

*Rooted in Integrity. Guided by Innovation.*





## About the Cover

- 1.** For 116 years, Hormel Foods has made its name with products that bring quality and taste to consumers' eating experience. Our Research and Development Center in Austin, Minn., is at the core of our innovation along with creative thinking from our employees. We have a long and proud tradition of bringing innovative products to the table for our employees, our consumers and our investors.
- 2.** We recognize the impact the delivery of our products has on the environment. We are committed to reducing the environmental impact of all our day-to-day operations, focusing on air, water, solid waste and energy. In addition, animal welfare and animal husbandry has always been a top priority at Hormel Foods.
- 3.** A salad made with *Hormel® Natural Choice™* carved chicken breasts and *House of Tsang®* Bangkok Padang peanut sauce is just one of the many meal solutions we offer our consumers. With products ranging from *Herdez®* and *CHI-CHI'S®* salsas to *Hormel® Natural Choice®* deli sandwich meats, we offer our consumers nutritious and flavorful options. Most important, as a trustworthy provider, our products are top quality and manufactured according to strict food safety guidelines.
- 4.** Supporting the communities where we live and work is very important to us at Hormel Foods. For example, the Prairie Woods Environmental Learning Center, which is near the Jennie-O Turkey Store headquarters in Minnesota, received a \$50,000 donation from the company to fund expansion projects. Our philanthropic efforts focus on education and health and wellness in local communities, and we also dedicate resources to provide thought leadership and financial support for hunger relief both locally and globally.
- 5.** Hormel Foods employees and their families enjoyed a picnic provided by Hormel Foods before a special screening of the Broadway musical, "Monty Python's SPAMALOT." This event is one of the many ways we show employees our appreciation. We are committed to fostering a good work/life balance and an environment that is safe and promotes innovation and continuous improvement through training.

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# Executive Message

Much has changed in the year since we issued our first report and much has stayed the same. What has remained constant is our commitment to doing what we believe is right—for our employees, our consumers, our investors, our animals and the environment. What has changed is how we think about those efforts and how we talk about them.

As part of our continued focus on responsibility, we took three important steps this year:

- We appointed a Director of Environmental Sustainability, Dennis Boik, to lead and monitor our environmental sustainability efforts.
- We have made a concerted effort to better quantify our performance against certain key metrics, including consumption of water and energy.
- We have more clearly articulated our corporate responsibility principles as part of a broader effort to define our mission, vision and values.

A substantial part of this year has been spent working to better quantify our performance, both to see where we stand and to provide benchmarks to measure future progress. In doing so, the scope of the report changed. The 2006-2007 report is more inclusive—measuring the company based on the majority of farm, plant, subsidiary and corporate office locations. In addition, our operations expanded since our last report with acquisitions of Provena Foods (second quarter of FY 2006), Valley Fresh (first quarter of FY 2006) and Saag's (first quarter of FY 2007).

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We continue to focus on responsibility and evaluate areas where we can improve.

In this report, you will now find:

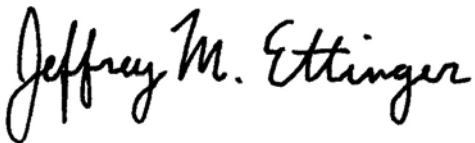
- Goals for reducing solid waste, water use and energy use
- Stories that profile our employees, our partners and our specific projects that demonstrate how we are living our principles every day
- Data related to the environment, survey results and employee diversity

We also have better expressed what ideals we are holding our company to through a values-based program called Our Way.

Our Way defines our company values and helps shape what we believe corporate responsibility is and how we want to communicate our mission at Hormel Foods. Our Way expresses our principles. And this document, our Corporate Responsibility Report, expresses how we think we are living up to those principles.

I encourage you to visit our new Web site, [hormelfoods.com](http://hormelfoods.com), to share your thoughts on how we are doing and what more we can do.

Many thanks,

A handwritten signature in black ink that reads "Jeffrey M. Ettinger". The signature is written in a cursive, flowing style.

Jeffrey M. Ettinger  
Chairman of the Board, President and Chief Executive Officer

# Scope of Report

Hormel Foods' 2006-2007 Corporate Responsibility Report provides stakeholders with data on our social and environmental performance. Information in this report includes benchmark data from FY 2006 (Nov. 2005-Oct. 2006) and anecdotal data from FY 2006-Oct. 2007.

Our 2006 Citizenship Overview was available to customers Fall 2006 and made available on our corporate Web site on Jan. 6, 2007. We are currently reevaluating our reporting strategy. In order to report data more consistently, we plan to release our next report in Spring 2009 and include data and activities from FY 2008. This timeframe will better allow us to ensure accountability and accuracy in our measurements and reporting.

This 2006-2007 report is far more extensive than our 2006 Citizenship Overview. In addition to reporting on our parent company, we are now reporting on our subsidiaries and have established benchmarking environmental data on 34 of our 41 facilities, with the goal of benchmarking all 41 facilities by the beginning of FY 2009. We do not publicly report on suppliers or independent family farmers because they operate as independent businesses. We do, however, report on key issues in our joint ventures, such as safety. Both suppliers and joint ventures are required to abide by government standards and are closely monitored by governmental regulatory agencies. Where applicable, we discuss these government standards in this report.

This year, we created the position of director of sustainability, which has allowed us to better track our environmental impact and benchmark for the future. Data in this report now includes air emissions, water, energy use and wastewater. Our commitment to the fight against hunger has increased in the past year, so we have reported on these increased donations and events, which raise awareness of the issue. In the development of this report, we consulted with the Global Reporting Initiative (GRI), a standard reporting framework, and are seeking to produce our next report in conformity with the GRI Guidelines.

# About Us

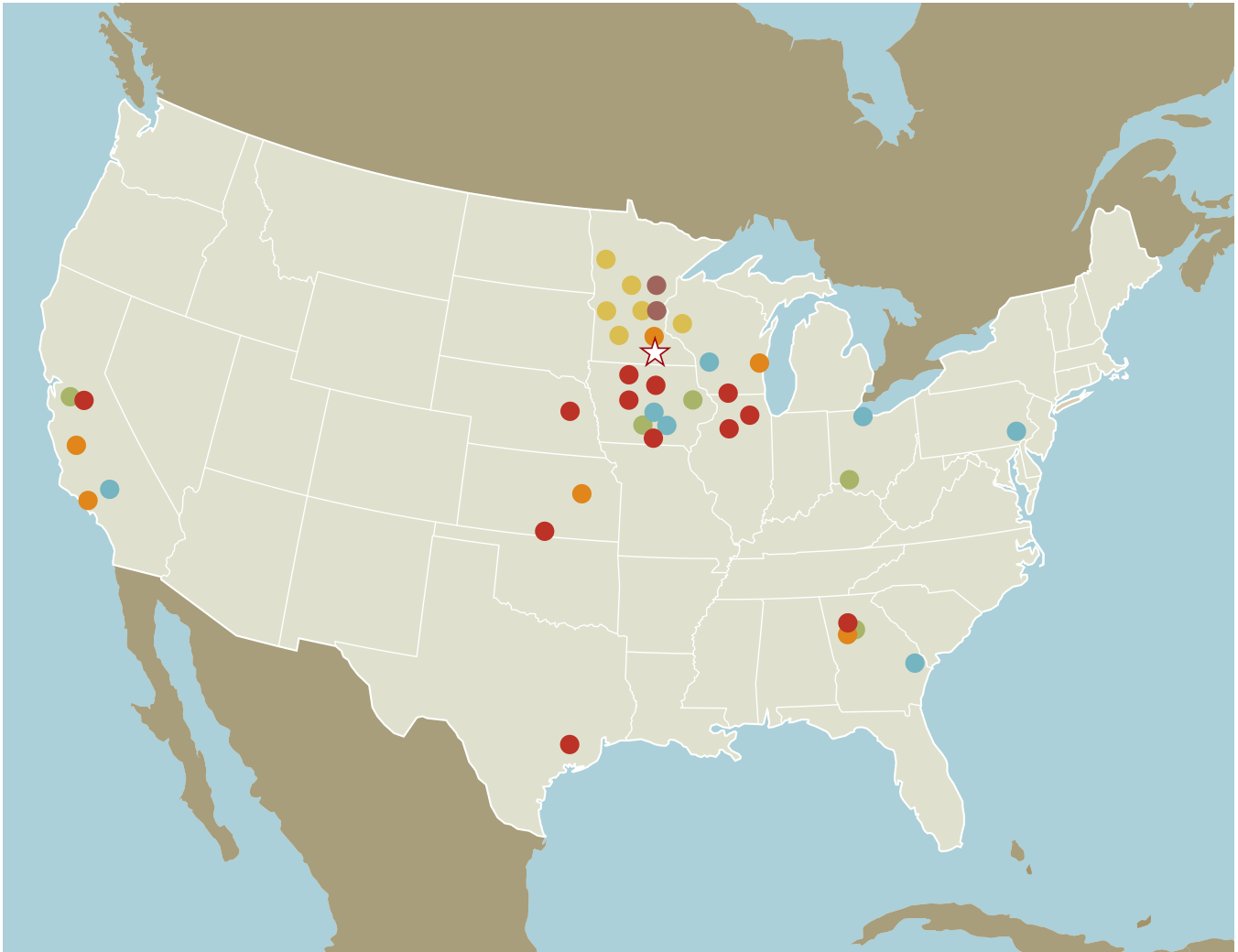
## *Founded in 1897 in Austin, Minn.,*

Hormel Foods is a multinational manufacturer and marketer of consumer-branded meat and food products. After 116 years of operation, we continue to run our business based on the principles of our founder, George A. Hormel. This year we formalized those values into what we call Our Way. This is Hormel Foods' philosophy on how we conduct our business and define our culture.

Our Way creates a foundation to establish goals and explains our overarching approach to our people, process, products and performance. We have also developed a principles platform, which more specifically defines our goals and our commitments, and can be found on at the beginning of each section.

At Hormel Foods, our core principles (see the Principles section in Our Way on page 6) of heritage, integrity, innovation and philanthropy form the foundation of how we responsibly conduct our business. This platform identifies how we specifically commit to live out these principles in five key areas: people, process, products, performance and philanthropy. We remain grounded in the values established by our founder, George A. Hormel; and these values are embedded in this platform, which expresses our vision as a company committed to corporate responsibility.

## Manufacturing & Distribution Center Locations



Hormel Foods continues to grow with recent acquisitions of Provena Foods, Inc., Valley Fresh, Inc. and Saag's. Our products are sold in 40 countries to consumers, retail grocers, foodservice and industrial customers.

Within the United States, we have 41 facilities, including our corporate offices and manufacturing and distribution centers. Our global joint ventures are found in the United States, Canada, Mexico, Costa Rica,

England, France, Philippines, China, Japan, Korea and Australia.

With 18,100 employees, Hormel Foods is owned by approximately 11,600 shareholders of record. In FY 2006, Hormel Foods sales reached more than \$5.75 billion with net profit more than \$286 million.

For complete financial information and a full list of our brands, please visit [www.hormelfoods.com](http://www.hormelfoods.com).

### Manufacturing and Distribution Center Locations

- ☆ Corporate Headquarters
- Hormel Foods
- Dan's Prize Subsidiary
- Jennie-O Turkey Store
- Specialty Food
- Distribution Centers
- Recent Acquisitions



# Hormel Foods - Our Way

Building upon our heritage of innovation and quality, together we will elevate the everyday experience by making Hormel Foods the favorite part of any eating occasion.

## performance

**GOAL:** Manage the business proactively to ensure sustainability.

**GOAL:** Increase value to shareholders by delivering growth in net sales and profitability.

### promises to shareholders

- sustainable profitability and growth
- providing superior economic value for our shareholders
- maximizing return on assets employed
- making sound economic decisions based on thorough assessments of risk and return
- following best governance practices
- transparent reporting

## products

**GOAL:** Increase global preference for Hormel Foods products – becoming the brands consumers and customers think of first when they think of meal solutions.

### promises to consumers

- anticipating, listening and responding to consumer wants and needs with innovative new products
- developing loyal consumers through continuous improvement of product quality and consistency
- being a trustworthy provider of wholesome, nutritious and great-tasting food products



## Our Way

## principles

heritage integrity

innovation

philanthropy

### promises to communities

- operating modern, clean and efficient facilities that add value to the community
- encouraging individual and company participation and leadership in community affairs
- supporting community and national efforts to improve the environment and relieve hunger

## people

**GOAL:** Cultivate an environment that nurtures and expects innovative solutions for all employees.

**GOAL:** Be a company people aspire to work for and never want to leave.

### promises to employees

- all employees should trust and respect one another
- teamwork and positive attitudes are commonplace
- continuous improvement and innovation are a way of life
- everyone maintains a focus on customer and consumer satisfaction
- employees can flourish with fair compensation, equal opportunity, a safe work environment, and a balance between work and personal life

## process

**GOAL:** Set our industry's "gold standard" for quality, product safety and employee safety – making an impact that far outweighs our size.

### promises to suppliers

- trust and respect
- a desire to be a partner they want to come to first with ideas
- optimization of total value through innovation, technology and continuous process improvement
- quality, price and service

# People

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“ **GOALS:** Cultivate an environment that nurtures and expects innovative solutions for all employees. Be a company people aspire to work for and never want to leave. ”

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# Principles Platform

OUR APPROACH TO CORPORATE RESPONSIBILITY

## People

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To ensure an engaging and mutually beneficial environment for the people who make our business possible, we commit to the following:

### Safety

Provide a safe working environment through education, strict audits and the development and use of equipment

### Diversity

Increase diversity among employees and suppliers

### Training and Benefits

Invest in training and professional development programs for employees

### Wellness

Increase employee participation in company wellness initiatives

### Code of Ethics

Provide equal opportunity and zero tolerance for harassment, discrimination or other practices that contradict our code of ethical business conduct

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# People

## Who We Are

Hormel Foods is a company comprised of many subsidiaries and locations.

As such, we respect their traditions and uniqueness by allowing different policies and benefits at various locations. Collectively, however, we highly value our employees and aspire to be, as Our Way states, a company people want to work for and never want to leave.

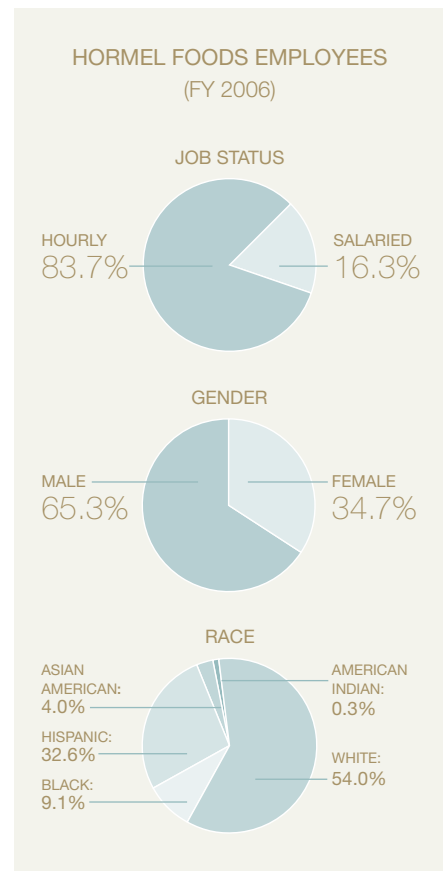
## Promises

**At Hormel Foods, we promote an engaging work environment where:**

- Continuous improvement and innovation are a way of life.
- All employees trust and respect one another.
- Employees can flourish with fair compensation, equal opportunity, a safe working environment, and a balance between work and personal life.
- Teamwork and positive attitudes are commonplace.
- Everyone maintains a focus on customer and consumer satisfaction.

64.5%

HORMEL FOODS SALARIED PARENT-COMPANY EMPLOYEES WITH FIVE YEARS SERVICE OR MORE



## Employee Engagement Survey Results

EMPLOYEES WHO AGREE MY COMPANY  
HAS AN OUTSTANDING FUTURE

HORMEL FOODS PARENT-COMPANY ■  
JENNIE-O TURKEY STORE ■

89% | 87%

AVERAGE FOR OTHER  
COMPANIES: 65%\*

EMPLOYEES WHO AGREE MY COMPANY  
IS A SAFE PLACE TO WORK

HORMEL FOODS PARENT-COMPANY ■  
JENNIE-O TURKEY STORE ■

91% | 93%

## Employee Engagement

### Employee Feedback: 2006 Survey

In 2006, 89 percent of salaried and office hourly parent-company employees responded to the engagement survey. At Jennie-O Turkey Store, we received a response rate of 91 percent of salaried employees. Some of the feedback we received is shown in the data above.

We carefully review all the employee engagement survey results and look for opportunities to improve. By department, we establish specific plans to make these improvements and build on our strengths.

One area requiring improvement is recognition of our employees. Based on survey results, 56 percent of Hormel Foods parent-company employees and 54 percent of Jennie-O Turkey Store employees identified recognition as an area to improve.

### *Promise*

Continuous improvement and innovation are a way of life.

Our executive team looks at the results of the employee engagement survey to see if policy changes are appropriate. For example, following the 2006 employee engagement survey, revisions were made to the vacation policy and dress code for some locations.

\* Based on the 2006 Employee Engagement Survey Results as performed by third-party Kenexa

## Inside Hormel Foods

Our monthly internal magazine, *Inside Hormel Foods*, is distributed throughout the company to our employees and retirees. With the latest announcements, awards and happenings at Hormel Foods and all of our subsidiaries, *Inside Hormel Foods* offers a way for employees to stay informed and connected to top stories around the company.

### Xchange

Our internal employee news and information Web portal allows employees with computer access to view daily news from around the

company, access employee information directories, reference policies or benefits information and use a variety of software systems needed to perform daily tasks.

## Diversity in the Workplace

With operations around the country and joint ventures around the world, the diversity of our employees deeply affects how we communicate and treat each other. Hormel Foods is affirmatively committed to providing the same opportunities for success to all individuals, regardless of sex, race, color, religion, national origin, age,



The Austin plant celebrated its 25th year in new facilities with an employee appreciation day. Austin plant employees and family members were provided lunch, games and activities, and guided tours through sections of the plant.



We believe it's important to show employees our appreciation for the hard work they do. In August 2007, we hosted more than 1,400 employees and their families at a special screening of the Broadway musical, "Monty Python's SPAMALOT" at the Ordway Center for the Performing Arts in St. Paul, Minn. Before the show, employees enjoyed a picnic with SPAMburgers provided by Hormel Foods.

sexual orientation, gender identity, disability, veteran status, pregnancy or membership in other protected groups. All employees are expected to share and support that commitment.

In doing so, we value our differences. For example, in the United States, we provide translations of newsletters and other internal communications in English, Spanish and Somali, along with several other languages. In addition, we formed a Diversity Council to educate the company about the importance of recognizing and respecting the changing workplace.

#### Employee Liaison Program

At Jennie-O Turkey Store, we have a staff of bilingual "Employee Liaisons" who help employees with English translation both in and outside of the workplace. These liaisons help employees who do not speak English fluently communicate with medical providers, schools, teachers, landlords, financial institutions, etc. At our Melrose, Minn., facility, the Employee Liaison is paid by the company but also works half-time for the City of Melrose, helping Spanish-speaking residents communicate.

### *Promise*

Cultivate an environment where all employees trust and respect each other.

#### Women and Minority-Owned Business

In calendar 2006, Hormel Foods purchased about \$30 million from women and minority-owned businesses. In fiscal year 2008, our Purchasing Department is working toward implementing a diversity supplier program.

We purchased \$563 million from small businesses, representing all aspects of the supply chain and product life cycle.

#### Partnerships and Organizational Involvement

Hormel Foods is engaged with a variety of diverse organizations, including Minorities in Agriculture, Natural Resources and Related Sciences, National Society of Black Engineers, National Hispanic Business Association, Society of Women Engineers, National Association of Black Accountants,

Hispanic Association of Colleges and Universities, Historically Black Colleges and Universities (HBCU Connect), Asian Business Leaders Association, Latino Business Students' Association, Society of Hispanic Professional Engineers, Latino Leadership Council Conference of Opportunities, Network of Executive Women and Sigma Alpha (National Honor Society for Women in Agriculture).

At various locations company-wide, we partner with the local technical college or other community education resources to teach our employees ESL (English as a Second Language). In Willmar, Minn., we have taught Spanish to our supervisors.

#### Code of Ethical Business Conduct

##### Discrimination

Hormel Foods does not tolerate discrimination based on sex, race, color, religion, national origin, age, sexual orientation, gender identity, disability, veterans status, pregnancy or membership in other protected groups.



Employees from Lloyd's Barbeque Company are an important part of the Hormel Foods team. They won the 2006 "Best of the Best" competition.

## *Promise*

Promote an engaging work environment where employees can flourish—with fair compensation, equal opportunity, a safe working environment, and a balance between work and personal life.

### Harassment

Our Code of Ethical Business Conduct states, "all employees have a right to work in an environment free of harassment, and the Company prohibits harassment of its employees in any form—by supervisors, co-workers, customers or suppliers."

### Fair Employment Practices

- **Minimum Age for Employment:** We comply with the age limits set forth by local law and do not knowingly hire

anyone in our production facilities under the age of 18. Child labor is not tolerated.

### Compensation and Benefits

We want our employees to flourish. Part of ensuring their success is through fair compensation and good benefits. Hormel Foods offers retirement plans to all employees, and our benefits packages include a variety of health care and dental coverage options.

### Universal Stock Option Award

In January 2007, Hormel Foods announced the Universal Stock Option Award—an award of 100 stock options to all full-time employees active as of Jan. 8, 2007. This one-time award gave more than 18,000 full-time employees around the world the option to buy shares of Hormel Foods stock at the closing price on Jan. 8, 2007, within a certain time period. Because we have grown significantly with newly acquired subsidiaries and other operations, the goal of this award is to unify all aspects of

Hormel Foods—subsidiaries, joint ventures and parent-company operations. Educational seminars were provided throughout 2007 for employees at various locations to explain the award in more detail and answer any employee questions.

### Recognition

We truly believe employees are our greatest asset. And we want to recognize them for innovating in ways that improve the business. Since 2000, the company holds an annual "Best of the Best" competition. Every location throughout the United States is encouraged to participate and enter the project or initiative that led to the most significant improvement, including environmental improvements. The "Best of the Best" competition is highly competitive: finalists are recognized at the Annual Shareholders Meeting and the winning team holds a coveted position.

Based on the results of the 2006 Employee Engagement Survey, we identified recognition as one area we need to improve.

A cross-functional team, led by human resources, is reviewing and refreshing our company recognition program with the initial focus on employee service awards followed by recognition of employee efforts that are “above and beyond.”

**Benefits**

Some of our flexible benefits include:

- The Premium Payment Program allows employees to pay their share of the cost for health care benefits and life insurance coverage on a pre-tax basis;
- The Health Care Reimbursement Program allows employees to pay on a pre-tax basis for eligible out-of-pocket health care expenses; and
- The Dependent Care Reimbursement Program allows employees to pay on a pre-tax basis for eligible expenses for dependent care.

Also, it is Hormel Foods’ policy to offer flex time and job sharing arrangements. We

TOTAL NUMBER OF TEAMS ENTERED IN 2006 “BEST OF THE BEST”

353  
188

HORMEL FOODS PROJECTS ■  
JENNIE-O TURKEY STORE PROJECTS ■

recognize that at some time in employees’ careers, they may be interested in working less than full-time. Hormel Foods offers partial work arrangements where employees may choose to work a percentage of their current full-time schedule. We also give employees job sharing and flex time options.

Incentives are offered to parent-company

employees who refer potential job candidates.

**Community Involvement**

We want our employees to be active in giving back to the communities where they live and work, so we’ve made it a policy for the company to be flexible and supportive of managers and employees who attend meetings, coach or volunteer.

**Paid and Unpaid Leave**

We offer a variety of family-friendly benefits. We offer up to 12 weeks of leave depending on the circumstances of the employee, including maternity leave. Employees must be employed for at least 12 months to be eligible for a leave of absence.

Leave can surround any of the following circumstances: the serious health condition of an employee, care for a sick parent, spouse or child with a serious health condition or a voluntary absence due to childbirth.



One of the finalists in the annual “Best of the Best” competition, the Austin plant marinated meats team reduced giveaway on marinated meat tenderloin, filet and roast products. In total, this team saved Hormel Foods hundreds of thousands of dollars.



### Military Assistance Policies

Our parent-company and Jennie-O Turkey Store have established policies for factors, such as compensation, insurance and pension, for employees on military leave.

191,902

AVERAGE NUMBER OF HOURS INVESTED IN EMPLOYEE TRAINING

### Training

#### Food Safety Training

Investment in employee training helps provide a safe work environment for employees and improves the quality and safety of our products.

Therefore, employees undergo rigorous safety training for their various levels of responsibility and expertise. Specifically, we train our employees so they are knowledgeable in the following:

- Hazardous Analysis and Critical Control Point (HACCP) Plans
- Pathogen Control Programs
- Food Security Requirements
- Sanitation Process Control Manual
- Sanitation Cleaning Procedures
- Sanitizing Ready-To-Eat Areas
- Employee Hygiene
- Thermal Process Control Program
- Regulatory Issues
- Training/Information Materials— HACCP, Sanitation Training, Weight Control, Allergen Training Information

AMI food training and awards: In all our facilities, we helped develop sanitation design and equipment principles and procedures encouraged by the American Meat Institute (AMI). We train employees to adhere to these principles, which help prevent food-borne illness. In 2005 and 2006, we won a total of 32 awards from AMI as part of its Safety Council Recognition Awards Program.

### Safety Performance

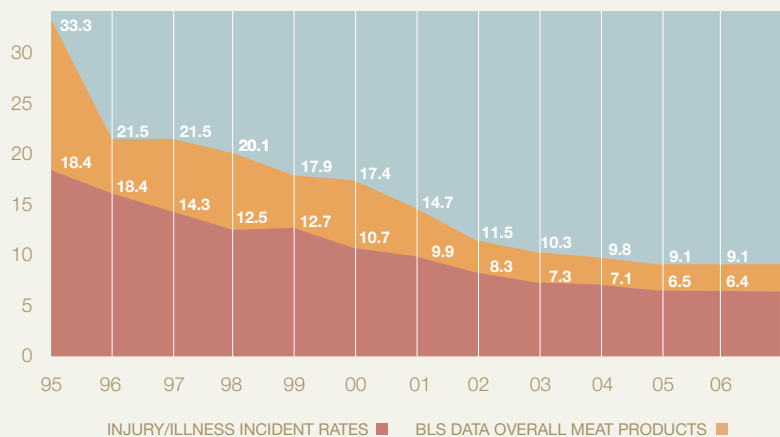


A safe working environment is serious business for Hormel Foods, and we have departments dedicated to safety within our company. Through our comprehensive Safety Excellence Program, which expanded in 2006 to include 29 plants up from 14 in previous years, each plant is judged and acknowledged based on preestablished goals to minimize injuries. Also, our safety and ergonomic committees lead our corporate safety and ergonomic program at plant offices.

#### Safety Efforts

- **On-site occupational nurses at most company facilities:** Company wide full-time occupational nurses conduct early intervention first-aid and case management for work-related injuries to ensure our employees receive the correct treatment.
- **Diamond Crystal Brand's:** Quakertown Plant in Quakertown, Pa., operated the entire 2006 fiscal year without a single recordable injury.
- **Installation of XATA:** This onboard monitoring system for Jennie-O Turkey Store truck fleet began in 2000 to track driving behaviors of individuals and monitor freeway speed limits so driving performance and safety can be improved. The goal is to add this feature over a five to 10-year period until it has been implemented in our entire commercial fleet. Jennie-O Turkey Store drivers had driven more than 11.8 million consecutive miles without a preventable accident as of September 2007.
- **The Refrigerated Foods Division's Safety Team:** The team's efforts resulted in logging the largest number of man hours worked (15.1 million) without an injury and ended the year with a recordable injury and illness rate that was 1.4 times better than the Bureau of Labor Statistics (BLS) average used for the 2006 Safety Excellence Program.

Recordable Injury/Illness Incident Rates (Parent-company Plants, FY 2006)



# Living Out Our Principles

PEOPLE

## Safety in Chinese Joint Ventures



### Promise

Everyone maintains a focus on customer and consumer satisfaction.

To keep injuries to a minimum in our Chinese joint ventures, Shanghai Hormel Foods Co., Ltd., and Beijing Hormel Foods Co., Ltd., offer safety incentive programs that include safety committees and monthly employee training programs. Both plants have functional monitoring systems for "Injury Free Work Days." Also, these plants go beyond government regulations by requiring employees to use provided personal protective equipment when necessary. This equipment includes cut-resistant hand wear, forearm guards, belly guards, helmets, boots and suitable clothing for the environment.

## Being Safe – At Your Desk and in the Plant

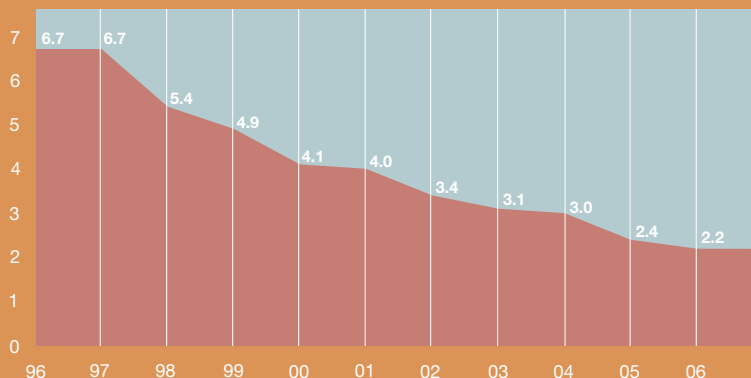


Hormel Foods understands ergonomics affects production, yields, quality, efficiencies and the overall effectiveness of all workers, so we implemented an ergonomic program in the late 1980s—years before it was required by law.

Each location has a Safety and Ergonomics team composed of people from throughout the facilities who work to reduce the stress and strain employees can experience while on the job. The corporate office and each of our facilities have access to these teams, which include employees from many departments, including engineering, safety, operations, production and health care. They perform Ergonomic Job Analysis (EJA) and survey employees to improve workstation and method design for all jobs and tasks.

Hormel Foods' industrial engineers implemented the use of personal digital assistants (PDAs) into their many work measurement processes, including EJAs within plant environments. An ergonomic assessment tool has been added to the PDAs, which provides an ergonomic checklist to help assess initial ergonomic risk for each job in the plant. The key ergonomic risk factors are repetition, force, environment and posture, and detailed assessments are performed to help guide and substantiate corrective action toward ergonomic improvement.

**Recordable Ergonomic Injury/Illness Incident Rates**  
(Parent-company Plants, FY 2006)



## Development

### A Collaborative Approach

In 2007, we began offering more career enrichment opportunities for hourly employees in our corporate office. And because we are a company of many brands, subsidiaries and locations, we unveiled a new process for employees to transfer among Hormel Foods Corporation locations in 2007.

### Career Enrichment Program

The Career Enrichment Program helps employees prepare for greater responsibility in the company. Hormel Foods provides courses on:

- Communication
- Interpersonal skills
- Interviewing skills

### Other Professional Development

Our Fremont, Neb., plant offers English and Spanish classes in which we average 300 people per month. General Education Development classes are also offered.

We also offer educational assistance to reimburse eligible employees for undergraduate, graduate and prep course fees.

### Performance Review Program

We understand how important it is for our employees to feel challenged and valued, so we conduct regular performance reviews annually with 100 percent of eligible employees. In these reviews, the employee and his or her supervisor establish goals—quarterly or annually depending on job responsibilities—and discuss work/life balance, career development, current job performance and satisfaction.

## Wellness

Regular exercise and healthy eating habits are both examples of a healthy lifestyle. We created a wellness program to reward employees who use onsite fitness facilities and demonstrate good safety and health practices with “wellness points”—redeemable for merchandise available at our gift center. We think it’s important to encourage employees and look for other ways to promote all-around wellness in our various



We conduct annual performance reviews with most of our employees to discuss job performance and foster careers.

locations. In 2007, we sponsored 12 employees in the World Cup Triathlon. In addition, we offer free workout facilities in several locations and sponsor health fairs and group walks, provide flu shots and anti-bacterial hand sanitizers and organize a fitness challenge and a spring walk in Austin, Minn.

We also offer a confidential resource tool to help employees manage many areas of their lives—from professional to personal—that can affect emotional well-being.

### *Promise*

Teamwork and positive attitudes are commonplace.

Internationally, we adhere to government standards by issuing “health certificates.” Both the Shanghai and Beijing plants are required to assure all production workers receive annual health screens by a physician to minimize the risk of spreading infectious diseases within a food manufacturing environment.

Beyond government requirements, Hormel Foods has done the following to ensure employee wellness at these plants in China:

- “Safety Incentive Programs”—The programs include safety committees and monthly employee training programs. Both plants have functional monitoring systems for “Injury Free Work Days” and provide incentives for performance.
- “Lunch Meal”—Both plants provide each employee with one company sponsored meal per scheduled shift of work.

# Process

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“ To promote environmental sustainability in our day-to-day operations—in our corporate offices, manufacturing facilities and company-owned farms—we focus on energy, solid waste, water and air emissions. We also place priority on animal welfare and husbandry. ”

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# Principles Platform

OUR APPROACH TO CORPORATE RESPONSIBILITY

## Process



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To promote environmental sustainability in our day-to-day operations—in our corporate offices, manufacturing facilities and company-owned farms—we focus on energy, solid waste, water and air emissions. We also place priority on animal welfare and husbandry. Our efforts are targeted toward:

### Energy

Reduce energy usage through conservation and use of new technology to improve efficiency

### Solid Waste

Reduce the amount of solid waste we produce

### Water

Protect water systems that are connected to our operations

Reduce water use through improved processes and conservation initiatives

### Air

Reduce greenhouse gas emissions from the production and delivery of products

### Animal Welfare and Husbandry

Ensure all animals in our operations are treated humanely

Support programs to increase awareness about responsible animal welfare throughout the industry and in the entire production chain

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# Process

## Hormel Foods is Committed

to reducing the impact our day-to-day operations have on the environment and ensuring animal welfare.

This year we recognized the need to formalize how we report our responsible business practices. While we have always operated in a responsible way, we formally established our focus on:

- Energy
- Solid waste
- Water
- Air emissions
- Animal welfare
- Animal husbandry

### The Environment

We are responsible for energy, solid waste, air, water and wastewater in 41 plants in the United States. Many have set benchmarks, implemented programs and established measurements. All 41 locations will have benchmarks established by FY 2009. All locations, however, uphold Hormel Foods'

commitment to compliance and are working toward reducing their environmental impact.

Our online Environmental Management System identifies environmental requirements, audit results, permits and compliance dates in 33 facilities with 8 facilities being monitored through a different system.

### Our Goals

10% **WATER CONSUMPTION:**  
10 percent reduction total, 2 percent per year for 5 years

40% **SOLID WASTE:**  
Increase recycling to 40 percent by November 2008 and to 50 percent by November 2011

10% **ENERGY CONSUMPTION:**  
10 percent reduction total, 2 percent per year for 5 years



## Energy

Energy is used in most phases of our operations for lighting, operating equipment, heating and cooling. To reduce energy use and limit carbon dioxide emissions, Hormel Foods conducts a baseline analysis on one third of our facilities annually.

Based on this information, we will establish benchmarks for 41 facilities to measure energy use and greenhouse gas emissions and plan energy efficient projects to target ways we can conserve and improve energy use.

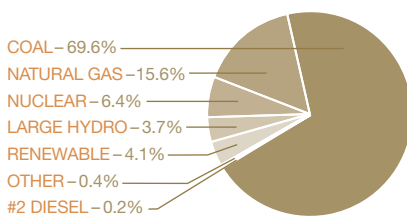
### Benchmarks

Our goal is to reduce energy consumption by 2 percent by November 2008 and every year thereafter. (For a complete list of benchmarks and goals, go to page 54.) To ensure we meet this goal, a team of Hormel Foods engineers collected data to establish a baseline of greenhouse gas emissions and criteria pollutants. In FY 2008, we will measure our energy consumption again and see where we stand and what we need to improve.

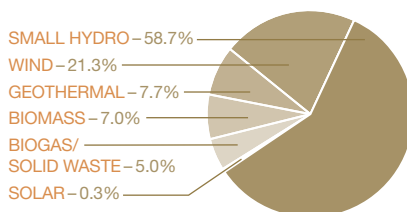
### ENERGY USE

NON-RENEWABLE AND RENEWABLE ENERGY SOURCES (FY 2006, 14 FACILITIES)

#### TOTAL BREAKDOWN



#### RENEWABLE SUB-BREAKDOWN



## Energy Efficient Projects

To reduce energy use and carbon emissions, Hormel Foods has various projects throughout our facilities to install more energy efficient systems. For example, in our manufacturing facilities in Aurora, Ill., we replaced light fixtures with more energy efficient fluorescent lighting. This project alone reduced annual CO<sub>2</sub> greenhouse gas contributions by 399 tons. This is equivalent to taking 78 cars off the road.\* Overall, in FY 2006, our energy efficiency improved –

we increased production by 3.7 percent but only used 2.7 percent more energy.

Our energy management programs identify potential ways we can make our facilities more energy efficient through projects with lighting, steam and compressed air use, and water consumption. All facilities receive quarterly energy newsletters to communicate progress on our energy goals. It is also a way to remind employees about the importance of energy reduction and encourage new ideas for how each person can help the company meet our goal.

## Energy Efficient Projects

### Other examples of energy efficient projects:

- Energy efficient turkey farms:** At Jennie-O Turkey Store newly constructed or remodeled turkey farms, we install energy-efficient lighting and use new technology, such as programmable controllers in barns, to provide better control over lighting, ventilation and temperature. (Ongoing as we upgrade existing facilities, early as 2001)
- Oxygen trim controls:** We installed oxygen trim controls in our Fremont, Neb., plant to reduce the amount of excess air to our boilers, thus improving boiler efficiency. The end result was a 3 percent improvement in boiler capacity for two large industrial steam boilers. Saved \$72,000 in lower gas costs, 512 tons in greenhouse gases reduced annually. (March 2007)
- Computerized air curtain:** At a number of Jennie-O Turkey Store turkey farm sites, we use this technology to improve insulation and ventilation during hot times of the year. This improves energy efficiency and provides a more comfortable environment for the turkeys. (Since 2004)
- Economizer piping:** Modifications were made to the economizer piping (which is a mechanical device that reduces energy consumption) to preheat feed water with waste exhaust heat, in our Rochelle, Ill., plant to improve efficiency. Saved \$31,096 per year, 207 tons of CO<sub>2</sub> reduced, equivalent to taking 41 cars off the road.\* (May 2007)
- Rebuilding project:** Our plant in Algona, Iowa, added heat pipe coils to the process of a dry room to improve the drying efficiency of the unit. Saved \$29,711 per year, 575 tons of CO<sub>2</sub> reduced, equivalent to taking 113 cars off the road.\* (October 2006)
- Use of generators at Jennie-O Turkey Store's largest breeder farm:** These generators allow consumers on the same electric grid to have a reliable source of energy during peak times of energy use. (Since 2004)
- Use of 110,000 gallon hot water storage tank to capture waste heat and reduce water consumption:** In our Austin, Minn., facility we capture waste heat from manufacturing processes and then use the hot water to sanitize the plant during non-production hours. The savings is approximately 21 billion BTUs of heat energy resulting in 1,265 tons of greenhouse gas emissions.

\* Number of cars taken off the road based on the U.S. Department of Energy's Energy Star program for the car equivalency

## Reduction in Greenhouse Gas Emissions (by project)



to go through an intensive environmental training program to learn how to dispose of materials correctly. Also, we handle hazardous materials and are therefore required to apply for permits, which are explained in the training and reinforced by our online environmental management program. Hormel Foods is not a potentially responsible party (PRP) for any hazardous waste sites, and we have not had any accruals for environmental remediation.

### Joint Energy Audit

We completed a joint energy audit with the U.S. Department of Energy at our processing facility in Vernon, Calif., leading to several initiatives—one of which is a \$1.2 million boiler replacement project that is under construction. In addition to this joint energy audit, Hormel Foods conducted 12 energy audits at facilities over the past year to identify energy conservation opportunities.

To increase recycling in FY 2008, we are raising awareness internally and identifying new markets for plastic and other recyclables. Our commitment to recycling is a result of our efforts to reduce inputs used in our product packaging, recycle product packaging and encourage recycling at our manufacturing plants and offices.

We dispose of waste according to all state and federal laws and require employees

### Recycling Programs

We make an effort to use recycled materials in our packaging. In FY 2006, 80 percent of packaging was made from recyclable materials and/or is recyclable or biodegradable. We also encourage consumers to recycle packaging. The majority of our products are recyclable, including steel and aluminum cans, glass bottles, corrugated cartons and paperboard. In some cities, our plastic trays are also recyclable.

## Solid Waste

### Benchmarks

In FY 2006, we recycled 13,447 tons of materials at our plants, representing 33 percent of our total waste. Our recycling program also saved more than \$1.1 million in FY 2006. We're proud to have recycled more in FY 2006 than the previous year; however, as a percentage, the program recycled nearly 35 percent in FY 2005. With the acquisition of four production facilities and office space, we continue to reinforce the importance of recycling. This is an education process for our plant locations as well as our newly acquired companies, and it is a topic that continues to be an important internal measure.

“Kandiyohi County would like to thank Jennie-O Turkey Store for being a strong community partner in supporting our recycling program. Jennie-O Turkey Store has been bringing their cardboard and other recyclables to the Kandiyohi County recycling center since the early '90s. This helps reduce the impact on the county's landfill; it helps in reducing and reusing solid waste material; and it also creates jobs within the community at our recycling center.”

Kandiyohi County Administrator, Larry Kleindl



**TONS OF WASTE: BY THE NUMBERS** (Total waste, 18 facilities)<sup>2</sup>

	DOLLARS SAVED	TOTAL TONS Landfill	TOTAL TONS Recycle	PERCENT RECYCLED
FY 2005	\$1,085,108	23,604.70	12,595.24	34.8%
FY 2006	\$1,109,452	27,244.22	13,447.28	33.0%

<sup>1</sup> Austin

<sup>2</sup> Algona, Atlanta, Austin, Beloit, CCPC, Dold, Fremont, J-OTS-Downtown, J-OTS-Wct, J-OTS-Melrose, J-OTS-Airport, J-OTS-Montevideo, J-OTS-Barron, J-OTS-Faribault, Knoxville, Osceola Foods, Rochelle Foods, Stockton



**Amount of Packaging Reduced By Packaging Type**  
(Quantity in Pounds)



In our offices, our recycling program encourages employees to recycle. In our corporate headquarters, employees have had a recycling program for 17 years. During the April 2007 Records Cleanup Day—9,000 pounds of office paper,

magazines and newspapers were collected. An additional 5,498 pounds of office paper was shredded. To date since 1990, a total of 1,129 tons of office paper has been collected along with 233 tons of newspapers and magazines.

**Recycling Makes an Impact**

Since 1990, the collective corporate office has saved\*:

- 27,096 trees
- 656 cars off the road
- 24,527,034 gallons of wastewater
- 101 garbage trucks of solid waste
- 7,223,565 pounds of CO<sub>2</sub> equivalent
- 48,178 million BTUs of energy (equivalent to powering 529 homes/year)

**Water and Wastewater**

We recognize that we use a considerable amount of water in our processes, and Hormel Foods is committed to reducing our impact on water systems. Our strategy for wastewater involves upgrading our pretreatment equipment, collaborating with city officials to solve common issues and improving communications to help stakeholders understand our position.

**Benchmarks**

- Amount spent per year on water and wastewater treatment in 11 plants: \$12.6 million (FY 2006)
- Total water withdrawal by operations in 11 plants: 3.41 billion gallons (FY 2006)
- Total water use at all Hormel Foods plants and subsidiaries: about 5.5 billion gallons (FY 2006)

**Water Conservation/Reuse Projects**

In FY 2006, we used 3.41 billion gallons of water in 11 primary facilities<sup>2</sup>. As our operations grow, we look for ways to decrease our water use, including:

- Establishing a goal for total water use
- Implementing water conservation/ water reuse programs
- Tracking usage
- Communicating performance against goal

Plants implement daily checks, seven days a week to ensure water is shut off on breaks and in between shifts as well as monitoring

WATER USE/FACILITY:		
PLANT	WATER USE (THOUSAND GALLONS)	COST
Algona	36,981	\$165,500
Atlanta	164,675	\$1,049,000
Austin	1,229,441	\$3,892,800
Beloit	235,918	\$638,100
Fremont	803,560	\$1,513,700
Knoxville	54,580	\$441,800
Los Angeles	374,006	\$2,476,000
Osceola	123,337	\$1,111,700
Rochelle	255,290	\$897,500
Stockton	101,269	\$276,700
Wichita	35,707	\$112,600
<b>TOTAL WATER</b>	<b>3,414,764</b>	<b>\$12,575,400</b>

1. Future reports will include all plants and subsidiaries.
2. Costs include fresh water supply and wastewater treatment.

<sup>2</sup>Hormel Foods Plants: Algona, Atlanta, Austin, Beloit, Fremont, Knoxville, Los Angeles, Osceola, Rochelle, Stockton, Wichita

\*Environmental impact estimates were made using the Environmental Defense Paper Calculator. For more information visit <http://www.papercalculator.org>.



for unnecessary water use. Plants have installed flow restriction devices on equipment and replaced certain equipment to reduce water usage.

### Wastewater Impact

To reduce wastewater impact, all of our plants are taking steps to identify projects and measure our emissions into the surrounding water sources. We operate one full-treatment plant and 29 pre-treatment plants in the United States. In other cases, we partner with the cities in which we operate to meet and exceed wastewater standards. From November 2005 to June 2007, we had one violation for exceeding our water treatment permit. In total, we spent more than \$12.6 million in 11 facilities from November 2005 to October 2006 on wastewater treatment, handling more than 18 million gallons per day.

Before wastewater is sent to a city treatment plant or is discharged into a waterway,

wastewater from our facilities is always treated so it meets government-approved levels. Our pretreatment systems are mechanical separators that remove oil, grease and suspended solids. Some plants have chemical systems to supplement the mechanical equipment.

### Water Conservation/Reuse Project Savings

REUSE OF WATER IN PROCESSING BIRDS AT JENNIE-O TURKEY STORE  
WATER SAVINGS:

10,000  
GALLONS PER DAY

All wastewater must meet the permit limits imposed by the U.S. Environmental Protection Agency. These federal limits can vary by region and state. We discharge to streams at Austin, Minn., Beloit, Wis., Fremont, Neb., Rochelle, Ill. and Barron, Wis.

### Wastewater Projects

The Jennie-O Turkey Store plant in Barron, Wis., invests in its own wastewater treatment plant where industrial wastewater is fully treated before it is released. With this wastewater facility, the 12-month average of phosphorus emissions is half that of the allowable state requirement.

We are also committed to investing in projects at the community level to improve overall water quality. We work with city officials to improve accuracy of water testing to help solve issues of proper treatment. Also, where we don't have upgraded equipment, we have established a timeline for upgrades.

## Air

### Transportation/Supply Chain

As a company with products that are sold on a global scale, we rely on transportation via truck, train and ship to deliver our products to customers. To minimize the impact of these operations on air quality, we attempt to transport our products as efficiently as possible by increasing load factors, using cross docking procedures and shipping higher volumes. Since October 2006, all truck carriers use a low sulfur diesel to meet new emissions standards required by law.



### Reducing Trucks on the Road

Hormel Foods works to reduce the number of trucks on the highway and the number of shipments, resulting in not only supply chain efficiencies and cost savings to the company, but also a reduction of fuel consumption and air emissions.

- Increased trailer on flat car shipments in 2006 by 1,250 shipments
- Increased average shipping weight from 31,000 to 36,500 pounds from May 2005 to January 2007
- Reduced the number of trucks on the road by 15 percent from May 2005 to January 2007

Greenhouse Gas Emissions from Fuel Burning (FY 2006)

Plant	Total CO <sub>2</sub> (tpy)	Total CH <sub>4</sub> (tpy)	Total N <sub>2</sub> O (tpy)	Total GHG (tpy)
Algona	5,069	0.10	0.03	5,069
Alma Foods	2,049	0.04	0.01	2,049
Atlanta	8,783	0.17	0.05	8,783
Austin	55,482	1.26	0.28	55,484
Beloit	11,702	0.22	0.06	11,703
CCPC - Aurora	860	0.02	0.00	860
CFI - Sparta Plant	1361	0.01	0.00	361
CFI - Sparta Plant 2 & 3	1,969	0.04	0.01	1,969
CFI - Sparta Plant 4	1,064	0.02	0.01	1,064
CPC - Los Angeles	24,779	0.47	0.13	24,779
Dan's Prize - Browerville	1,109	0.02	0.01	1,109
Dan's Prize - Long Prairie	1,638	0.03	0.01	1,638
DCB - Bondurant	304	0.01	0.00	304
DCB - Bremen	654	0.01	0.00	654
DCB - Mitchellville	121	0.00	0.00	121
DCB - Perrysburg	434	0.01	0.00	434
DCB - Quakertown	15	0.00	0.00	15
DCB - Savannah	11	0.00	0.00	11
DCB - Visalia	0	0.00	0.00	0
Dold Foods - Wichita	2,057	0.04	0.01	2,057
Fort Dodge Foods	434	0.01	0.00	434
Fremont	33,560	0.62	0.17	33,560

CCPC: Creative Contract Packing Corporation CFI: Century Foods International CPC: Clougherty Packing Company DCB: Diamond Crystal Brand  
tpy = tons per year

(continues on next page)



Trucks at our Austin, Minn., facility alongside generators installed as part of our energy partnership with the local utility company.

#### Greenhouse Gas Emissions from Fuel Burning (FY 2006)

Plant	Total CO <sub>2</sub> (tpy)	Total CH <sub>4</sub> (tpy)	Total N <sub>2</sub> O (tpy)	Total GHG (tpy)
J-OTS - Benson Ave.	3,358	0.06	0.02	3,358
J-OTS - WCT	8,215	0.16	0.05	8,215
J-OTS - Melrose	4,864	0.09	0.03	4,864
J-OTS - Willmar Ave.	10,151	0.19	0.06	10,151
J-OTS - Montevideo	3,897	0.07	0.0	3,897
J-OTS - Barron	9,017	0.17	0.05	9,017
J-OTS - Faribault	4,224	0.08	0.02	4,224
J-OTS - Atwater Feedmill	2,043	0.04	0.01	2,043
J-OTS - Dawson Feedmill	835	0.02	0.00	835
J-OTS - Medford Feedmill	2,419	0.05	0.01	2,419
J-OTS - Northfield Feedmill	602	0.01	0.00	602
J-OTS - Perham Feedmill	98	0.00	0.00	98
J-OTS - Swanville Feedmill	1,403	0.02	0.10	1,403
Knoxville	4,492	0.09	0.02	4,492
Lloyd's Barbeque - Mendota Heights	2,168	0.04	0.01	2,168
LSI - Eldridge	92	0.00	0.00	92
Mexican Accent - New Berlin	2,063	0.04	0.01	2,063
Osceola	10,524	0.20	0.06	10,525
Park Ten Foods - Houston	1,091	0.02	0.01	1,091
Rochelle	14,271	0.27	0.08	14,271
Stockton	4,783	0.09	0.03	4,783
Valley Fresh - Turlock	5,088	0.10	0.03	5,088
<b>Total (tpy):</b>	<b>248,154</b>	<b>5.00</b>	<b>1.00</b>	<b>248,160</b>

J-OTS: Jennie-O Turkey Store LSI: Logistic Service LLC

Criteria Pollutants from Fuel Burning (FY 2006)

Plant	PM 2.5 (tpy)	SO <sub>2</sub> (tpy)	NO <sub>x</sub> (tpy)	CO (tpy)	VOC (tpy)	Pb (tpy)	Total Criteria
Algona	0.3	0.0	4.2	3.6	0.2	0.0	8
Alma Foods	0.1	0.0	0.9	1.4	0.2	0.0	3
Atlanta	0.6	0.0	3.7	6.1	0.8	0.0	11
Austin	75.2	122.1	54.7	26.3	3.7	0.0	282
Beloit	0.7	0.2	9.6	8.0	1.3	0.0	20
CCPC - Aurora	0.1	0.0	0.4	0.6	0.1	0.0	1
CFI - Sparta Plant 1	0.0	0.0	0.2	0.3	0.0	0.0	0
CFI - Sparta Plant 2 & 3	0.1	0.0	0.8	1.4	0.2	0.0	3
CFI - Sparta Plant 4	0.1	0.0	0.4	0.7	0.1	0.0	1
CPC - Los Angeles	3.2	0.1	10.3	17.3	3.6	0.0	35
Dan's Prize - Browerville	0.1	0.0	0.5	0.8	0.1	0.0	1
Dan's Prize - Long Prairie	0.1	0.0	0.7	1.1	0.2	0.0	2
DCB - Bondurant	0.0	0.0	0.1	0.2	0.0	0.0	0
DCB - Bremen	0.0	0.0	0.3	0.5	0.1	0.0	1
DCB - Mitchellville	0.0	0.0	0.1	0.1	0.0	0.0	0
DCB - Perrysburg	0.0	0.0	0.2	0.3	0.0	0.0	1
DCB - Quakertown	0.0	0.0	0.0	0.0	0.0	0.0	0
DCB - Savannah	0.0	0.0	0.0	0.0	0.0	0.0	0
DCB - Visalia	0.0	0.0	0.0	0.0	0.0	0.0	0
Dold Foods - Wichita	0.1	0.0	0.9	1.4	0.2	0.0	3
Fort Dodge Foods	0.0	0.0	0.2	0.3	0.0	0.0	1
Fremont	7.2	5.3	27.4	25.1	6.1	0.0	71
J-OTS - Benson Ave.	0.2	0.0	1.4	2.4	0.3	0.0	4
J-OTS - WCT	0.5	0.0	3.5	5.8	0.7	0.0	11
J-OTS - Melrose	0.3	0.1	2.0	3.4	0.4	0.0	6
J-OTS - Willmar Ave.	0.6	0.1	4.3	7.2	0.9	0.0	13
J-OTS - Montevideo	0.2	0.0	1.6	2.7	0.4	0.0	5
J-OTS - Barron	0.6	0.0	3.8	6.3	0.8	0.0	12
J-OTS - Faribault	0.3	0.0	1.8	3.0	0.4	0.0	5
J-OTS - Atwater Feedmill	0.1	0.0	0.9	1.4	0.2	0.0	3
J-OTS - Dawson Feedmill	0.1	0.0	0.3	0.6	0.1	0.0	1
J-OTS - Medford Feedmill	0.2	0.0	1.0	1.7	0.2	0.0	3
J-OTS - Northfield Feedmill	0.0	0.0	0.3	0.4	0.1	0.0	1
J-OTS - Perham Feedmill	0.0	0.0	0.0	0.1	0.0	0.0	0
J-OTS - Swanville Feedmill	0.1	0.0	2.1	2.1	0.0	0.0	4
Knoxville	0.2	0.0	2.1	1.8	0.1	0.0	4
Lloyd's Barbeque - Mendota Heights	0.1	0.0	0.9	1.5	0.2	0.0	3
LSI - Eldridge	0.0	0.0	0.0	0.1	0.0	0.0	0
Mexican Accent - New Berlin	0.1	0.0	0.9	1.4	0.2	0.0	3
Osceola	7.2	0.1	8.8	11.3	4.8	0.0	32
Park Ten Foods - Houston	0.1	0.0	0.5	0.8	0.1	0.0	1
Rochelle	2.9	0.1	5.9	10.0	3.0	0.0	22
Stockton	0.3	0.0	2.0	3.3	0.4	0.0	6
Valley Fresh - Turlock	0.3	0.0	2.1	3.6	0.5	0.0	6
<b>Total (tpy):</b>	<b>103</b>	<b>128</b>	<b>162</b>	<b>166</b>	<b>31</b>	<b>0</b>	<b>590</b>

CCPC: Creative Contract Packing Corporation CFI: Century Foods International CPC: Clougherty Packing Company DCB: Diamond Crystal Brand  
 J-OTS: Jennie-O Turkey Store LSI: Logistic Service LLC



Mike Oliver (plant engineer), Mark Carlstrom (staff engineer) and Tom Holstrom (principal environmental engineer) in front of the RTO at Clougherty Packing Company's Vernon Avenue Plant.

### Emission Reduction Projects

Hormel Foods currently provides animal fat as feedstock to a biodiesel production facility in Nebraska. In addition, we installed boiler burners at facilities in Stockton, Calif., Fremont, Neb., and at Farmer John's facility in California.

### Odorous Air Emissions

Clougherty Packing Company, LLC, which manufactures *Farmer John*® products, recently installed an innovative air pollution control device at the Vernon, Calif., plant facility. The device, known as a regenerative thermal oxidizer (RTO), treats air emissions from Clougherty's rendering operations to improve overall air quality. Other rendering facilities in California have begun to use this technology, but this Farmer John location is believed to be one of the first meat processing plants in the United States to install an RTO.

## Environmental Policy

Hormel Foods Corporation and its subsidiaries are committed to operating all facilities in accordance with company environmental policies and all applicable laws and regulations. We will specifically:

- Strive to prevent the release of substances that cause environmental harm to the air, water or land.
- Train and encourage our employees to conduct their activities in an environmentally responsible manner.
- Conserve natural resources through careful planning and efficient use.
- Minimize waste through source reduction and recycling.
- Handle and dispose of wastes through safe, environmentally responsible methods.
- Conserve energy by improving the efficiency of its use in our operations.
- Conduct regular environmental assessments at our facilities and make recommendations for improvements.
- Encourage our business partners to strive for the same high levels of environmental performance.
- Review the impact on the environment during corporate planning and decision making.

## Animal Welfare and Husbandry

Beginning when George A. Hormel founded the company in 1891, our business has been rooted around animal agriculture. Animal welfare and animal husbandry has always been a top priority at Hormel Foods. This is simply about treating animals humanely because it's the right thing to do. We take our zero tolerance policy for the inhumane treatment of animals very seriously. Our business is about providing healthy, high quality animals so that we are able to provide consistent, nutritious, value-added products to our customers.

We base our animal husbandry practices on the best scientific data available, new technologies and hands-on experience. We are proud to have a consistent and successful animal welfare program. In this section of the report, we outline our commitment; however, it's important to note that the pork industry has many excellent programs—all of which we participate in and explain further in this section—established to promote animal well-being, including:

- Swine Welfare Assurance Program (SWAP): On-farm assessment tool that ensures farms comply with animal care guidelines and have good management and production practices.
- Pork Quality Assurance Plus (PQA Plus): A combination of SWAP and Pork Quality Assurance (PQA) programs that addresses food safety and animal welfare, adding on-farm assessments and conducting sample audits for producers.
- Take Care Program: Education for producers on the responsible use of antibiotics.

- National Pork Board's Trucker Quality Assurance Program: Required certification for all transporters delivering to a Hormel Foods facility to learn about humane care and handling when transporting animals.

## Raising Our Animals: Husbandry

All our animals are raised in barns that provide a climate-controlled environment for protection of the animals and for disease management. On the four company-owned hog farms, 90 percent of our animals are housed in group pens while they are raised for production in Hormel Foods products, and 10 percent are breeding sows that are housed in stalls that protect them from extreme weather conditions, predators, parasites, illness and injuries.

Our commitment to raising healthy, properly-treated animals begins with training, reinforcement and knowledge of our employees' skills. We expect training and proper animal management to be reinforced every day in all employees' behavior. We hold management staff to a very high standard and encourage employees to hold each other accountable by reinforcing proper animal handling techniques.

## Hog Handling

Responsible hog handling begins on the farm, proceeds through transportation and continues once the animals are unloaded at the production plants. Ultimately, proper handling is critical to the welfare of the animals and to the production of quality pork.



### OUR HOG OPERATIONS

- 1 Hormel Foods farm (southeastern Colorado) sells approximately 550,000 weaned pigs each year
- 3 Clougherty Packing Company Farm Operations (Wyoming, California and Arizona) sell 300,000+ weaned pigs and 450,000 market hogs annually

## Pork Procurement and Processing

For the Hormel Foods plants in Austin, Minn., and Fremont, Neb., we purchase 95 percent of the hogs we process from independent, family farmers from across the Midwest. All of the hogs are purchased through the lean pork value table, and we pay a premium for properly sorted, consistent, lean hogs that meet some of the industry's most stringent requirements. These requirements ensure that hogs purchased by Hormel Foods are healthy, top quality animals and, therefore, have been properly managed and treated well.

The vast majority of these hogs are purchased from producers under contract



terms. These terms state animal welfare will be their top priority. The producers agree to comply with all local, state and federal laws and are required to participate and complete industry programs related to animal welfare.

We recognize hog producers who exemplify Hormel Foods' commitment to quality through our Spirit of Excellence Awards, which reward suppliers that consistently meet Hormel Foods' stringent requirements.

Quality Pork Processors Inc. (QPP), which is a third-party contractor in Austin, Minn., Hormel Foods' plant in Fremont, Neb., and Clougherty Packing Company in Vernon, Calif., are the pork processing operations that provide the company with raw materials. These three operations process 9.35 million hogs annually.

Company facilities that manufacture meat and food products are located in Austin, Minn.; Algona, Knoxville, and Osceola, Iowa; Atlanta, Ga.; Aurora and Rochelle, Ill.; Beloit, Wis.; Fremont, Neb.; Stockton, Calif.; Wichita, Kan.; and Long Prairie and Browerville, Minn.

### Pork Training and Audits

All producers who sign a contract with us are required to complete a certification program through the National Pork Board that educates producers about the 10 good production practices, including animal welfare. The Pork Quality Assurance Plus (PQA Plus)—the newest program from the National Pork Board—must be completed by independent and company-owned farms. A current certificate is required to supply hogs to Hormel Foods. This program is a continuous improvement system launched in June 2007 to enhance food safety and animal welfare through educational training, farm assessments and audits. Participating farms will undergo an on-farm assessment between June 2007 and June 2010. As part of the program, third-party audits of a statistical sample of farms will be performed each year. The goal is to give consumers confidence that U.S. pork is safe and produced in a way that respects animal well-being.

By completing the PQA program, producers demonstrate their commitment to "quality assured" pork production. It teaches them to use the best animal husbandry and handling practices, as well as to use veterinarians in developing their pig care



programs. At the Hormel Foods' Colorado farm, we are voluntarily participating in the USDA Process Verification Program, which includes on-farm audits based on the 10 best production practices from PQA and the Swine Welfare Assurance Program (SWAP). Having a quality management system that is validated with audits promotes a program of continuous improvement and allows us to take on-farm Hazard Analysis Critical Control Point (HACCP) to the next level.

Our plant employee training educates workers about the proper ways to handle and move animals throughout our facilities. For example, we educate employees about

proper techniques to handle equipment to keep animals more comfortable. All personnel involved in receiving the hogs that Hormel Foods procures have been trained, tested and audited to ensure proper and humane handling of all animals received at our facilities. Documentation of the initial training and annual recertification is kept on file.

In addition, transporters must complete the National Pork Board's National Trucker Quality Assurance Program. This program was originally developed by Hormel Foods employees before being adopted as an industry standard. This training covers the responsible way to treat and handle animals during transportation and delivery. Objectives of the training program include methods to reduce stress on pigs, techniques for loading in severe weather conditions and techniques to handle non-ambulatory animals. Truckers are taught to recognize the pigs' flight zones and points of balance to aid in driving pigs. They also learn approved bio-security procedures, including proper methods for cleaning trucks.

### Total Number of Audits Performed (FY 2006)

HORMEL FOODS COLORADO FARM

12  
AUDITS

HORMEL FOODS PLANTS

686  
AUDITS



## Our Turkey Operations

Our breeder farms produce 25 million eggs annually for three company-owned hatcheries and one contract hatchery. These hatcheries generate 46 million turkeys, which are fed more than 1.45 million tons of feed produced by our feed mills in Minnesota and Wisconsin annually.

Our presence has a significant impact on the local economy as well; for example, we purchase 33 million bushels annually of corn in Minnesota and Wisconsin, helping sustain the local agriculture market.

### Turkey Handling

As one of the largest turkey producers in the industry, Jennie-O Turkey Store is fully committed to the humane treatment of its turkeys throughout the production process. Our animal-handling practices are fully consistent with policies set forth by the National Turkey Federation and the American Veterinary Medical Association.

The company's approach is straightforward: establish clear, simple guidelines and closely monitor adherence to those guidelines every step of the way. We minimize the risk of actual damage to the turkey and minimize the stress placed on it as part of our standard operating procedures for animal handling.



### OUR TURKEY OPERATIONS

- 11 breeder farms
- 3 hatcheries
- 8 feed mills
- More than 100 company farms throughout Minnesota and Wisconsin
- 7 processing plants (Minnesota: Faribault, Melrose, Montevideo, Pelican Rapids, two facilities in Willmar. Wisconsin: Barron)

We are leaders in ensuring we raise, transport and process our animals in a humane manner with minimal stress. Furthermore, some of the handling procedures we created have been adopted by national trade organizations. We were pioneers in the use of anesthetizing techniques on animals prior to processing.

### Turkey Training and Audits

New employees undergo a thorough training program upon joining the company with the use of videos and still photos to emphasize various aspects of the training. We constantly emphasize guidelines for existing employees through a rigorous auditing process that includes monthly, quarterly and annual inspections. These audits gauge employee compliance with handling procedures, but also ensure basic welfare guidelines are being followed for factors, such as air and water quality, access to food and other criteria.

Company farms and processing plants regularly perform well in these audits, but the goal is to improve continuously and address problems that are found.

When third-party audits are conducted in our plants, farms, and hatcheries, we have consistently scored in the highest category. In FY 2006, four external audits were per-

formed by outside auditors in our plants. Daily audits are completed to ensure the processing facilities are complying with animal welfare practices. The result is a daily awareness of humane treatment that makes each employee a participant in the program.

### Harvesting of Turkeys

The processing of turkeys, as with all animals used in meat production, has generated controversy in some quarters about the most humane process. Jennie-O Turkey Store uses Controlled Atmosphere Stunning and electric stunning methods, both of which are generally accepted methods for humanely anesthetizing turkeys prior to processing. Other methods have been proposed, and the company continues to review alternatives to ensure its processing methods remain best-in-class.

### Collaboration with the Industry

In several of our plants across our hog and turkey facilities, we invite trainers and trainees to visit and see first-hand our facilities to have a more realistic training experience. One way we demonstrate our commitment to partnering with the industry is by collaborating with the Professional Animal Auditors Certification Organization (PAACO). Company-wide, we have four employees involved in monitoring animal welfare who are PAACO-certified auditors and have attended in-depth training and passed a comprehensive exam.

Jennie-O Turkey Store provides the Minnesota Turkey Growers Association and the Minnesota Turkey Research & Promotion Council the majority of support received from the industry within the state of Minnesota. During a 12-month period from June 2006 to May 2007, the company contributed \$360,000 to these organizations to support the turkey industry.

### Innovation and Investment

At Hormel Foods we continue to invest in innovative ways to improve our pork and turkey processing.

One area where Jennie-O Turkey Store has shown exceptional leadership is developing innovative processes to improve turkey handling. The company has a patented process that allows turkeys to be placed onto trucks and into specifically designed pens with minimal handling. Minimizing

### Total Number of Audits Performed (FY 2006)

JENNIE-O TURKEY STORE HATCHERIES

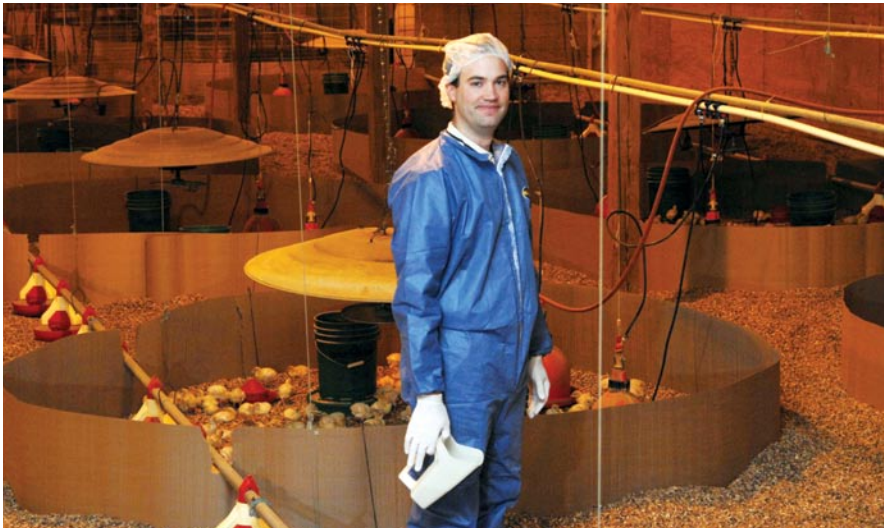
12  
AUDITS

JENNIE-O TURKEY STORE FARMS

100  
AUDITS

JENNIE-O TURKEY STORE PLANTS

56  
AUDITS



Wayne Kelling, a live production manager, feeds poults at a Jennie-O Turkey Store brood facility.

“Hormel Foods is committed to agriculture. The Professional Animal Auditor Certification Organization (PAACO) has had the privilege of working with Hormel Foods to train and certify animal welfare auditors at their facilities. Hormel Foods is truly committed to agriculture, the livestock producers, the welfare of the animals and the concerns of their customers. As PAACO’s Board Chair, I appreciate the partnership Hormel Foods has extended to maintain exceptional animal well-being in animal agriculture.”

Angela Baysinger, DVM, MS

handling reduces risk of injury and stress for the turkeys. It also reduces the risk of injury among workers because they are no longer lifting turkeys that can weigh up to 60 pounds. In addition, many processes in our breeder farms are automated, which reduces the stress on the turkeys.

We are proud to have one of the most state-of-the-art hog holding facilities in the industry. We invested \$6.2 million to add on to and renovate the livestock yard in our Austin, Minn., pork plant. For more information, see page 34.

### Antibiotics

On our company-owned farms, we practice the judicious use of antibiotics. Licensed veterinarians prescribe approved medications and dosage levels to properly treat, control and prevent illness in the animals. All animal medications are regulated by the Food and Drug Administration (FDA). We also participate in the National Pork

Board’s “Take Care. Use Antibiotics Responsibly” program.

Hormel Foods employs three licensed veterinarians that work with the company-owned hog operations. At Jennie-O Turkey Store, five veterinarians are employed. Their responsibilities include overseeing the direction and management of all livestock health assurance programs.

### Animal Welfare Research

At Jennie-O Turkey Store, we developed and use a research truck trailer to understand issues related to transportation of livestock from the farm to the plant. The trailer simulates different weather conditions and monitors whether the outdoor environment affects the quality of the product.

At Jennie-O Turkey Store’s Barron, Wis., location, we have a state-of-the-art research facility that looks to improve the various stages and issues of raising turkeys.

Hormel Foods is also working with its hog producer partners to research group sow housing as well as monitor industry best practices and implement what is best for our animals based on these learning experiences. We will be phasing out gestation stalls and moving to group sow housing at our Clougherty Packing Company Farm Operations in Arizona by 2013.

### Industry Representation

Industry representation in national and local organizations helps Hormel Foods share opinions and be a thought leader within the food industry. It also provides valuable communications with retailers and customers, allowing us to have continuous dialogue on key issues. We are proud to have a representative, serving either as a member, as an officer or on the board of directors of industry organizations, including:

- Agriculture Facility Siting Board
- American Association of Avian Pathologists
- American Association of Swine Veterinarians
- American Meat Industry Animal Handling Committee
- American Veterinary Medical Association
- Animal Agriculture Alliance
- Arizona Pork Council
- California Grain and Feed Association
- California Pork Producers Association
- Farm Bureau
- Midwest Food Processors Board of Directors
- Minnesota Grain & Feed Association
- Minnesota Pork Producers Association
- Midwest Poultry Consortium
- Minnesota Trucking Association
- Minnesota Turkey Growers Association
- National Pork Board
- National Turkey Federation Board of Directors
- National Pork Producers Council
- Wyoming Pork Producers Association

# Living Out Our Principles

PROCESS

## Nothing Wasted: Feed Mills

At Jennie-O Turkey Store's feed mills, even a sunflower shell doesn't go to waste.

Through partnerships with manufacturers and other companies in the Minnesota and Wisconsin area, the company reuses materials such as sunflower hulls, wood shavings and oat hulls to produce feed and bedding for our turkeys. In total, we use 49 ingredients in our feed from 83 suppliers. Here's a list of some of our ingredients:

### What we buy:

- Sunflower hulls: bought from other companies and reused as a bedding source and later as a fertilizer
- Wood shavings: by-products from other manufacturing processes, including window manufacturers and lumberyards
- Oat hulls: bought from oat manufacturers and reused as a bedding source
- Soybean meal: bought from manufacturers after extract of oil and used in feed as a source of protein
- Bakery meal: used in feed
- Distillers dried grains: by-products of ethanol industry used in feed
- Meat and bone meal: by-product of processing plants used in feed

### What we sell:

- Egg shells: sold to other manufacturers for rendering and use in fertilizer
- Turkey litter: sold to a power plant to use as a source of energy and sold as organic fertilizer
- Ash: from burning turkey litter, ash is sold to a manufacturer to reuse as a fertilizer
- Animal fat: sold as biodiesel fuel

By reusing and recycling these by-products, materials are kept out of the landfill and new products are produced. It's a cycle that benefits everyone.



## One-on-One Attention: Veterinarians

At Jennie-O Turkey Store, we are proud our five veterinarians spend the majority of their time out in the field and have developed a personal relationship with the farmers. As regular visitors to company-owned and labor-equity farms—as many as 2-5 days per workweek are spent on the farm—our staff veterinarians have one-on-one interaction with the farmers and livestock, allowing them to effectively monitor the animals and offer more knowledgeable follow-up treatment to maintain the health of the animals. This personal attention also helps educate farmers on ways to improve the health of the livestock and more efficiently monitor the animals.

Another example of the important role veterinarians play at Hormel Foods can be seen at Clougherty Packing Company where two licensed veterinarians' responsibilities include overseeing the company-owned hog farms and the procurement and the delivery of healthy, high-quality livestock from selected suppliers as well as overseeing the live production and feed mill facilities for

the farms, which are located in California, Arizona and Wyoming. In addition, the staff veterinarian for the hog farm operations works directly with the production management teams in each location to oversee all preventive and diagnostic medicine activities, veterinary care and health assurance programs for the company.

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## Spotlight on our Producers *Here's a look into the lives of two partners.*

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Hormel Foods buys the majority of hogs from producers that are independent family farmers that are non-company-owned. Large and small, these producers are the backbone of what we do. We demand the highest quality from these producers, which they continue to provide.

### Daryl Olsen: AMVC Management Services

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As the president of the American Association of Swine Veterinarians and CEO of the Audubon-Manning Veterinary Clinic's (AMVC) Management Services in Audubon, Iowa, Daryl Olsen loves animals and takes pride in producing top-quality healthy hogs.

It was this commitment to quality that drew Olsen to Hormel Foods during an industry meeting almost nine years ago. Soon after, AMVC began its business agreement with Hormel Foods and began supplying Hormel Foods with hogs.

"It is their business philosophy to provide the very best product possible," Olsen said. "So, it's obvious they want to purchase the very best hogs. We meet regularly to discuss ways we can help them produce a better product and work together to meet that goal. The collaboration we have with them is really a practice I have never seen before in other packers."

AMVC is a livestock production company that also provides veterinary services—an uncommon business in today's marketplace. But Olsen, who grew up on a farm in South Dakota and worked in live production for two and half years before starting vet school, said it is a logical progression of the business that is committed to raising healthy animals. As a pork producer, he is not alone in the commitment to animal welfare.

"Pork producers are the best ambassadors for animal welfare in the United States," Olsen said. "They set the standard and do everything they can to make sure their animals have the best animal welfare."

Olsen has been an owner of the company for 25 years and is a graduate of Iowa State University College of Veterinary Medicine. With his background and training in science and as the president of the American Association of Swine Veterinarians, he is a strong advocate for the judicious use of antibiotics in livestock.

"Proper judicious use of antibiotics is going to ensure the consumer a better product and a healthier product in the end," he said. "As a veterinarian, my decisions are science based, and it's important for consumers to know we understand how to use every antibiotic according to strict guidelines in swine production today so it does not risk the consumer."

Olsen also has expertise in animal welfare and has seen the steps the industry takes to stay current with the best practices that will make the animals as comfortable and healthy as possible—one practice that has received focused attention of late is gestation stalls.

"From a science perspective, we should evaluate all practices," he said of gestation stalls. "I hope we continue to make sound decisions based on science and what is good for the animals."



AMVC employees help provide veterinary services and are part of the livestock production company.

# Living Out Our Principles

PROCESS

## Gary Thome: Thome Family Farms



One of eight children, Gary Thome grew up on a farm that his father managed in rural Minnesota. He began farming in 1977 with 20 sows. Now with a family of his own, Thome owns Thome Family Farms, a three-site operation with 500 sows that involves Thome, his wife, Jane, their two sons and their families.

All within three miles of each other, members of the family live on acres of farm as part of the business. His son, Matt, is in charge of the farrowing operation—where pigs give birth. His other son, Pat, is responsible for crops and maintenance. Thome pitches in where he is needed and manages records and paperwork.

“Over the years, we have gone from my wife and I being on 132 acres to our three families on about 1,400 acres,” Thome said. “As neighbors have retired, we’ve been able to buy their land because they knew the land would be in good hands. They saw our stewardship—how we took care of the land, the quality of production and our conservation practices.”

In 1995, Thome signed a long-term agreement to sell pigs to Hormel Foods. Because of this agreement, Thome had access to the capital required to partner with Mark Schaefer, forming Schaefer Thome Pork to operate a finishing facility—a site where farmers grow pigs until they are large enough to be sold to Hormel Foods according to strict health guidelines.

In total, Schaefer Thome Pork inventories approximately 15,000 pigs and works with six other farm families within a 10-mile radius of Adams, Minn., to manage this operation. As a multi-family endeavor, farming in this community affects more than just the farmers—veterinarians, feed mill employees, power washers and many others are employed because of the farming community. “Our pork production provides turnover of dollars in the community,” Thome said. “When we get paid from Hormel Foods, those dollars get multiplied.”

Committed to helping others in the community improve their pork operations, Thome teaches a class at Riverland Community College in Austin, Minn. He works with about 50 farm families on ways to improve their business based on keeping records and provides a computerized analysis of the business to meet farm and family goals. “Ninety percent of our time is spent at the kitchen table, looking at the numbers, analyzing where they are at and helping them build a business plan,” Thome said.

## State-of-the-Art



It is important our hogs be as comfortable as possible when they arrive at our plants. And we aren’t just saying that.

In the first part of 2008, we will proudly finish our \$6.2 million state-of-the-art livestock holding facility in our Austin, Minn., plant. The new addition and renovation of the existing structure has taken about a year and a half to construct. The new features improve hog mobility and comfort, providing hogs important rest and recovery time and climate-controlled conditions.

Features include a level walking area so the animals do not have to navigate steep inclines or declines, controlled heating in the floors, a sprinkler system for cooling, an employee walkway between pens to promote better hog movement and reduce the chance of employee injury, and optimum overhead lighting.

“Hormel Foods has been a leader and one of the most supportive companies on providing access to their plants for animal welfare auditor training. They have opened up their doors for Professional Animal Auditor Certification Organization (PAACO) auditor training, which will help improve animal welfare throughout the entire meat industry. They have also been a leader in working with university researchers on studies that will improve animal welfare during transport and handling at the plant.”

Temple Grandin, *Professor, Department of Animal Sciences, Colorado State University*

# Products

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“ **GOAL:** Increase global preference for Hormel Foods products—becoming the brand consumers and customers think of first when they think of meal solutions. ”

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# Principles Platform

OUR APPROACH TO CORPORATE RESPONSIBILITY

## Products

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To deliver wholesome, nutritious and great-tasting products to our consumers, we concentrate our efforts on the following:

### Food Safety

Produce safe products through research, sharing of best practices and going beyond national and international standards

### Food Quality

Emphasize continuous improvement and exceed industry standards to create the highest quality products

### Health & Wellness

Offer product options that include high protein, low sodium and nutritious choices for consumers

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# Products

## A History of Innovation

Hormel Foods has a long history in producing innovative products.

Starting in 1926, Hormel Foods introduced canned ham—the first product of its kind. Hormel Foods followed this with the introduction of *Hormel*® chili and *Dinty Moore*® beef stew in 1935. *SPAM*® luncheon meat was introduced in 1937, and in 1949, *Mary Kitchen*® roast beef hash, *Mary Kitchen*® corned beef hash and *Hormel*® deviled ham were launched. In 1959, *Hormel*® Little

*Sizzlers*® pork sausage was introduced, and in 1963, *Hormel*® *CURE 81*® ham was launched after an extensive research project involving almost 1,000 homemakers in 16 American cities.

In 1987, Hormel Foods introduced *Top Shelf*® main dish entrees—the first unfrozen, shelf-stable line designed specifically for the microwave. The company also introduced *Hormel*® microwave bacon in 1988.

Hormel Foods' innovation extends beyond retail as we were one of the first national manufacturers to introduce Applewood smoked bacon to the foodservice industry in 2000.

Jennie-O Turkey Store introduced the *Jennie-O Turkey Store*® Oven Ready turkey in 2004—a revolutionary item that goes from the freezer to the oven without the need to thaw, clean and prep.



## Promises to Consumers

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- Anticipating, listening and responding to consumer wants and needs with innovative new products
  - Developing loyal consumers through continuous improvement of product quality and consistency
  - Being a trustworthy provider of wholesome, nutritious and great-tasting food products
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## Promises to Trade Customers

- Providing service that is innovative, responsive, reliable, courteous and professional
- Developing partnerships with our customers to assure mutual success

### Food Safety

We provide flavorful, nutritious and safe food products through well-known and trusted brands, such as Jennie-O Turkey Store, Hormel, Hormel Always Tender, Black Label and many more. Our consumers' well-being is a top priority and always has been. Through innovative technology and strict adherence to proven procedures, Hormel Foods has established itself as a trusted source in the industry and a leader in food safety.

### Technology

In each of our facilities, we train employees according to sanitation design and equipment principles and procedures, which we helped develop, encouraged by the American Meat Institute (AMI) to help prevent food-borne illness. Our research and development division produces many ideas for new procedures and technologies, including TRUETASTE™ technology—the key driver in our innovative Hormel® Natural Choice® products.

### Food Quality

Hormel Foods was recognized with the Food Quality Award in 2006 for our outstanding achievements in food safety investments and commitment to assuring quality products. Sponsored by DuPont Qualicon and presented by *Food Quality Magazine*, the Food Quality Award honors food companies that have demonstrated success in protecting consumer health, improving consumer satisfaction and safeguarding the North American food supply.

### Food Preparation

We help educate consumers with information on our Web site of proper food handling and preparation. By visiting our Web site, [www.hormelfoods.com](http://www.hormelfoods.com), you can find out how Hormel Foods is helping to educate consumers on proper techniques to ensure the safe products we produce remain that way once you bring them home.

### Promise

Developing loyal consumers through continuous improvement of product quality and consistency

### HACCP Courses

For many years, Hormel Foods has aggressively developed formal Hazard Analysis of Critical Control Points (HACCP) plans to assure the safety of every product we produce. Based on seven HACCP principles outlined by the U.S. Department of

Agriculture (USDA), the system includes detailed sanitation procedures and practices and involves routine audits of our HACCP and sanitation systems.

Our HACCP courses have been approved for accreditation by the International HACCP Alliance.

### Audits and Training

We want retailers, foodservice customers and consumers to trust that the products we deliver are of the highest quality. All Hormel Foods and subsidiary facilities are audited for adherence to our quality, food safety and sanitation programs by internal staff as well as by several third party auditing organizations, including NSF-Cook & Thurber and Silliker.

The quality, food safety and sanitation programs of suppliers of key ingredients are also evaluated by internal staff as well as by several third party auditing organizations.

We make training a priority. To find more information on the training we provide for our employees, please see page 14.

### Did you know?

*Hormel® Natural Choice®* deli sandwich meats are 100 percent natural with no preservatives, like sodium lactate or potassium lactate, and no artificial colors or flavors. The ingredients and meat are also minimally processed.

### Health and Wellness

Hormel Foods offers a variety of wholesome quality products that can satisfy any meal or snack-time urge. For example, our protein offerings include pork, turkey, beef and chicken.

Hormel Foods and our subsidiaries are committed to providing healthy protein offerings; in fact, the *Hormel® Natural Choice®* deli sandwich foodservice offering contains 45 percent less sodium than regular deli sandwich meat. The lower-sodium level



qualifies *Hormel Natural Choice* for use in hospitals and foodservice venues where low-sodium products are prevalent.

Other products include:

- *Valley Fresh®* and *Hormel®* chunk meats offer low fat, low calorie choices.
- *Herdez®* and *CHI-CHI'S®* salsas are a low calorie, low fat, low sodium condiment or ingredient.
- *Carapelli®* olive oil offers a good source of monounsaturated fatty acids, "good fat."





## Promise

Being a trustworthy provider of wholesome, nutritious and great-tasting food products

### The Benefits of Pork

Pork has become an increasingly versatile product—it provides consumers a lean, flavorful protein in salads, pasta dishes, stir-fry, sandwiches and more. In fact,



six common cuts of pork, including the tenderloin, have 27 percent less saturated fat than they did 15 years ago.

### A Variety of Turkey Options

Our Jennie-O Turkey Store products have changed how people look at turkey. We offer products for every meal occasion, including deli-sliced sandwich meat, turkey burgers, fresh ground turkey or whole turkeys.



## Recognition in the Industry

### Spirit of Innovation Award

Hormel Foods was recently awarded the “Spirit of Innovation Award” by *Prepared Foods* magazine, the industry’s leading product development magazine.

Hormel Foods was presented with the award, which honors new products for innovation and product development teams for teamwork and creativity, for its food-service line of *Hormel® Natural Choice®* pre-sliced deli meats.

Dr. Phillip Minerich, Hormel Foods vice president of research and development, attended the Prepared Foods New Products Conference in Amelia Island, Fla., last fall, where he gave a presentation about the product and discussed the challenges the development team faced.

During his presentation, Dr. Minerich discussed how the product development team had to “think in reverse” to determine how to keep the product natural, low in sodium and great-tasting without adding artificial ingredients, colors, flavors or preservatives.



### Category Management Awards

Progressive Grocer's Category Management awards are one of the highest honors a company can receive for its products among other food companies.

In 2006, Hormel® Natural Choice® deli sandwich meats received the Category Captain award—the gold in its category—and Hormel® microwave meals received the Category Advisor distinction—the silver in its category.

Both awards demonstrate Hormel Foods' commitment to quality through innovation and steadfast safety, which is embodied in all our products.



### Promise

Providing service that is innovative, responsive, reliable, courteous and professional

### Deli Processing Award

The *National Provisioner* recently recognized Hormel Foods as one of five companies that received the 2006 Deli Processing Awards. Hormel® Natural Choice® was chosen by the editors for its innovation in the line of deli sliced meats.

### Resources for Retailers

Hormel Foods provides retailers with many resources to ensure quality, consistent products for consumers, including training courses. These serve to protect employees as well as consumers.

One such training program we use is the National Restaurant Association Educational

Foundation's ServSafe program, which is a one-day training course that discusses:

- Personal Hygiene
- Types of Contamination (Physical, Chemical, Biological)
- Purchasing Ingredients
- Receiving Procedures
- Storage Procedures
- Good Food Handling Techniques
- Hazard Analysis and Critical Control Point (HACCP)
- Preparation/Cooking
- Serving
- Hot/Cold Holding
- Chilling
- Cleaning/Sanitizing

Trained Hormel Foods personnel have developed presentations based on the ServSafe book, which discusses topics from the book, videos from the National Restaurant Association (NRA) as well as

# Living Out Our Principles

PRODUCTS

## Our Investment in Product Technology Earns the Distinction of Being “A Cut Above”



Bill Snyder (second from left) and Bryan Farnsworth (second from right) accept the 2006 Food Quality Award.

Hormel Foods won the 2006 Food Quality Award from *Food Quality Magazine* for our use of technology in manufacturing *Hormel® Natural Choice®* deli meats. Through high pressure pasteurization, the end product is safe, full of flavor and does not contain preservatives.

More than 250 industry professionals were on hand in March 2007 at the Food Safety and Security Summit in Washington, D.C. where Bryan Farnsworth, vice president of quality management, and Bill Snyder, senior vice president of supply chain, accepted the award on Hormel Foods' behalf.

This award demonstrates our commitment to investing in food quality, safety and security – a commitment that began with George A. Hormel in 1923 when he said, “Don’t expect big results unless you are personally analyzing your work to see how you can bring it up to a higher standard.”

We invest in new technologies if they will produce a better product. And we expect big results.

other hands-on examples. At the end of the training session, attendees take a test written by the NRA, which consists of 90 multiple-choice questions. Tests are sent to the NRA's Education Foundation, for scoring; attendees must obtain a score of 75 percent or greater to pass, and those who achieve this receive certificates from the NRA.

### Customers are Our Partners

Hormel Foods maintains long-term relationships with customers and believes in the power of two-way communication.

### Responsible Marketing

We support our wholesome, quality and great-tasting products through a variety of marketing efforts, including national print and broadcast advertisements, public relations campaigns, free-standing inserts, point-of-purchase displays, etc.

Hormel Foods does not target children with advertisements.

### Continuous Improvement

To continue producing flavorful, nutritious, quality products, we monitor consumer feedback diligently. It's important we under-

stand consumers because we want them to have a satisfying experience every time they try a Hormel Foods product. Our Consumer Services group fielded 127,400 contacts in FY 2006 via mail, toll-free lines, e-mail and the Internet.

### *Promise*

Developing partnerships  
with our customers to assure  
mutual success

# Performance

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“ **GOAL:** Proactively manage the business to ensure sustainability and increase value to shareholders by delivering growth in net sales and profitability. ”

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# Principles Platform

OUR APPROACH TO CORPORATE RESPONSIBILITY

## Performance



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To maintain the highest integrity and success of our business,  
we are committed to:

### Corporate Governance

Promote best governance practices, committing ourselves to the highest  
standard of transparency and accountability

### Financial Sustainability

Increase shareholder value by delivering profitability through sound  
economic decisions

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# Performance

## Integrity in Corporate Governance

To maintain the highest integrity and success of our business for our shareholders, employees and customers, we follow the best governance practices, committing to the highest standard of transparency and accountability while increasing shareholder value.

### Ethics and Conduct

Hormel Foods has a Code of Ethical Business Conduct that establishes basic principles to guide all employees, officers and directors of the company. Beyond obeying the laws of the cities, states and countries in which we operate, our Code is aligned with the corporate values stated in Our Way.

The full Code is posted on our Web site – [www.hormelfoods.com](http://www.hormelfoods.com). In it, we clearly state our zero tolerance for illegal political contributions, insider trading or activity that violates federal antitrust regulations. Also, we commit to being transparent, timely and accurate in our financial reporting, complying with prescribed accounting, internal accounting, and auditing procedures and controls at all times.



Hormel Foods' employees maintain the highest integrity in financial reporting.



This code also describes our commitment to other areas of our business, which we report on in more detail in other areas of this report, including diversity in the workplace, safety of our employees and the integrity of our products.

It is essential that our Code of Ethical Business Conduct is communicated to all employees. To ensure that it is understood throughout the company, we require that all employees read through and sign the Code during their orientation with the company.

Our employees are encouraged to call 1-800-750-4972 if they see anything that does not fit Our Way. This hotline is operated by an independent third-party organization.

### Board of Directors & Governance Committee

The diversity of our board is very important to Hormel Foods to ensure a wide range

of perspectives and backgrounds are involved in decision-making. Our Board of Directors includes 13 members who bring a multiplicity of skills, talents and backgrounds to their roles. Of the 13 members, 10 are independent. Evaluating the Board of Directors is the responsibility of our Governance Committee, which currently is comprised of five independent directors who meet the independence requirements of the New York Stock Exchange. Some of their responsibilities include identifying and making recommendations for qualified individuals to sit on the board, annually assessing the effectiveness of the board against the company's objectives and monitoring compliance with the governance principles. To learn more about our board members, visit [www.hormelfoods.com/about/company/leadership.aspx](http://www.hormelfoods.com/about/company/leadership.aspx).

### Executive Compensation

Hormel Foods' incentive-based system for

executive compensation is driven by a commitment to shareholder value and rewarding a job well done. Factors we consider to determine the value of executive compensation include:

- Individual performance
- Competitive market data
- Overall performance of the company

The Compensation Committee benchmarks the pay structure annually and reviews it against feedback from the Board of Directors. The Committee also looks at the goals set by Hormel Foods in the beginning of the year to complete its review.

Above all, executives are expected to uphold the highest integrity, which is at the core of our corporate values. We believe these values are instrumental in developing future leaders and retaining the most talented executive team. In fact, we have only had nine CEOs in our 116-year history.

HORMEL FOODS AT A GLANCE 2006 FISCAL YEAR SEGMENT FINANCIAL RESULTS			
		Net Sales (Millions)	Operating Profit (Millions)
	Grocery Products	\$846.5 15% of Total	\$137.6 28% of Total
	Refrigerated Foods	\$3,018.6 52% of Total	\$149.1 31% of Total
	Jennie-O Turkey Store	\$1,105.4 19% of Total	\$128.7 27% of Total
	Specialty Foods	\$624.6 11% of Total	\$48.6 10% of Total
	All Other	\$150.4 3% of Total	\$17.3 4% of Total

# Philanthropy

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“ Business does not exist apart from humanity. Business is not a vehicle for just getting. Business is a vehicle for giving—a vehicle for getting by giving. ”

Jay Hormel, 1940 during a speech to his salesmen

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# Principles Platform

OUR APPROACH TO CORPORATE RESPONSIBILITY

## Philanthropy

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To serve our communities, we align our core competencies with the needs of the community by focusing on:

### Community Investment

Focus giving on education and health and wellness in local communities  
Support The Hormel Institute's food-based research on health-related issues

### Hunger

Contribute needed protein and shelf-stable products to food banks  
Provide thought leadership and financial support in an effort to eradicate hunger locally and globally

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# Philanthropy

## Hunger

The issue of hunger is close to our hearts at Hormel Foods. As a leader in the food industry, we have a unique opportunity to provide thought leadership and take action against hunger.

This is why Hormel Foods convened the first-ever Minnesota Hunger Summit in cooperation with America's Second Harvest and Second Harvest Heartland. It is also why Hormel Foods has donated food products and funds to food banks for years.

In 2006 and 2007, we led food industry efforts by funding the Hormel Foods



Vicki Escarra, Jeff Ettinger and Sen. Norm Coleman at the 2006 Minnesota Hunger Summit.

Hunger Survey: A National Perspective—a study about Americans' perceptions of hunger. These results were released at hunger summits in Minnesota and Ohio to provide the industry a better understanding of American attitudes and behaviors around poverty and hunger.

We continue to think globally and act locally on this important issue. Hormel Foods hopes to hold future hunger summits in various states across the nation to continue the dialogue and to partner for real solutions that can end hunger.

### Partnership with America's Second Harvest

Hormel Foods was an Official Protein Sponsor of America's Second Harvest—The Nation's Food Bank Network in 2006. Though we have donated product and funds since America's Second Harvest began in 1979, we expanded that relationship by sponsoring hunger summits and research about Americans' perceptions of hunger.

### Eradicating Hunger

Hormel Foods sponsored the Minnesota Hunger Summit in December 2006 and the Ohio Hunger Summit in October 2007.

In conjunction with sponsoring the Minnesota Hunger Summit, Hormel Foods announced a special donation to the six Second Harvest Heartland food banks serving Minnesota. We did this to illustrate how the private sector can make a broader commitment to end hunger.

Hormel Foods donated the entire production run of one eight-hour shift that makes its 5-ounce *Hormel*® chunk ham product at its Austin, Minn., facility—totaling 85,000 cans. We chose this donation to specifically address the critical need food shelves have for protein products. Protein-based donations received at food banks represent only 3 percent of food donations. In FY 2006 and through the first half of FY 2007, we donated 1.18 million pounds of product to food banks.

# Community Investment

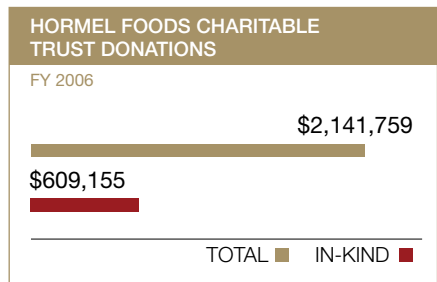
Though our employees are located in various cities and towns around the country, we share a vision of investing in our local communities—our employees tutor after-school programs, sit on boards and raise money for various charities. As a company, including our subsidiaries, we award more than \$125,000 in scholarships every year.

Corporation-wide, we are involved in some of the following organizations:

- United Way
- Salvation Army
- March of Dimes
- YMCA
- Local food shelves
- American Cancer Society

## Hormel Foods Charitable Trust

Hormel Foods Charitable Trust focuses its community investment on education and health and wellness. Through the Hormel Foods Charitable Trust, the company's giving totaled more than \$2.1 million in FY 2006.



Hormel Foods' employees give back to their communities in many ways. Through Habitat for Humanity, employees help build a house every summer.

## The Hormel Foundation

The Hormel Foundation is a separate entity from Hormel Foods, as it was founded by the Hormel family in 1941 to benefit Mower County, Minn.—the location of the company's headquarters. The foundation contributed \$3 million to area organizations in 2006.

## Hormel Institute

In 2006, Hormel Foods pledged \$5 million to help build a larger, newer Hormel Institute—a research facility that employs some of the world's leading scientists who study how food can help improve lives. Founded in 1942 as part of the graduate school at the University of Minnesota, The Hormel Institute's research currently focuses on discovering safe, food-based compounds that can be used to prevent cancer. The new facility is expected to be completed by March 2008 and will provide more resources and modernized equipment for scientists and researchers.

In addition to our pledge, President of Protein Business Units, Gary Ray, sits on the board of The Hormel Institute.

## Volunteerism

We encourage our employees to volunteer. In some instances, employees are given flex time to volunteer, attend community board meetings or get involved in other meaningful ways. In 2006, employees donated their time to the United Way, American Red Cross, Habitat for Humanity and many others.

# Living Out Our Principles

PHILANTHROPY

## CHI-CHI'S and Valley Fresh Team Up to Fight Breast Cancer



As the maker of *CHI-CHI'S*<sup>®</sup>, Hormel Foods is proud to partner nationally with Susan G. Komen for the Cure to donate up to \$175,000 to the breast cancer awareness organization.

Customers were able to participate and help determine the value of the donation by redeeming specially marked coupons worth 25 cents through Oct. 31, 2007.

CHI-CHI'S was also proud to sponsor 2007 Susan G. Komen Race for the Cure<sup>®</sup> events, including the Susan G. Komen Twin Cities Race for the Cure<sup>®</sup> at the Mall of America on Mother's Day, May 13, 2007.

Valley Fresh Inc., one of the newer acquisitions to the Hormel Foods family, is also a proud 2007 national partner with Susan G. Komen for the Cure. Valley Fresh is donating up to \$150,000 through customers redeeming special product packaging coupons from May 2007 to October 2007.

At the Susan G. Komen Race for the Cure<sup>®</sup>, 27 Hormel Foods employees and family members participated in the Fayetteville, Ark., race April 21, 2007, as part of the Valley Fresh team. At final count, the event was attended by more than 16,000 participants and raised more than \$800,000 for cancer research.

In total, Valley Fresh sponsored a half dozen Susan G. Komen Race for the Cure<sup>®</sup> events around the country.

## Jennie-O Turkey Store Donation Helps Local Environmental Learning Center Expand



Prairie Woods garden sits as an example of the natural resources Hormel Foods seeks to protect through responsible giving and business operations.

The founder of Jennie-O Turkey Store, Earl B. Olson, led efforts to raise money for a major expansion project for the Prairie Woods Environmental Learning Center—a non-profit learning center near the headquarters of Jennie-O Turkey Store in Minnesota.

In 2006, Jennie-O Turkey Store pledged \$50,000 to help fund the expansion in addition to funding from area residents, board members and the entire community.

Completed in September 2007, the expansion included the addition of multi-purpose rooms and an expanded exhibit area. The west addition was named in honor of Olson, a major supporter and early contributor to Prairie Woods, to help carry out its mission of promoting a commitment to the responsible use, management and preservation of our natural resources.

# Living Out Our Principles

PHILANTHROPY

## Farmer John, L.A. Dodgers Partner for Children's Hospital



2006 season donation

For the 12th year, Farmer John has partnered with the Los Angeles Dodgers to help those in need. During the 2006 season, the Farmer John Saves Campaign helped raise funds for the Mattel Children's Hospital at UCLA Cancer Research Foundation. Each time a Dodgers relief pitcher entered the game and recorded a "save," Farmer John donated \$500 to UCLA Children's Hospital Cancer Research Foundation.



2007 season donation

The Mattel Children's Hospital at UCLA is located in Westwood. The UCLA Children's Hospital Cancer Research Foundation helps support cancer research at UCLA. The main goal of the Foundation is to help researchers at UCLA study the causes of cancer and find potential cures to treat children with cancer and blood diseases.

On Sept. 15, 2006, Farmer John presented a check for \$17,000 to the Mattel Children's Hospital Cancer Research Foundation. In 2007, Farmer John gave \$21,500. In total, Farmer John has donated more than \$237,000 to noteworthy charities throughout Southern California during the past 12 Dodger baseball seasons.



As part of our commitment to health and wellness, Hormel Foods partnered with Hy-Vee Stores to sponsor three triathlons in May and June 2007. Our participating employees are pictured above.

## Hy-Vee and Hormel Foods Partner for Triathlons

As part of our commitment to health and wellness, Hormel Foods partnered with Hy-Vee Stores to sponsor three triathlons in May and June 2007—the Hy-Vee/Hormel Kids Triathlon in Sioux City, Iowa, the 2007 Hy-Vee BR World Cup Triathlon in Grays Lake, Iowa, and the 2007 HyVee Age Group Triathlon in Des Moines, Iowa.

The Hy-Vee/Hormel Kids Triathlon featured competitions in swimming, cycling and running for children in age group categories 7-10 years and 11-14 years and was held at a local high school.

The Hy-Vee Age Group Triathlon course included a 1,500-meter (1.5K) swim as a single loop course around Gray's Lake, a 24.8 mile (40K) loop bike course through Gray's Lake Park and a 6.2 mile (10K) run course.

The World Cup Triathlon participants competed for more than \$700,000 in prize money and, as an Olympic qualifying event, the chance to compete on a global stage.

As a testament to our employees' determination, 10 employees competed in the race. To prepare, many met weekly for training. Additionally, employees from the Des Moines area formed a volunteer group to staff various aid stations along the triathlon course.

We are proud to support the athletes—of all ages—in their drive and passion to compete and rise to the challenge.

## Spotlight on Our Plants: Hormel Foods Atlanta Employees



The Atlanta plant, located in Atlanta, Ga., participated in charity events during a month-long initiative in April 2007. On April 21, 2007, the plant sponsored a team in the Multiple Sclerosis Walk, Atlanta. This is the fourth consecutive year the Atlanta plant's Employee Enrichment Committee has helped employees form a team to walk for this organization.

More than 1,500 walkers participated, raising \$102,000 in collected pledges on race day. In total, this year's event raised more than \$300,000 to fund research for multiple sclerosis.

Just a week later, the Atlanta plant sponsored a team in Walk America—the March of Dimes' biggest fundraiser to support research and programs to help prevent premature births, birth defects and infant death. This was an inaugural year for the Atlanta plant to help raise money by walking the 5.2-mile walk held in the Centennial Olympic Park.

March of Dimes exceeded its fundraising goal and has raised more than \$1.7 billion since its inception in 1970. Between the two events, numerous employees contributed money, and more than 14 people walked for one or both of the teams.



## 2007 Corporate Responsibility Goals

Focus	Benchmark	Time Frame
Diversity	Promote a more diverse and inclusive workplace	FY 2008, ongoing
Supplier Diversity	Implement a supplier diversity program	FY 2008
Benchmarks	Establish individual benchmarks for measuring energy, solid waste, air, water and wastewater at all 41 facilities	FY 2008
Water Consumption	Reduce water consumption at all Hormel Foods plants and subsidiaries once benchmarks are established at the beginning of FY 2009	2 percent per year for five years
Solid Waste	Increase recycling to 40 percent of total waste	November 2008
Solid Waste	Increase recycling to 50 percent of total waste	November 2011
Energy Consumption	Reduce energy use at all Hormel Foods plants and subsidiaries by 10 percent once benchmarks are established at the beginning of FY 2009	2 percent per year for five years



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**Contact Us:**

We value your opinion and welcome your feedback.

Please visit us on the web at [www.hormelfoods.com/responsibility](http://www.hormelfoods.com/responsibility) for more information and to submit comments.



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