	23
Increases related to prior year tax positions	11	60	36
Reductions related to prior year tax positions	(35)	(21)	(28)
Reductions related to settlements	(25)	(25)	(14)
Reductions related to expirations of statute of limitations	(4)	(8)	(7)
Balance as of the end of the year	\$184	\$233	\$220

The amount of unrecognized tax benefits, if recognized, that would impact our effective tax rate was \$150 million and \$104 million at October 2, 2010, and October 3, 2009, respectively. This increase is primarily the result of the first quarter adoption of new accounting guidance related to business combinations. We classify interest and penalties on unrecognized tax benefits as income tax expense. At October 2, 2010, and October 3, 2009, before tax benefits, we had \$64 million and \$71 million, respectively, of accrued interest and penalties on unrecognized tax benefits.

As of October 2, 2010, we are subject to income tax examinations for U.S. federal income taxes for fiscal years 1998 through 2009, and for foreign, state and local income taxes for fiscal years 2001 through 2009. During fiscal 2011, tax audit resolutions could potentially reduce our unrecognized tax benefits by approximately \$15 million, either because tax positions are sustained on audit or because we agree to their disallowance.



**Table of Contents****NOTE 19: EARNINGS (LOSS) PER SHARE**

The earnings and weighted average common shares used in the computation of basic and diluted earnings (loss) per share are as follows:

	in millions, except per share data		
	2010	2009	2008
Numerator:			
Income (loss) from continuing operations	\$765	\$(550)	\$86
Less: Net loss attributable to noncontrolling interest	(15)	(4)	0
Income (loss) from continuing operations attributable to Tyson	780	(546)	86
Less Dividends:			
Class A (\$0.16/share)	49	50	46
Class B (\$0.144/share)	10	10	10
Undistributed earnings (losses)	721	(606)	30
Class A undistributed earnings (losses)	597	(501)	25
Class B undistributed earnings (losses)	124	(105)	5
Total undistributed earnings (losses)	\$721	\$(606)	\$30
Denominator:			
Denominator for basic earnings (loss) per share:			
Class A weighted average shares	303	302	281
Class B weighted average shares, and shares under if-converted method for diluted earnings per share	70	70	70
Effect of dilutive securities:			
Stock options and restricted stock	6	0	5
Convertible 2013 Notes	0	0	0
Denominator for diluted earnings (loss) per share adjusted weighted average shares and assumed conversions	379	372	356
Earnings (Loss) Per Share from Continuing Operations Attributable to Tyson:			
Class A Basic	\$2.13	\$(1.49)	\$0.25
Class B Basic	\$1.91	\$(1.35)	\$0.22
Diluted	\$2.06	\$(1.47)	\$0.24
Net Earnings (Loss) Per Share Attributable to Tyson:			
Class A Basic	\$2.13	\$(1.49)	\$0.25
Class B Basic	\$1.91	\$(1.35)	\$0.22
Diluted	\$2.06	\$(1.47)	\$0.24

Approximately 5 million, 24 million and 10 million, respectively, in fiscal years 2010, 2009 and 2008, of our stock-based compensation shares were antidilutive and were not included in the dilutive earnings per share calculation.

We have two classes of capital stock, Class A stock and Class B stock. 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 cash dividends paid to holders of Class B stock cannot exceed 90% of the cash dividend paid to holders of Class A stock.

We allocate undistributed earnings (losses) based upon a 1 to 0.9 ratio per share of Class A stock and Class B stock, respectively. We allocate undistributed earnings (losses) based on this ratio due to historical dividend patterns, voting control of Class B shareholders and contractual limitations of dividends to Class B stock.

**Table of Contents**

**NOTE 20: SEGMENT REPORTING**

We operate in four segments: Chicken, Beef, Pork and Prepared Foods. We measure segment profit as operating income (loss).

**Chicken:** Chicken operations include breeding and raising chickens, as well as processing live chickens into fresh, frozen and value-added chicken products and logistics operations to move products through the supply chain. Products are marketed domestically to food retailers, foodservice distributors, restaurant operators and noncommercial foodservice establishments such as schools, hotel chains, healthcare facilities, the military and other food processors, as well as to international markets. It also includes sales from allied products and our chicken breeding stock subsidiary.

**Beef:** Beef operations include processing live fed cattle and fabricating dressed beef carcasses into primal and sub-primal meat cuts and case-ready products. 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. Products are marketed domestically to food retailers, foodservice distributors, restaurant operators and noncommercial foodservice establishments such as schools, hotel chains, healthcare facilities, the military and other food processors, as well as to international markets. Allied products are marketed to manufacturers of pharmaceuticals and technical products.

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

**Prepared Foods:** Prepared Foods operations include manufacturing and marketing frozen and refrigerated food products and logistics operations to move products through the supply chain. Products include pepperoni, bacon, beef and pork pizza toppings, pizza crusts, flour and corn tortilla products, appetizers, prepared meals, ethnic foods, soups, sauces, side dishes, meat dishes and processed meats. Products are marketed domestically to food retailers, foodservice distributors, restaurant operators and noncommercial foodservice establishments such as schools, hotel chains, healthcare facilities, the military and other food processors, as well as to international markets.

**Table of Contents**

							in millions
	Chicken	Beef	Pork	Prepared Foods	Other	Intersegment Sales	Consolidated
<b>Fiscal year ended October 2, 2010</b>							
Sales	\$10,062	\$11,707	\$4,552	\$2,999	\$0	\$(890)	\$28,430
Operating Income (Loss)	519	542	381	124	(10)		1,556
Total Other (Income) Expense							353
Income (Loss) from Continuing Operations before Income Taxes							1,203
Depreciation	251	82	27	56	0		416
Total Assets	5,031	2,468	845	940	1,468		10,752
Additions to property, plant and equipment	320	61	27	42	100		550
<b>Fiscal year ended October 3, 2009</b>							
Sales	\$9,660	\$10,937	\$3,875	\$2,836	\$0	\$(604)	\$26,704
Operating Income (Loss)	(157)	(346)	160	133	(5)		(215)
Total Other (Income) Expense							328
Income (Loss) from Continuing Operations before Income Taxes							(543)
Depreciation	252	103	36	54	0		445
Total Assets	4,927	2,277	840	905	1,646		10,595
Additions to property, plant and equipment	174	39	18	58	79		368
<b>Fiscal year ended September 27, 2008</b>							
Sales	\$8,900	\$11,806	\$4,104	\$2,711	\$0	\$(659)	\$26,862
Operating Income (Loss)	(118)	106	280	63	0		331
Total Other (Income) Expense							177
Income (Loss) from Continuing Operations before Income Taxes							154
Depreciation (a)	244	117	31	67	0		459
Total Assets (b)	4,990	3,169	898	971	663		10,691
Additions to property, plant and equipment (c)	258	83	21	46	15		423

a) Excludes depreciation related to discontinued operation of \$9 million for fiscal year 2008.

b) Excludes assets held for sale related to discontinued operation of \$159 million for fiscal year 2008.

c) Excludes additions to property, plant and equipment related to discontinued operation of \$2 million for fiscal year 2008.

We allocate expenses related to corporate activities to the segments, while the related assets and additions to property, plant and equipment remain in Other.

The Pork segment had sales of \$718 million, \$449 million and \$517 million for fiscal years 2010, 2009 and 2008, respectively, from transactions with other operating segments. The Beef segment had sales of \$172 million, \$155 million and \$142 million for fiscal years 2010, 2009 and 2008, respectively, from transactions with other operating segments. Beginning in fiscal 2010, we modified the presentation of our segment sales for all periods presented above to include the impact of intersegment sales, which were at market prices.

Our largest customer, Wal-Mart Stores, Inc., accounted for 13.4%, 13.8% and 13.3% of consolidated sales in fiscal years 2010, 2009 and 2008, respectively. Sales to Wal-Mart Stores, Inc. were included in the Chicken, Beef, Pork and Prepared Foods segments. Any extended discontinuance of sales to this customer could, if not replaced, have a material impact on our operations.

The majority of our operations are domiciled in the United States. Approximately 96%, 97% and 98% of sales to external customers for fiscal 2010, 2009 and 2008, respectively, were sourced from the United States. Approximately \$3.3 billion, \$3.2 billion and \$3.4 billion, respectively, of property, plant and equipment were located in the United States at October 2, 2010, October 3, 2009, and September 27, 2008. Approximately \$364 million, \$329 million and \$139 million of property, plant and equipment were located in foreign countries, primarily Brazil, China, Mexico and India, at fiscal years ended 2010, 2009 and 2008, respectively.

We sell certain products in foreign markets, primarily Canada, Central America, China, the European Union, Japan, Mexico, the Middle East, Russia, South Korea, Taiwan and Vietnam. Our export sales totaled \$3.2 billion, \$2.7 billion and \$3.2 billion for fiscal 2010, 2009 and 2008, respectively. Substantially all of our export sales are facilitated through unaffiliated brokers, marketing associations and foreign sales staffs. Foreign sales, which are sales of products produced in a country other than the United States, were less than 10% of consolidated sales for each

## Edgar Filing: TYSON FOODS INC - Form 10-K

of fiscal 2010, 2009 and 2008. Approximately \$55 million of loss, \$14 million of loss and \$34 million of income from continuing operations before income taxes for fiscal 2010, 2009 and 2008, respectively, was from foreign operations, all of which was included in the Chicken segment.

**Table of Contents****NOTE 21: QUARTERLY FINANCIAL DATA (UNAUDITED)**

	in millions, except per share data			
	First	Second	Third	Fourth
	Quarter	Quarter	Quarter	Quarter
<b>2010</b>				
Sales	\$6,635	\$6,916	\$7,438	\$7,441
Gross profit	529	564	752	669
Operating income	314	344	507	391
Net income	159	156	242	208
Net income attributable to Tyson	160	159	248	213
Net earnings per share attributable to Tyson:				
Class A Basic	\$0.44	\$0.43	\$0.68	\$0.58
Class B Basic	\$0.39	\$0.39	\$0.61	\$0.52
Diluted	\$0.42	\$0.42	\$0.65	\$0.57
<b>2009</b>				
Sales	\$6,521	\$6,307	\$6,662	\$7,214
Gross profit	18	253	470	462
Operating income (loss)	(198)	29	276	(322)
Income (loss) from continuing operations	(110)	(105)	123	(458)
Income (loss) from discontinued operation	6	(14)	7	0
Net income (loss)	(104)	(119)	130	(458)
Net income (loss) attributable to Tyson	(102)	(119)	131	(457)
Earnings (loss) per share from continuing operations attributable to Tyson:				
Class A Basic	\$(0.29)	\$(0.29)	\$0.34	\$(1.25)
Class B Basic	\$(0.27)	\$(0.26)	\$0.30	\$(1.12)
Diluted	\$(0.29)	\$(0.28)	\$0.33	\$(1.23)
Earnings (loss) per share from discontinued operation attributable to Tyson:				
Class A Basic	\$0.02	\$(0.04)	\$0.02	\$0.00
Class B Basic	\$0.02	\$(0.04)	\$0.02	\$0.00
Diluted	\$0.02	\$(0.04)	\$0.02	\$0.00
Net earnings (loss) per share attributable to Tyson:				
Class A Basic	\$(0.27)	\$(0.33)	\$0.36	\$(1.25)
Class B Basic	\$(0.25)	\$(0.30)	\$0.32	\$(1.12)
Diluted	\$(0.27)	\$(0.32)	\$0.35	\$(1.23)

The fourth quarter of fiscal 2009 was a 14-week period, while the remaining quarters in the above table were 13-week periods.

Second quarter fiscal 2010 net income includes \$24 million of pretax charges related to losses on notes repurchased during the quarter. Third quarter fiscal 2010 operating income includes \$38 million of insurance proceeds received during the quarter and net income includes \$34 million of pretax charges related to losses on notes repurchased during the quarter and a \$12 million charge related to an equity method investment impairment. Fourth quarter fiscal 2010 operating income includes a \$29 million non-cash charge related to the full impairment of an immaterial Chicken segment reporting unit's goodwill.

Second quarter fiscal 2009 operating income included a \$15 million charge related to the closing of a prepared foods processed meats plant. Fourth quarter fiscal 2009 operating loss included a \$560 million non-cash charge related to the partial impairment of the Beef segment's goodwill.

**Table of Contents****NOTE 22: CAPITAL STRUCTURE**

In September 2008, we issued 22.4 million shares of Class A stock as part of a public offering. The shares were offered at \$12.75. Net proceeds, after underwriting discounts and commissions, of approximately \$274 million were used toward the repayment of our borrowings under the accounts receivable securitization facility and for other general corporate purposes. An entity controlled by Don Tyson purchased three million shares of Class A stock in this offering.

**NOTE 23: CONTINGENCIES**

We are involved in various claims and legal proceedings. We routinely assess the likelihood of adverse judgments or outcomes to those matters, as well as ranges of probable losses, to the extent losses are reasonably estimable. We record accruals for such matters to the extent that we conclude a loss is probable and the financial impact, should an adverse outcome occur, is reasonably estimable. Such accruals are reflected in the Company's Consolidated Financial Statements. In our opinion, we have made appropriate and adequate accruals for these matters and believe the probability of a material loss beyond the amounts accrued to be remote; however, the ultimate liability for these matters is uncertain, and if accruals are not adequate, an adverse outcome could have a material effect on the consolidated financial condition or results of operations. Listed below are certain claims made against the Company and/or our subsidiaries for which the potential exposure is considered material to the Company's Consolidated Financial Statements. We believe we have substantial defenses to the claims made and intend to vigorously defend these matters.

Several private lawsuits are pending against us alleging that we failed to compensate poultry plant employees for all hours worked, including overtime compensation, in violation of the FLSA. These lawsuits include *DeAsencio v. Tyson Foods, Inc.* (DeAsencio), filed on August 22, 2000, in the U.S. District Court for the Eastern District of Pennsylvania. This matter involves similar allegations that employees should be paid for the time it takes to engage in pre- and post-shift activities such as changing into and out of protective and sanitary clothing, obtaining clothing and walking to and from the changing area, work areas and break areas. They seek back wages, liquidated damages, pre- and post-judgment interest, and attorneys' fees. Plaintiffs appealed a jury verdict and final judgment entered in our favor on June 22, 2006, in the U.S. District Court for the Eastern District of Pennsylvania. On September 7, 2007, the U.S. Court of Appeals for the Third Circuit reversed the jury verdict and remanded the case to the District Court for further proceedings. We sought rehearing en banc, which was denied by the Court of Appeals on October 5, 2007. The United States Supreme Court denied our petition for a writ of certiorari on June 9, 2008. The new trial date has not been set.

The other private lawsuits referred to above are *Sheila Ackles, et al. v. Tyson Foods, Inc.* (N. Dist. Alabama, October 23, 2006); *McCluster, et al. v. Tyson Foods, Inc.* (M. Dist. Georgia, December 11, 2006); *Dobbins, et al. v. Tyson Chicken, Inc., et al.* (N.D. Alabama, December 21, 2006); *Buchanan, et al. v. Tyson Chicken, Inc., et al.* and *Potter, et al. v. Tyson Chicken, Inc., et al.* (N.D. Alabama, December 22, 2006); *Jones, et al. v. Tyson Foods, Inc., et al.*, *Walton, et al. v. Tyson Foods, Inc., et al.* and *Williams, et al. v. Tyson Foods, Inc., et al.* (S.D. Mississippi, February 9, 2007); *Balch, et al. v. Tyson Foods, Inc.* (E.D. Oklahoma, March 1, 2007); *Adams, et al. v. Tyson Foods, Inc.* (W.D. Arkansas, March 2, 2007); *Atkins, et al. v. Tyson Foods, Inc.* (M.D. Georgia, March 5, 2007); *Laney, et al. v. Tyson Foods, Inc. and Williams, et al. v. Tyson Foods, Inc.* (M.D. Georgia, May 23, 2007) (the Williams Case). Similar to DeAsencio, each of these matters involves allegations that employees should be paid for the time it takes to engage in pre- and post-shift activities such as changing into and out of protective and sanitary clothing, obtaining clothing and walking to and from the changing area, work areas and break areas. The plaintiffs in each of these lawsuits seek or have sought to act as class representatives on behalf of all current and former employees who were allegedly not paid for time worked and seek back wages, liquidated damages, pre- and post-judgment interest, and attorneys' fees. On April 6, 2007, we filed a motion for transfer of the above named actions for coordinated pretrial proceedings before the Judicial Panel on Multidistrict Litigation, which was granted on August 17, 2007. These cases and five other cases subsequently filed involving the same allegations, *Armstrong, et al. v. Tyson Foods, Inc.* (W.D. Tennessee, January 30, 2008); *Maldonado, et al. v. Tyson Foods, Inc.* (E.D. Tennessee, January 31, 2008); *White, et al. v. Tyson Foods, Inc.* (E.D. Texas, February 1, 2008); *Meyer, et al. v. Tyson Foods, Inc.* (W.D. Missouri, February 2, 2008); and *Leak, et al. v. Tyson Foods, Inc.* (W.D. North Carolina, February 6, 2008), were transferred to the U.S. District Court in the Middle District of Georgia, In re: *Tyson Foods, Inc., Fair Labor Standards Act Litigation* ( MDL Proceedings ). On January 2, 2008, the Court issued a Joint Scheduling and Case Management Order. This order granted Conditional Class Certification and called for notice to be given to

**Table of Contents**

potential putative class members via a third party administrator. The potential class members had until April 18, 2008, to opt in to the class. Approximately 13,800 employees and former employees filed their consents to opt-in to the class. On October 15, 2008, the Court denied the plaintiffs motion for equitable tolling, which, if granted, would have extended the time period in which the plaintiffs could have sought damages. However, in addition to the consents already obtained, the Court allowed the plaintiffs to obtain corrected and reaffirmed opt-in consents that were previously filed in the matter of M.H. Fox, et al. v. Tyson Foods, Inc. (N.D. Alabama, June 22, 1999). The deadline for filing these consents was December 31, 2008, and according to the third party administrator, approximately 4,000 reaffirmed consents were filed, some or all of which may be in addition to the approximately 13,800 consents filed previously. The parties have completed discovery at eight of our facilities and our corporate headquarters in Springdale, Arkansas. In July 2009 we filed class decertification motions for the eight facilities involved in discovery. We also filed Motions for Partial Summary Judgment for these eight facilities. Oral arguments for these motions occurred on February 3, 2010, and, on March 16, 2010, the Court granted partial summary judgment with respect to two unionized facilities and denied the remaining motions. The Court concluded that the activities at these two facilities met the definition of clothes changing under Section 203(o) of the FLSA and that the time engaged in pre- and post-shift donning and doffing is not compensable. The Court did not rule on whether Section 203(o) activity could begin the continuous work day, thereby making all walking, sanitizing and washing time after that activity compensable. We then filed a motion for certification of a permissive appeal on whether Section 203(o) activity can start the continuous workday and whether washing required clothing items is covered by Section 203(o). On April 23, 2010, the Court granted us permission to appeal these issues to the Eleventh Circuit Court of Appeals. The Court also retained jurisdiction with respect to the eight facilities while staying proceedings with respect to seven. It then scheduled trial in the Williams Case for October 12, 2010. On April 16, 2010, the Court lifted a previously entered stay of discovery with respect to our remaining 32 facilities subject to the MDL Proceedings and ordered the parties to meet, confer, and report to the Court any discovery agreements and disputed issues within 45 days. On June 7, 2010, the Court issued a scheduling order which set the close of discovery for the remaining 32 facilities for May 31, 2012. On September 22, 2010, the Court granted the parties joint motion to stay further proceedings in the MDL Proceedings, including the trial in the Williams case, in order to allow the parties an opportunity to explore settlement. The plaintiffs subsequently filed a motion to lift the stay, and the Court granted this motion on November 15, 2010. The trial in the Williams Case is now scheduled to begin on February 14, 2011.

We have pending eleven separate wage and hour actions involving TFM s plants located in Lexington, Nebraska (Lopez, et al. v. Tyson Foods, Inc., D. Nebraska, June 30, 2006), Garden City and Emporia, Kansas (Garcia, et al. v. Tyson Foods, Inc., Tyson Fresh Meats, Inc., D. Kansas, May 15, 2006), Storm Lake, Iowa (Bouaphakeo (f/k/a Sharp), et al. v. Tyson Foods, Inc., N.D. Iowa, February 6, 2007), Columbus Junction, Iowa (Robinson, et al. v. Tyson Foods, Inc., d.b.a Tyson Fresh Meats, Inc., S.D. Iowa, September 12, 2007), Joslin, Illinois (Murray, et al. v. Tyson Foods, Inc., C.D. Illinois, January 2, 2008), Dakota City, Nebraska (Gomez, et al. v. Tyson Foods, Inc., D. Nebraska, January 16, 2008), Madison, Nebraska (Acosta, et al. v Tyson Foods, Inc. d.b.a Tyson Fresh Meats, Inc., D. Nebraska, February 29, 2008), Perry and Waterloo, Iowa (Edwards, et al. v. Tyson Foods, Inc. d.b.a Tyson Fresh Meats, Inc., S.D. Iowa, March 20, 2008); Council Bluffs, Iowa (Maxwell (f/k/a Salazar), et al. v. Tyson Foods, Inc. d.b.a. Tyson Fresh Meats, Inc., S.D. Iowa, April 29, 2008); Logansport, Indiana (Carter, et al. v. Tyson Foods, Inc. and Tyson Fresh Meats, Inc., N.D. Indiana, April 29, 2008); and Goodlettsville, Tennessee (Abadeer v. Tyson Foods, Inc., and Tyson Fresh Meats, Inc., M.D. Tennessee, February 6, 2009). The actions allege we failed to pay employees for all hours worked, including overtime compensation for the time it takes to change into protective work uniforms, safety equipment and other sanitary and protective clothing worn by employees, and for walking to and from the changing area, work areas and break areas in violation of the FLSA and analogous state laws. The plaintiffs seek back wages, liquidated damages, pre- and post-judgment interest, attorneys fees and costs. Each case is proceeding in its jurisdiction. Trial in the Bouaphakeo case was originally set to begin on November 1, 2010 but was rescheduled for September 7, 2011.

We also have pending one wage and hour action involving our Tyson Prepared Foods plant located in Jefferson, Wisconsin (Weissman, et al. v. Tyson Prepared Foods, Inc., (Jefferson County (Wisconsin) Circuit Court, October 20, 2010) The plaintiffs allege that employees should be paid for the time it takes to engage in pre- and post-shift activities such as changing into and out of protective and sanitary clothing and the associated time it takes to walk to and from their workstations post-donning and pre-doffing of protective and sanitary clothing. Six named plaintiffs seek to act as state law class representatives on behalf of all current and former employees who were allegedly not paid for time worked and seek back wages, liquidated damages, pre- and post-judgment interest, and attorneys fees and costs.

On June 19, 2005, the Attorney General and the Secretary of the Environment of the State of Oklahoma filed a complaint in the U.S. District Court for the Northern District of Oklahoma against us, three of our subsidiaries and six other poultry integrators. This complaint was subsequently amended. As amended, the complaint asserts a number of state and federal causes of action including, but not limited to, counts under Comprehensive Environmental Response, Compensation, and Liability Act ( CERCLA ), Resource Conservation and Recovery Act ( RCRA ), and state-law public nuisance theories. The amended complaint asserts that defendants and certain contract growers who are not named in the amended complaint polluted the surface waters, groundwater and associated drinking water supplies of the Illinois River Watershed ( IRW ) through the land application of poultry litter. Oklahoma asserts that this alleged pollution has also caused extensive injury to the environment (including soils and sediments) of the IRW and that the defendants have been unjustly enriched. Oklahoma s claims cover the entire IRW, which encompasses more than one million acres of





**Table of Contents**

land and the natural resources (including lakes and waterways) contained therein. Oklahoma seeks wide-ranging relief, including injunctive relief, compensatory damages in excess of \$800 million, an unspecified amount in punitive damages and attorneys' fees. We and the other defendants have denied liability, asserted various defenses, and filed a third-party complaint that asserts claims against other persons and entities whose activities may have contributed to the pollution alleged in the amended complaint. The district court has stayed proceedings on the third party complaint pending resolution of Oklahoma's claims against the defendants. On October 31, 2008, the defendants filed a motion to dismiss for failure to join the Cherokee Nation as a required party or, in the alternative, for judgment as a matter of law based on the plaintiffs' lack of standing. This motion was granted in part and denied in part on July 22, 2009. In its ruling, the district court dismissed Oklahoma's claims for cost recovery and for natural resources damages under CERCLA and for unjust enrichment under Oklahoma common law. This ruling also narrowed the scope of Oklahoma's remaining claims by dismissing all damage claims under its causes of action for Oklahoma common law nuisance, federal common law nuisance, and Oklahoma common law trespass, leaving only its claims for injunctive relief for trial. On August 18, 2009, the Court granted partial summary judgment in favor of the defendants on Oklahoma's claims for violations of the Oklahoma Registered Poultry Feeding Operations Act. Oklahoma later voluntarily dismissed the remainder of this claim. On September 2, 2009, the Cherokee Nation filed a motion to intervene in the lawsuit. Their motion to intervene was denied on September 15, 2009, and the Cherokee Nation filed a notice of appeal of that ruling in the Tenth Circuit Court of Appeals on September 17, 2009. A non-jury trial of the case began on September 24, 2009. At the close of Oklahoma's case-in-chief, the Court granted the defendants' motions to dismiss claims based on RCRA, nuisance per se, and health risks related to bacteria. The defense rested its case on January 13, 2010, and closing arguments were held on February 11, 2010. On September 21, 2010, the Court of Appeals affirmed the district court's denial of the Cherokee Nation's motion to intervene. On October 6, 2010 the Cherokee Nation and the State of Oklahoma filed a petition for rehearing or *en banc* review seeking reconsideration of this ruling. The Court of Appeals denied this petition.

In September 2009, the National Water Commission (CONAGUA), an agency of the Mexican government's Ministry of the Environment and Natural Resources, sent an observation letter to our Mexican subsidiary, Tyson de Mexico (TdM), with respect to TdM's water usage at certain water wells that are part of its poultry production operations. This letter was in response to TdM's previous submission to CONAGUA of requested information relating to water usage from these wells from 2004 to 2007. In the observation letter, which contains an initial finding of facts, CONAGUA alleges that TdM may have failed to (i) report accurate water volume usage, (ii) install measuring equipment, (iii) provide evidence of water use exemptions, (iv) pay for applicable usage, and (v) properly measure water volume, all as required under water deeds held by TdM. On October 15, 2009, TdM responded to CONAGUA, denying the allegations as presented. On April 13, 2010, the regional CONAGUA office delivered its final determinations to TdM on this matter and claimed that TdM owed the agency approximately 55.9 million pesos (approximately US\$4.6 million) for certain water usage during the period in question. TdM has appealed the regional office's final determinations to the administrative courts of CONAGUA in Mexico City.

On May 8, 2008, a lawsuit was filed against the Company and two of our employees in the District Court of McCurtain County, Oklahoma styled *Armstrong, et al. v. Tyson Foods, Inc., et al.* (the *Armstrong Case*). The lawsuit was brought by a group of 52 poultry growers who allege that certain of our live production practices in Oklahoma constitute fraudulent inducement, fraud, unjust enrichment, negligence, gross negligence, unconscionability, violations of the Oklahoma Business Sales Act, Deceptive Trade Practice violations, violations of the Consumer Protection Act, and conversion, as well as other theories of recovery. The plaintiffs sought damages in an unspecified amount. On October 30, 2009, 20 additional growers represented by the same attorney filed a lawsuit against us in the same court asserting the same or similar claims, which is styled *Clardy, et al. v. Tyson Foods, Inc., et al.* (the *Clardy Case*). In both of these cases we have denied all allegations of wrongdoing. In June 2009, the plaintiffs in the *Armstrong* case requested an expedited trial date for a smaller group of plaintiffs they claimed were facing imminent financial peril. The Court ultimately severed a group of 10 plaintiffs from the *Armstrong Case*, and a trial began on March 15, 2010. There were numerous irregularities and rulings during the trial which we believe to have been legally erroneous and highly prejudicial to our right to a fair trial. On April 1, 2010, the jury returned a verdict against us and one of our employees, and on April 2, 2010, the jury returned a punitive damages verdict against us. After a dispute caused by inconsistencies between the multiple verdict forms completed by the jury and apparent confusion by the jury as to how to complete those verdict forms, the Court entered a final judgment in the amount of \$8,655,735. Subsequent to the trial, the presiding judge disqualified from the cases and the Oklahoma Supreme Court appointed a new judge to the cases. The Company filed post-trial motions challenging the verdict. Those motions were denied. The Company intends to appeal to overturn the verdict. We filed a motion with the trial court to change venue from McCurtain County on the grounds that the numerous irregularities that occurred during the trial, coupled with the attendant publicity, resulted in community bias which would prevent the Company from receiving a fair trial in McCurtain County. The trial court granted this motion and the case will be transferred to Choctaw County, Oklahoma. We filed another motion, which the trial court also granted, to stay all future trials of the claims of the plaintiffs in the *Armstrong Case* and the *Clardy Case* pending the outcome of the appeal of the first trial. We believe numerous and substantial legal errors were made by the Court during the trial and that a review of and guidance on these issues by the appellate court could have a substantial impact on the outcome of future trials in the *Armstrong Case* and the *Clardy Case*.

---

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of

Tyson Foods, Inc.

In our opinion, the accompanying consolidated balance sheet as of October 2, 2010 and the related consolidated statements of income, shareholders' equity and cash flows for the fiscal year then ended present fairly, in all material respects, the financial position of Tyson Foods, Inc. and its subsidiaries at October 2, 2010 and the results of their operations and their cash flows for the fiscal year ended October 2, 2010 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule for the fiscal year ended October 2, 2010 listed in the index appearing under Item 15(a) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of October 2, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audit. We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for noncontrolling interests and the manner in which it accounts for convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) in 2010.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Fayetteville, AR

November 22, 2010

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders

of Tyson Foods, Inc.

We have audited the accompanying consolidated balance sheet of Tyson Foods, Inc. as of October 3, 2009, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the two years in the period ended October 3, 2009. Our audits also included the financial statement schedule for each of the two years ended October 3, 2009 listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tyson Foods, Inc. at October 3, 2009, and the consolidated results of its operations and its cash flows for each of the two years in the period ended October 3, 2009, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule for each of the two years in the period ended October 3, 2009, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As described in Note 2 to the consolidated financial statements, the Company adopted guidance establishing accounting and reporting standards for a noncontrolling interest in a subsidiary and for convertible debt instruments in 2010. As reflected in the consolidated statements of shareholders' equity, the Company changed its method of accounting for uncertainty in income taxes in 2008.

/s/ Ernst & Young LLP

Rogers, Arkansas

November 23, 2009, except for those matters

described in Note 2 Change in Accounting

Principles as it relates to the retrospective

application of accounting principles adopted in

2010, as to which the date is November 22, 2010

## **Table of Contents**

### **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Not applicable.

### **ITEM 9A. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

An evaluation was performed, under the supervision and with the participation of management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the 1934 Act)). Based on that evaluation, management, including the CEO and CFO, has concluded that, as of October 2, 2010, our disclosure controls and procedures were effective.

#### **Changes in Internal Control Over Financial Reporting**

In the quarter ended October 2, 2010, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

#### **Management's Annual Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934. Our internal control over financial reporting was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting as of October 2, 2010. In making this assessment, we used criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

Based on this evaluation under the framework in *Internal Control - Integrated Framework* issued by COSO, Management concluded the Company's internal control over financial reporting was effective as of October 2, 2010.

The Company's independent registered public accounting firm, PricewaterhouseCoopers LLP, who has audited the fiscal 2010 financial statements included in this Form 10-K has also audited the Company's internal control over financial reporting. Their report appears in Part II, Item 8.

### **ITEM 9B. OTHER INFORMATION**

Not applicable.

**Table of Contents**

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

See information set forth under the captions "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the registrant's definitive Proxy Statement for the registrant's Annual Meeting of Shareholders to be held February 4, 2011 (the "Proxy Statement"), which information is incorporated herein by reference. Pursuant to general instruction G(3) of the instructions to Annual Report on Form 10-K, certain information concerning our executive officers is included under the caption "Executive Officers of the Company" in Part I of this Report.

We have a code of ethics as defined in Item 406 of Regulation S-K, which code applies to all of our directors and employees, including our principal executive officers, principal financial officer, principal accounting officer or controller, and persons performing similar functions. This code of ethics, titled "Tyson Foods, Inc. Code of Conduct," is available, free of charge on our website at <http://ir.tyson.com>.

**ITEM 11. EXECUTIVE COMPENSATION**

See the information set forth under the captions "Executive Compensation," "Director Compensation For Fiscal 2010" and "Compensation Committee Interlocks and Insider Participation" in the Proxy Statement, which information is incorporated herein by reference. However, pursuant to Instructions to Item 407(e)(5) of the Securities and Exchange Commission Regulation S-K, the material appearing under the sub-heading "Report of the Compensation Committee" shall not be deemed to be filed with the Commission, other than as provided in this Item 11.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

See the information included under the captions "Security Ownership of Certain Beneficial Owners" and "Security Ownership of Management" in the Proxy Statement, which information is incorporated herein by reference.

**Securities Authorized for Issuance Under Equity Compensation Plans**

The following information reflects certain information about our equity compensation plans as of October 2, 2010:

	Equity Compensation Plan Information		
	(a)	(b)	(c)
			Number of Securities
			remaining available for
			future issuance under
			equity compensation plans
	Number of	Weighted	(excluding Securities
	Securities to be	average	reflected in column
	issued upon	exercise price	(a))
	exercise of	of outstanding	
	outstanding	options	
	options		
Equity compensation plans approved by security holders	19,308,139	\$12.71	33,442,431
Equity compensation plans not approved by security holders	-	-	-
Total	19,308,139	\$12.71	33,442,431

This table does not include 65,773 options, with a weighted-average exercise price of \$10.56, which were assumed in connection with the acquisition of IBP, inc. in 2001.

## Edgar Filing: TYSON FOODS INC - Form 10-K

- a) Outstanding options granted by the Company
- b) Weighted average price of outstanding options
- c) Shares available for future issuance as of October 2, 2010, under the Stock Incentive Plan (18,455,244), the Employee Stock Purchase Plan (7,332,331) and the Retirement Savings Plan (7,654,856)

**Table of Contents**

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

See the information included under the captions Election of Directors and Certain Transactions in the Proxy Statement, which information is incorporated herein by reference.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

See the information included under the captions Audit Fees, Audit-Related Fees, Tax Fees and All Other Fees in the Proxy Statement, which information is incorporated herein by reference.

**PART IV**

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

(a) The following documents are filed as a part of this report:

Consolidated Statements of Income

for the three years ended October 2, 2010

Consolidated Balance Sheets at

October 2, 2010, and October 3, 2009

Consolidated Statements of Shareholders Equity

for the three years ended October 2, 2010

Consolidated Statements of Cash Flows

for the three years ended October 2, 2010

Notes to Consolidated Financial Statements

Reports of Independent Registered Public Accounting Firms

Financial Statement Schedule - Schedule II Valuation and Qualifying

Accounts for the three years ended October 2, 2010

All other schedules are omitted because they are neither applicable nor required.

The exhibits filed with this report are listed in the Exhibit Index at the end of Item 15.

**Table of Contents**

**EXHIBIT INDEX**

Exhibit No.

- 3.1 Restated Certificate of Incorporation of the Company (previously filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 1998, Commission File No. 001-14704, and incorporated herein by reference).
- 3.2 Fourth Amended and Restated By-laws of the Company (previously filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed September 28, 2007, Commission File No. 001-14704, and incorporated herein by reference).
- 4.1 Indenture dated June 1, 1995 between the Company and The Chase Manhattan Bank, N.A., as Trustee (the Company Indenture) (previously filed as Exhibit 4 to Registration Statement on Form S-3, filed with the Commission on December 18, 1997, Registration No. 333-42525, and incorporated herein by reference).
- 4.2 Form of 7.0% Note due January 15, 2028 issued under the Company Indenture (previously filed as Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the period ended December 27, 1997, Commission File No. 001-14704, and incorporated herein by reference).
- 4.3 Form of 7.0% Note due May 1, 2018 issued under the Company Indenture (previously filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 28, 1998, Commission File No. 001-14704, and incorporated herein by reference).
- 4.4 Supplemental Indenture between the Company and The Chase Manhattan Bank, N.A., as Trustee, dated as of October 2, 2001, supplementing the Company Indenture, together with form of 8.250% Note (previously filed as Exhibit 4.14 to the Company's Annual Report on Form 10-K for the fiscal year ended September 29, 2001, Commission File No. 001-14704, and incorporated herein by reference).
- 4.5 Form of 6.60% Senior Notes due April 1, 2016 issued under the Company Indenture (previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed March 22, 2006, Commission File No. 001-14704, and incorporated herein by reference).
- 4.6 Supplemental Indenture among the Company, Tyson Fresh Meats, Inc. and JPMorgan Chase Bank, National Association, dated as of September 18, 2006, supplementing the Company Indenture (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 19, 2006, Commission File No. 001-14704, and incorporated herein by reference).
- 4.7 Supplemental Indenture dated as of September 15, 2008, between the Company and The Bank of New York Mellon Trust Company, National Association (as successor to JPMorgan Chase Bank, N.A. (formerly The Chase Manhattan Bank, N.A.)), as Trustee (including the form of 3.25% Convertible Senior Notes due 2013), supplementing the Company Indenture (previously filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed September 15, 2008, Commission File No. 001-14704, and incorporated herein by reference).
- 4.8 Indenture, dated March 9, 2009, among the Company, the Subsidiary Guarantors (as defined therein) and The Bank of New York Mellon Trust Company, N.A., as Trustee (previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed March 10, 2009, Commission File No. 001-14704, and incorporated herein by reference).
- 4.9 Form of 10.50% Senior Note due 2014 (previously filed as Exhibit 4.2 and included in Exhibit 4.1 to the Company's Current Report on Form 8-K filed March 10, 2009, Commission File No. 001-14704, and incorporated herein by reference).
- 10.1 Credit Agreement, dated March 9, 2009, among the Company, JPMorgan Chase Bank, N.A., as the Administrative Agent, J.P. Morgan Securities Inc., Banc of America Securities LLC, Barclays Capital, Wachovia Capital Markets, LLC and Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland, New York Branch, as Joint Bookrunners and Joint Lead Arrangers, Bank of America, N.A. and Barclays Capital, as Co-Syndication Agents and Wachovia Bank, National Association and Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland, New York Branch, as Co Documentation Agents and certain other lenders party thereto (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 10, 2009, Commission File No. 001-14704, and incorporated herein by reference).





---

**Table of Contents**

- 10.2 Amendment, dated January 12, 2010, to the Credit Agreement dated March 9, 2009, among the Company, JPMorgan Chase Bank, N.A., as the Administrative Agent, and certain other lenders party thereto (previously filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the period ended January 2, 2010, Commission File No. 001-14704, and incorporated herein by reference).
- 10.3 Convertible note hedge transaction confirmation, dated as of September 9, 2008, by and between JPMorgan Chase Bank, National Association and the Company (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 15, 2008, Commission File No. 001-14704, and incorporated herein by reference).
- 10.4 Warrant transaction confirmation, dated as of September 9, 2008, by and between JPMorgan Chase Bank, National Association and the Company (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed September 15, 2008, Commission File No. 001-14704, and incorporated herein by reference).
- 10.5 Letter Agreement, dated as of September 9, 2008, by and between JPMorgan Chase Bank, National Association and the Company (previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed September 15, 2008, Commission File No. 001-14704, and incorporated herein by reference).
- 10.6 Convertible note hedge transaction confirmation, dated as of September 9, 2008, by and between Merrill Lynch Financial Markets, Inc. and the Company (previously filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed September 15, 2008, Commission File No. 001-14704, and incorporated herein by reference).
- 10.7 Warrant transaction confirmation, dated as of September 9, 2008, by and between Merrill Lynch Financial Markets, Inc. and the Company (previously filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed September 15, 2008, Commission File No. 001-14704, and incorporated herein by reference).
- 10.8 Letter Agreement, dated as September 9, 2008, by and between Merrill Lynch Financial Markets, Inc. and the Company (previously filed as Exhibit 10.6 to the Company's Current Report on Form 8-K filed September 15, 2008, Commission File No. 001-14704, and incorporated herein by reference).
- 10.9 Executive Employment Agreement, dated June 5, 2009, by and between the Company and Leland E. Tollett (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed June 5, 2009, Commission File No. 001-14704, and incorporated herein by reference).
- 10.10 Employment Agreement, dated October 5, 2009, by and between the Company and Craig J. Hart (previously filed as Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 2009, Commission File No. 001-14704, and incorporated herein by reference).
- 10.11 Senior Advisor Agreement, dated July 30, 2004, by and between Don Tyson and the Company (previously filed as Exhibit 10.43 to the Company's Annual Report on Form 10-K for the fiscal year ended October 2, 2004, Commission File No. 001-14704, and incorporated herein by reference).
- 10.12 First Amendment, dated October 3, 2010, to the Senior Advisor Agreement, dated July 30, 2004, by and between Don Tyson and the Company.
- 10.13 Employment Agreement, dated December 16, 2009, by and between the Company and Donnie Smith (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed December 18, 2009, Commission File No. 001-14704, and incorporated herein by reference).
- 10.14 Employment Agreement, dated December 16, 2009, by and between the Company and James V. Lochner (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed December 18, 2009, Commission File No. 001-14704, and incorporated herein by reference).
- 10.15 Employment Agreement, dated August 10, 2009, by and between the Company and Donnie Smith (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed August 14, 2009, Commission File No. 001-14704, and incorporated herein by reference).
- 10.16

## Edgar Filing: TYSON FOODS INC - Form 10-K

Executive Employment Agreement, dated May 21, 2008, by and between the Company and David L. Van Bebber (previously filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 28, 2008, Commission File No. 001-14704, and incorporated herein by reference).

**Table of Contents**

- 10.17 Executive Employment Agreement, dated June 6, 2008, by and between the Company and Dennis Leatherby (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 11, 2008, Commission File No. 001-14704, and incorporated herein by reference).
- 10.18 Executive Employment Agreement, dated December 1, 2008, by and between the Company and Jeffrey D. Webster (previously filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 28, 2009, Commission File No. 001-14704, and incorporated herein by reference).
- 10.19 Employment Agreement, dated October 5, 2009, by and between the Company and Kenneth J. Kimbro (previously filed as Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 2009, Commission File No. 001-14704, and incorporated herein by reference).
- 10.20 Employment Agreement, dated December 9, 2009, by and between the Company and Donnie King (previously filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended January 2, 2010, Commission File No. 001-14704, and incorporated herein by reference).
- 10.21 Employment Agreement, dated December 21, 2009, by and between the Company and Noel White (previously filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the period ended January 2, 2010, Commission File No. 001-14704, and incorporated herein by reference).
- 10.22 Agreement, dated as of October 3, 2010, between the Company and John Tyson.
- 10.23 Indemnity Agreement, dated as of September 28, 2007, between the Company and John Tyson (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed September 28, 2007, Commission File No. 001-14704, and incorporated herein by reference).
- 10.24 Form of Indemnity Agreement between Tyson Foods, Inc. and its directors and certain executive officers (previously filed as Exhibit 10(t) to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1995, Commission File No. 0-3400, and incorporated herein by reference).
- 10.25 Tyson Foods, Inc. Annual Incentive Compensation Plan for Senior Executives adopted February 4, 2005, and reapproved February 5, 2010 (previously filed as Exhibit 10.34 to the Company's Annual Report on Form 10-K for the fiscal year ended October 1, 2005, Commission File No. 001-14704, and incorporated herein by reference).
- 10.26 Tyson Foods, Inc. Restricted Stock Bonus Plan, effective August 21, 1989, as amended and restated on April 15, 1994; and Amendment to Restricted Stock Bonus Plan effective November 18, 1994 (previously filed as Exhibit 10(l) to the Company's Annual Report on Form 10-K for the fiscal year ended October 1, 1994, Commission File No. 0-3400, and incorporated herein by reference).
- 10.27 Amended and Restated Tyson Foods, Inc. Employee Stock Purchase Plan, effective as of October 1, 2008 (previously filed as Exhibit 10.41 to the Company's Annual Report on Form 10-K for the fiscal year ended September 27, 2008, Commission File No. 001-14704, and incorporated herein by reference).
- 10.28 First Amendment to the Tyson Foods, Inc. Employee Stock Purchase Plan, effective December 27, 2009 (previously filed as Exhibit 10.30 to the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 2009, Commission File No. 001-14704, and incorporated herein by reference).
- 10.29 Restated Executive Savings Plan of Tyson Foods, Inc. effective January 1, 2009 (previously filed as Exhibit 10.42 to the Company's Annual Report on Form 10-K for the fiscal year ended September 27, 2008, Commission File No. 001-14704, and incorporated herein by reference).
- 10.30 First Amendment to Executive Savings Plan of Tyson Foods, Inc. effective January 1, 2009 (previously filed as Exhibit 10.32 to the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 2009, Commission File No. 001-14704, and incorporated herein by reference).

---

**Table of Contents**

- 10.31 Second Amendment to Executive Savings Plan of Tyson Foods, Inc. effective May 1, 2010.
- 10.32 Amended and Restated Tyson Foods, Inc. 2000 Stock Incentive Plan effective November 19, 2004, First Amendment to the Amended and Restated Tyson Foods, Inc. 2000 Stock Incentive Plan effective February 2, 2007, and Second Amendment to the Amended and Restated Tyson Foods, Inc. 2000 Stock Incentive Plan effective August 13, 2007 (previously filed as Exhibit 10.43 to the Company's Annual Report on Form 10-K for the fiscal year ended September 27, 2008, Commission File No. 001-14704, and incorporated herein by reference).
- 10.33 Third Amendment to the Tyson Foods, Inc. 2000 Stock Incentive Plan effective November 20, 2009 (previously filed as Exhibit 10.34 to the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 2009, Commission File No. 001-14704, and incorporated herein by reference).
- 10.34 IBP 1996 Stock Option Plan (previously filed as Exhibit 10.5.7 to IBP's Annual Report on Form 10-K for the fiscal year ended December 28, 1996, File No. 1-6085 and incorporated herein by reference).
- 10.35 Amended and Restated Retirement Income Plan of IBP, inc. effective August 1, 2000, and Amendment to Freeze the Retirement Income Plan of IBP, inc. effective December 31, 2002 (previously filed as Exhibit 10.46 to the Company's Annual Report on Form 10-K for the fiscal year ended September 27, 2008, Commission File No. 001-14704, and incorporated herein by reference).
- 10.36 Amended and Restated Tyson Foods, Inc. Supplemental Executive Retirement and Life Insurance Premium Plan effective March 1, 2007, First Amendment to the Amended and Restated Tyson Foods, Inc. Supplemental Executive Retirement and Life Insurance Premium Plan effective September 24, 2007, and Second Amendment to the Amended and Restated Tyson Foods, Inc. Supplemental Executive Retirement and Life Insurance Premium Plan effective January 1, 2008 (previously filed as Exhibit 10.47 to the Company's Annual Report on Form 10-K for the fiscal year ended September 27, 2008, Commission File No. 001-14704, and incorporated herein by reference).
- 10.37 Retirement Savings Plan of Tyson Foods, Inc. effective January 1, 2008 (previously filed as Exhibit 10.48 to the Company's Annual Report on Form 10-K for the fiscal year ended September 27, 2008, Commission File No. 001-14704, and incorporated herein by reference).
- 10.38 First Amendment to the Retirement Savings Plan of Tyson Foods, Inc. effective January 1, 2008 (previously filed as Exhibit 10.39 to the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 2009, Commission File No. 001-14704, and incorporated herein by reference).
- 10.39 Form of Restricted Stock Agreement pursuant to which restricted stock awards were granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan prior to July 31, 2009 (previously filed as Exhibit 10.48 to the Company's Annual Report on Form 10-K for the fiscal year ended October 2, 2004, Commission File No. 001-14704, and incorporated herein by reference).
- 10.40 Form of Restricted Stock Agreement pursuant to which restricted stock awards are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective July 31, 2009 (previously filed as Exhibit 10.41 to the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 2009, Commission File No. 001-14704, and incorporated herein by reference).
- 10.41 Form of Restricted Stock Agreement pursuant to which restricted stock awards are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective January 1, 2010.

**Table of Contents**

10.42 Form of Stock Option Grant Agreement pursuant to which stock option awards were granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan prior to July 31, 2009 (previously filed as Exhibit 10.49 to the Company's Annual Report on Form 10-K for the fiscal year ended October 2, 2004, Commission File No. 001-14704, and incorporated herein by reference).

10.43 Form of Stock Option Grant Agreement pursuant to which stock option awards are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective July 31, 2009 through February 3, 2010.

10.44 Form of Stock Option Grant Agreement pursuant to which stock option awards are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective February 4, 2010.

10.45 Form of Performance Stock Award Agreement pursuant to which performance stock awards are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective September 29, 2009 (previously filed as Exhibit 10.44 to the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 2009, Commission File No. 001-14704, and incorporated herein by reference).

12.1 Calculation of Ratio of Earnings to Fixed Charges

14.1 Code of Conduct of the Company

16.1 Letter of Ernst & Young LLP dated November 23, 2009 (previously filed as Exhibit 16.1 to the Company's Current Report on Form 8-K/A filed November 23, 2009, Commission File No. 001-14704, and incorporated herein by reference).

21 Subsidiaries of the Company

23.1 Consent of PricewaterhouseCoopers, LLP

23.2 Consent of Ernst & Young, LLP

31.1 Certification of Chief Executive Officer pursuant to SEC Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to SEC Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 The following financial information from our Annual Report on Form 10-K for the year ended October 2, 2010, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Income, (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Shareholders' Equity, (iv) Consolidated Statements of Cash Flows, (v) the Notes to Consolidated Financial Statements, and (vi) Financial Statement Schedule.

**Table of Contents**

**SIGNATURES**

Pursuant to requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**TYSON FOODS, INC.**

By: /s/ Dennis Leatherby                                      November 22, 2010  
Dennis Leatherby  
Executive Vice President and Chief  
  
Financial Officer

**Table of Contents**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

/s/ Lloyd V. Hackley Lloyd V. Hackley	Director	November 22, 2010
/s/ Craig J. Hart Craig J. Hart	Senior Vice President, Controller and Chief Accounting Officer	November 22, 2010
/s/ Jim Kever Jim Kever	Director	November 22, 2010
/s/ Kevin M. McNamara Kevin M. McNamara	Director	November 22, 2010
/s/ Dennis Leatherby Dennis Leatherby	Executive Vice President and Chief Financial Officer	November 22, 2010
/s/ Brad T. Sauer Brad T. Sauer	Director	November 22, 2010
/s/ Donnie Smith Donnie Smith	President and Chief Executive Officer	November 22, 2010
/s/ Robert C. Thurber Robert C. Thurber	Director	November 22, 2010
/s/ Barbara A. Tyson Barbara A. Tyson	Director	November 22, 2010
/s/ Don Tyson Don Tyson	Director	November 22, 2010
/s/ John Tyson John Tyson	Chairman of the Board of Directors	November 22, 2010
/s/ Albert C. Zapanta Albert C. Zapanta	Director	November 22, 2010



Table of Contents

## FINANCIAL STATEMENT SCHEDULE

## TYSON FOODS, INC.

## SCHEDULE II

## VALUATION AND QUALIFYING ACCOUNTS

Three Years Ended October 2, 2010

					in millions
	Balance at	Additions			
	Beginning	Charged to	Charged		Balance at End
	Period	Costs and	to	(Deductions)	of Period
	Expenses	Other	Accounts		
Allowance for Doubtful Accounts:					
2010	\$33	\$0	\$0	\$(1)	\$32
2009	12	22	0	(1)	33
2008	8	5	0	(1)	12
Inventory Lower of Cost or Market Allowance:					
2010	\$22	\$7	\$0	\$(27)	\$2
2009	13	57	0	(48)	22
2008	4	29	0	(20)	13