



# 2010 Hormel Foods Corporate Responsibility Report

## Products



Hormel Foods produces wholesome, nutritious, great-tasting and safe products that consumers enjoy around the world. Throughout each step of our production process – from concept generation to packaging – we focus on innovation, healthy options and food safety and quality.

## Explore

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### Innovation

Our promise is to anticipate, listen and respond to consumer wants and needs with innovative new products that are wholesome and savory.

Topics in this section include:

- [Innovative New Products and Product Varieties](#)
- [Product Innovation Approach](#)
- [Creation of Executive Vice President of Corporate Strategy](#)

### Innovative New Products and Product Varieties

Hormel Foods and its subsidiaries continue to introduce new products and product varieties to meet consumer wants and needs that are savory and wholesome quality foods. We focus on four platform areas: convenience meals, value-added protein products, value-added fresh meat, and solution products aimed at foodservice deli. The following featured products include some of the newest portfolio additions.

### New *Farmer John*® Products



Farmer John recently introduced a line of fresh products aimed at health-conscious consumers. The products include:

- Extra-lean ground pork endorsed with the American Heart Association (AHA) checkmark and minimally processed with no artificial ingredients. The pork is leaner than most ground turkey or chicken, and the *Farmer John® California Natural®* pork tenderloin is also endorsed by the AHA.
- Seasoned lean pork burgers, which all have less than 11 grams of fat and are available in smokey barbeque, cajun-style and savory, garden onion.
- Reduced fat beef franks, which have 33 percent less fat than original beef franks.

Several sausages and hot dogs were also introduced and are designed to meet the taste preferences of consumers in the Western United States. New sausage varieties include maple chipotle links, apple cinnamon links, hot Italian ground pork and mild Italian ground pork. New hot dogs include big game beef franks, beef and cheese franks and classic premium beef franks.

### ***Hormel® Turkey Pepperoni Minis and Hormel® Pepperoni Stix***

As the market leader in pepperoni, Hormel Foods continues to lead the way through the innovation of new products and varieties. *Hormel®* turkey pepperoni minis and *Hormel®* pepperoni stix became available on store shelves February 2010. Research showed consumers wanted more ways to use pepperoni in their everyday meals and snacks. Also, parents look for snacks to put in their children's lunch boxes that are easy to pack and not full of sugar.

### ***New Hormel® Black Label® Bacon Varieties Introduced***

Two new *Hormel® Black Label®* bacon varieties hit store shelves in January 2010. The new varieties – thick slice applewood smoked and thick slice sweet and smokey – provide consumers with flavor profiles that are popular at many restaurants. The thick slice allows for full flavor penetration and both varieties were widely received with consumers.

### ***Jennie-O Turkey Store® Innovations***

- *Jennie-O Turkey Store® So Easy®* entrees
- *Jennie-O Turkey Store®* smoked turkey sausages
- *Jennie-O Turkey Store®* slow roasted turkey pot roast for the rotisserie section of the deli



## ***Lloyd's Woodfire Barbeque® Meats Introduced***

Lloyd's Barbeque Company (Mendota Heights, MN) has introduced *LLOYD'S WOODFIRE BARBEQUE™* premium smoked meats – a new line of sauceless, authentic premium smoked meats.

Due to different regional taste preferences, the new sauceless line increases consumer appeal and expands geographical acceptance. For example, sauces in Texas are often based on tomato and chili powders and are thin, tart and vinegary, while sauces in Kansas City (MO) are often thick and sweet and consist of a blend of ketchup or tomato sauce, brown sugar, corn syrup, molasses, vinegar, onion, garlic, red pepper flakes, liquid smoke and even apple juice.

The meats are slow-smoked for hours using real hardwoods like hickory, and the sauceless feature allows consumers to add their favorite sauce in the amount they prefer. These products complement the existing *Lloyd's®* barbeque products and enable our company to merchandise a barbeque platter theme at the retail level combined with our ribs and tubs.

## ***Hormel® Compleats® Kids***

Several rounds of qualitative and quantitative research indicated an opportunity to create a convenient, nutritional meal for children between 3 and 8 years old. The product is an excellent source of protein and has no preservatives, artificial colors, trans fats or high fructose corn syrup. For example, in one serving of *Hormel® Compleats® Kids Pasta & Chicken*, there are 25 calories from fat, 3 grams of fat, 1 gram of saturated fat, 3 grams of dietary fiber, 3 grams of sugar, 20 percent of Vitamin A, 8 grams of protein, 4 percent of calcium and 2 percent of iron that a child would need for the day. More nutritional information can be found at <http://www.hormel.com/products/pantry/Compleats-Kids.aspx#>.

## **Hormel Foods Expands Pork Mealtime Options**

While *Hormel® Cure 81®* hams have long been a favorite at the dinner table, they are now available in even more sizes and slices to expand family choices for every meal occasion. Each variety contains no preservatives and has no added nitrates or nitrites.

New varieties include:

- 12-ounce cherrywood smoked ham steaks (three-pack)
- 8-ounce cherrywood smoked ham steak (single)
- 12-ounce diced boneless ham
- 12-ounce cubed boneless ham

## **Product Innovation Approach**

In 2006, Hormel Foods set the ambitious goal of reaching one billion dollars in sales by 2010 from new products introduced since the year 2000. We achieved \$1.07 billion in sales in fiscal year 2007 – two years ahead of schedule. Building on this success, the company announced Go



for \$2B by 2012, a challenge that aims to achieve growth through innovation – \$2 billion in total sales of products created since 2000 by the year 2012. In fiscal year 2010, more than 21 percent of revenue was attributed to the aforementioned new products. A total of 13 new products were in development in fiscal year 2010.

To create a culture of innovation at Hormel Foods, we have a team dedicated to innovation management that uses new product development processes in various divisions based on each division's unique needs. We have been working on a new innovation process scheduled to be rolled out in fiscal year 2011. Annually, we also create a consumer food agenda – a perspective of how consumers are choosing food and feeding their families based on lifestyle and priorities. This is based on research collected by consumer insights, marketing and others at Hormel Foods. Looking forward into 2011, our team found there are three main areas that serve as the foundation for consumers when choosing food:

1. Situational immediacy (i.e. fitting food into their lifestyles instead of making their lifestyles fit into meal time);
2. Balancing wellness (i.e. food plays a role in how consumers balance their wellness lifestyle); and
3. Dynamic value (i.e. consumers are more vigilant of budget).

These three factors then play a role into consumers' time spent making a meal – with consumers desiring finished and complete meals, as well as having an increased attraction to hobby cooking, and interest in ethnic foods and sustainable and natural brands.

This consumer food agenda helps Hormel Foods understand trends in consumer behavior, including increased transparency and consumer authority, which has evolved because consumers discuss brands in social networks and have access to information like never before. These types of insights help our company respond to changing consumer tastes and ensure we are responding to our consumers and communicating about what they want to know about.

We continue to develop mechanisms for research and are constantly trying new methods to get results. We have devised concept testing protocols to make it easy for product managers to work with and build a database that will help us learn from past experience.

**New Executive Vice President of Corporate Strategy**



Ronald W. Fielding started in this newly created position in September 2010 and has focused on corporate direction and growth by continuing to oversee corporate strategy and the mergers and acquisitions process. Given the importance on identifying and developing future growth platforms, Fielding also focuses on consumer insights, corporate innovation and new channel development teams.

## **Emerging Markets**

Seventy-five percent of Hormel Foods product lines sold in emerging markets are developed to meet basic local needs.

We develop the pricing strategy for emerging markets at the corporate level in collaboration with our local teams and partners.

We measure local purchasing power of low income consumers (<10 USD/day) to ensure affordability of our products and are working on formalizing this strategy. Our progress is gaining momentum. Winning with lower income consumers is now one of our core international strategies. In every market, we are working to ensure our products are affordable by more and more consumers.

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## **Healthy Options**

- [Reducing Sodium](#)
- [Three New Varieties of Hormel® Compleats®](#)
- [Responsible Marketing](#)
- [Use of Ingredients](#)

## **Reducing Sodium**

While sodium is a functional ingredient for taste, preservation and food safety, we established a goal to lower sodium levels by 15 percent in our products by 2020. We also aim for a single serving of our products to only have one-third of the recommended daily amount of sodium. Our Grocery Products division has established a target to reduce the sodium levels in all existing



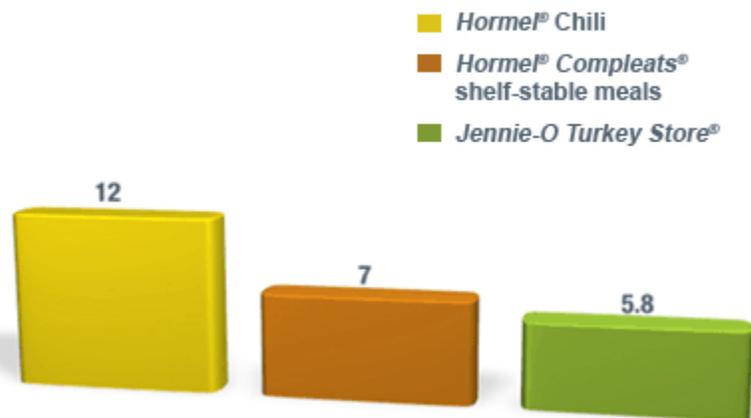
products to less than 1,000 milligrams per serving and to introduce all new products following this standard.

Click [here](#) to show related graph.

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### Percentage of total sales of products reduced in sodium

Percentage



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### Three New Varieties of *Hormel® Compleats®*



Hormel Foods introduced three new varieties of *Hormel® Compleats®* – spaghetti with turkey meatballs, cheese and spinach ravioli and pasta primavera with chicken – all of which meet USDA guidelines for a “healthy lifestyle” and provide:

- Up to 22 grams of protein
- Fewer than 320 calories
- Fewer than 600 mg of sodium
- Fewer than 10 grams of fat
- Zero trans fat
- Vitamins A, C or iron
- Two-to-4 grams of fiber

### Responsible Marketing



We do not target children with advertisements. In 2010, we announced *Hormel® Compleats®* kids meals that are marketed toward parents as a convenient, nutritional meal for children between 3 and 8 years old. The product is an excellent source of protein and has no preservatives, artificial colors, trans fats or high fructose corn syrup.

We are members of the Association of National Advertisers, which works on behalf of marketers on policies, regulations and other issues affecting members. Advertising done by or on behalf of Hormel Foods complies with the advertising industry's self-regulation system of codes. These guidelines complement government regulations and legislation and are self-imposed.

There are no incidents of noncompliance with regulations or voluntary codes concerning marketing communications to report for fiscal year 2010.

### **Use of Ingredients**

The production of the different products in our portfolio requires using a variety of ingredients and additives.

### **Ingredients**

Advancement in technology continues to change many of our ingredients, which include the crop and vegetable items in many of our products.

We are sensitive to consumer preferences and regularly review research related to developments in plant genetics and continue to see significantly improved crop productivity and food quality. The adoption of biotechnology has benefited the consumer and food industry by helping to stabilize crop production, reduce grain costs and improve the nutritional content of foods while protecting our environment.

Genetically modified crops have undergone exhaustive testing and have been approved by the United States Department of Agriculture, Food and Drug Administration and Environmental Protection Agency. To this end, all ingredients used by Hormel Foods are Generally Recognized As Safe and comply with food safety and nutrition regulations. [Visit the Food and Drug Administration](#) website for more information

### **Functional Ingredients**

When considering the use of functional ingredients, a group of nutritionists at Hormel Foods first monitors peer-reviewed studies to study the ingredient under consideration. Then, we conduct our own research.

We have developed products at [Hormel Health Labs](#) that use functional ingredients to meet special dietary needs, such as those that help individuals with chronic liver disease and high-caloric product needs. For example, Hormel Health Labs offers *Hepatic-Aid®* II Instant Drink, a dietary supplement that contains essential and non-essential amino acids, carbohydrates and fats in a readily digestible form. It is specifically formulated to provide a palatable supplement to the



diet of patients with chronic liver disease. Compared to a typical diet, *Hepatic-Aid*® II Instant Drink has an amino acid composition, which is high in branched-chain amino acids and low in aromatic amino acids and methionine.

Hormel Health Labs also offers a complete line-up of products to treat malnutrition, a large issue among the elderly, a growing population.

Considered a "one-stop shop" by food manufacturers and healthcare providers large and small, our Specialty Foods group is comprised of three business units:

- [Diamond Crystal Brands](#) offers expertise in custom healthcare products.
- Ingredients supplied by the [Specialty Products division](#) can be found in many of the leading brand name products. Within our Specialty Products division, we offer products that include the highest quality Omega-3 fish oils, stocks and broths, pasteurized processed cheeses and imitation blends, milk and whey proteins, dry milk powders, caseinates and isolates, meat ingredients, gelatin desserts, puddings, drinks, seasoning oils, sauces and specialty fats. These products bear the brand names America grew up with, such as *Building Blocks*® and *Great Beginnings*®.
- [Century Foods International](#) specializes in dairy and vegetable proteins and nutraceuticals – offering resources to help consumers with various health requirements.

Our flavor expertise includes all the major proteins: beef, chicken, pork, turkey and ham. Customers look to us to provide products other suppliers cannot, and to add quality, value and profitability to their businesses.

## **Natural**

We know there are consumers who seek foods that are minimally processed with no preservatives. To that end, we pioneered a way to use High Pressure Processing (HPP) for protein products and developed our *Hormel*® *Natural Choice*® products. By using this technology, this product stays fresh without the need for preservatives, artificial ingredients, nitrates or nitrites. Because of this, consumers receive these benefits:

- Enhances Flavor: Food boasts its most natural flavors because no flavor-changing preservatives are added;
- Maintains Freshness: HPP protects against spoilage-causing bacteria, producing food that stays fresher longer; and
- Protects Naturally: Food is preserved using water pressure, not preservatives.

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## **High Food Quality and Safety Standards**

Topics in this section include:



- [Food Safety and Quality](#)
- [Packaging and Labeling](#)
- [Management](#)

## Food Safety and Quality



Hormel Foods invests substantial time and resources in developing a comprehensive training program for our employees to achieve our stellar food safety record. This program starts the moment an employee is hired and is reinforced with ongoing food safety education relevant to his or her job responsibilities. This training includes Hazard Analysis and Critical Control Points (HACCP) Training, Better Processing School, in-house Quality Control University and job-specific training. We also reach out to provide training to our key co-packers to ensure they are adhering to our strict safety standards.

We have implemented robust food safety and sanitation systems which are based on HACCP principles to assure the safety of every product we produce. Oversight of our food safety systems is conducted by company personnel, independent third parties and the U.S. Department of Agriculture. Despite these efforts, one product was recalled in 2010 due to a supplier ingredient that was potentially contaminated with salmonella.

To read more information about our employee training programs, visit the [safety section](#) of this report.

## Food Safety Accomplishments



- Food Processing magazine’s “R&D Team of the Year” (in the large company category, annual sales of \$750 million or more) presented to the Research and Development team at Hormel Foods.
  - Team was recognized for developing innovative and high quality products, but also for its industry leadership in food safety interventions, exploratory science and new technology applications to enhance food safety and quality.



**National Center for Food Safety and Technology**  
Advancing Innovations in Food Safety and Nutrition Science [www.iit.edu/ncfst](http://www.iit.edu/ncfst)

- National Center for Food Safety and Technology (NCFST) Award, presented by NCFST and Illinois Institute of Technology, to Daniel G. Brown, Hormel Foods Corporation.
  - NCFST Award recognizes the achievements of an individual in the field of food science and technology who has made outstanding contributions to food safety or across government, academia and industry.
  - Brown, who retired from Hormel Foods in 2009, served as the company’s expert microbiologist in response to questions involving food safety, process validation and HACCP compliance. He was also the primary interface with the company’s subsidiaries and co-packers related to food safety, process validation and microbiology issues.

## **Packaging and Labeling**



All employees working with nutrition information are trained on mandatory and voluntary labeling elements. We also employ modified atmosphere packaging, nutritional verification, training and a sophisticated software system to maintain an accurate database of all ingredient and formulation specifications. This system is designed to identify all allergens (i.e., milk, wheat, soy, nuts), sensitive ingredients (i.e., sulfate, MSG), country of origin, plant location, date of purchase, nutrition information and other detailed specifications. Based on the formulation for the product and labeling requirements, this software assembles the ingredient statement and other labeling elements to eliminate human error. All elements of this database are maintained through a working relationship with our suppliers.

We have three committees responsible for ensuring the highest food safety and quality standards in our packaging and labeling process:

- Functional Foods Committee: Reviews product labels and claims for accuracy using peer-reviewed materials;
- Labeling Review Board: Reviews labels to ensure accuracy;
- Claims Committee: Reviews and approves label and product claims.

## **Management**

To ensure objective oversight of the highest food safety and quality standards, Hormel Foods works with the Global Food Safety Initiative (GFSI), an internationally recognized, third-party food safety management system.

Hormel Foods had one of the first manufacturing facilities certified by GFSI. A total of 36 Hormel Foods manufacturing sites have been certified by GFSI-recognized food safety management systems, which include the British Retail Consortium (BRC) Global Standard for Food Safety and Safe Quality Food (SQF) Institute. To receive this certification, Hormel Foods sites were audited against one or more GFSI food safety recognized standards, which are overseen by accreditation and certification bodies.

## **These locations include:**

- Alma (BRC)
- Algona
- ALSF
- Atlanta



- Austin
- Beloit
- Burke
- CCPC
- CFI-Plant #1
- CFI-Plant #2
- CFI-Plant #3
- CFI-Plant #4
  
- Corporate Audit
- Dan's Prize (Long Prairie)
- Dan's Prize (Browerville)
- Dold
- Fremont
- Knoxville
- Lloyd's BBQ
- Mexican Accent
- Osceola
- Plainview
- Progressive Processing
- QPP
  
- Rochelle
- Stockton
- Swiss America
- Tony Down's
- Valley Fresh
- JOTS-W. Central Turkeys
- Pelican Rapids
- JOTS- Melrose
- JOTS- Willmar Ave.-Willmar
- JOTS- Barron
- JOTS-Montevideo
- JOTS-Faribault
- JOTS-Benson Ave-Willmar

Part of our food safety system is risk assessments of our inputs in the supply chain, including ingredient suppliers as well as manufacturing facilities. Based on risk assessments, all suppliers comply with GFSI or audits conducted by quality assurance staff.

Our robust audits are conducted by trained, certified auditors. Auditors must complete certified trainings through various accreditation bodies overseeing auditing bodies. Accreditation sets certain certification requirement.



We provide customers additional assurances by ensuring all of our sites are audited by credible, outside agencies. They can rely on uniform and standard audits across the industry. Every plant is audited for HACCP, sanitation and quality.

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