

TYSON FOODS INC  
Form 10-K  
November 19, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended September 29, 2012

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from to  
001-14704  
(Commission File Number)

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

Delaware 71-0225165  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

2200 Don Tyson Parkway, Springdale, Arkansas 72762-6999  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (479) 290-4000

Securities Registered Pursuant to Section 12(b) of the Act:

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

Securities Registered Pursuant to Section 12(g) of the Act: Not Applicable

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer   
Smaller reporting company

Non-accelerated filer  (Do not check if a smaller reporting company)

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

---

On March 31, 2012, the aggregate market value of the registrant's Class A Common Stock, \$0.10 par value (Class A stock), and Class B Common Stock, \$0.10 par value (Class B stock), held by non-affiliates of the registrant was \$5,551,806,987 and \$340,008, respectively. Class B stock is not publicly listed for trade on any exchange or market system. However, Class B stock is convertible into Class A stock on a share-for-share basis, so the market value was calculated based on the market price of Class A stock.

On October 27, 2012, there were 288,751,385 shares of Class A stock and 70,015,755 shares of Class B stock outstanding.

#### INCORPORATION BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the registrant's Annual Meeting of Shareholders to be held February 1, 2013, are incorporated by reference into Part III of this Annual Report on Form 10-K.

#### TABLE OF CONTENTS

	PAGE
<b><u>PART I</u></b>	
Item 1. <u>Business</u>	<u>3</u>
Item 1A. <u>Risk Factors</u>	<u>7</u>
Item 1B. <u>Unresolved Staff Comments</u>	<u>12</u>
Item 2. <u>Properties</u>	<u>12</u>
Item 3. <u>Legal Proceedings</u>	<u>13</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>13</u>
<b><u>PART II</u></b>	
Item 5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>15</u>
Item 6. <u>Selected Financial Data</u>	<u>17</u>
Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>18</u>
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>36</u>
Item 8. <u>Financial Statements and Supplementary Data</u>	<u>38</u>
Item 9. <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	<u>81</u>
Item 9A. <u>Controls and Procedures</u>	<u>81</u>
Item 9B. <u>Other Information</u>	<u>81</u>
<b><u>PART III</u></b>	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	<u>82</u>
Item 11. <u>Executive Compensation</u>	<u>82</u>
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>82</u>
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>82</u>
Item 14. <u>Principal Accounting Fees and Services</u>	<u>82</u>
<b><u>PART IV</u></b>	
Item 15. <u>Exhibits, Financial Statement Schedules</u>	<u>83</u>

Table of Contents

PART I

ITEM 1. BUSINESS

GENERAL

Founded in 1935, Tyson Foods, Inc. and its subsidiaries (collectively, “Company,” “we,” “us” or “our”) are one of the world’s largest meat protein companies and the second-largest food production company in the Fortune 500 with one of the most recognized brand names in the food industry. We produce, distribute and market chicken, beef, pork, prepared foods and related allied products. Our operations are conducted in four segments: Chicken, Beef, Pork and Prepared Foods. Some of the key factors influencing our business are customer demand for our products; the ability to maintain and grow relationships with customers and introduce new and innovative products to the marketplace; accessibility of international markets; market prices for our products; the cost of live cattle and hogs, raw materials, grain and feed ingredients; and operating efficiencies of our facilities.

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

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

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

We have a 50/50 joint venture with Syntroleum Corporation, called Dynamic Fuels LLC (Dynamic Fuels), which produces renewable synthetic fuels. Construction of production facilities was completed in late fiscal 2010, and initial production began in October 2010.

FINANCIAL INFORMATION OF SEGMENTS

We operate in four segments: Chicken, Beef, Pork and Prepared Foods. The contribution of each segment to net sales and operating income (loss), and the identifiable assets attributable to each segment, are set forth in Note 16: Segment Reporting of the Notes to Consolidated Financial Statements.

DESCRIPTION OF SEGMENTS

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

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

Pork: Pork operations include processing live market hogs and fabricating pork carcasses into primal and sub-primal cuts and case-ready products. This segment also includes our live swine group, related allied product processing activities and logistics operations to move products through the supply chain. Products are marketed domestically to

food retailers, foodservice distributors, restaurant operators, hotel chains and noncommercial foodservice establishments such as schools, healthcare facilities, the military and other food processors, as well as to international markets.

3

---

## Table of Contents

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

The results from Dynamic Fuels are included in Other.

### RAW MATERIALS AND SOURCES OF SUPPLY

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

We operate our own feed mills to produce scientifically-formulated feeds. In fiscal 2012, corn, soybean meal and other feed ingredients were major production costs, representing roughly 69% of our cost of growing a live chicken. In addition to feed ingredients to grow the chickens, we use cooking ingredients, packaging materials and cryogenic agents. We believe our sources of supply for these materials are adequate for our present needs, and we do not anticipate any difficulty in acquiring these materials in the future. While we produce nearly all our inventory of breeder chickens and live broilers, we also purchase live, ice-packed or deboned chicken to meet production and sales requirements.

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

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

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

### SEASONAL DEMAND

Demand for chicken and beef products generally increases during the spring and summer months and generally decreases during the winter months. Pork and prepared foods products generally experience increased demand during the winter months, primarily due to the holiday season, while demand decreases during the spring and summer months.

### CUSTOMERS

Wal-Mart Stores, Inc. accounted for 13.8% of our fiscal 2012 consolidated sales. Sales to Wal-Mart Stores, Inc. were included in the Chicken, Beef, Pork and Prepared Foods segments. Any extended discontinuance of sales to this

customer could, if not replaced, have a material impact on our operations. No other single customer or customer group represented more than 10% of fiscal 2012 consolidated sales.

4

---

## Table of Contents

### COMPETITION

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

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

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

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

### INTERNATIONAL

We sold products to approximately 130 countries in fiscal 2012. Major sales markets include Brazil, Canada, Central America, China, the European Union, Japan, Mexico, the Middle East, Russia, South Korea, Taiwan, Ukraine and Vietnam.

We have the following international operations:

- Tyson de Mexico, a Mexican subsidiary, is a vertically-integrated poultry production company; Cobb-Vantress, a chicken breeding stock subsidiary, has business interests in Argentina, Brazil, the Dominican Republic, India, Japan, the Netherlands, Peru, the Philippines, Russia, Spain, Sri Lanka, Turkey, the United Kingdom and Venezuela;
- Tyson do Brazil, a Brazilian subsidiary, is a vertically-integrated poultry production company;
- Shandong Tyson, a Chinese subsidiary, is a vertically-integrated poultry production company;
- Tyson Dalong, a joint venture in China in which we have a majority interest, is a chicken further processing facility;
- Jiangsu-Tyson, a Chinese subsidiary, is a vertically-integrated poultry production company; and
- Godrej Tyson Foods, a joint venture in India in which we have a majority interest, is a poultry processing business.

Our Tyson do Brazil, Shandong Tyson and Jiangsu-Tyson subsidiaries are currently in start-up phase. We continue to evaluate growth opportunities in foreign countries. Additional information regarding export sales, long-lived assets located in foreign countries and income (loss) from foreign operations is set forth in Note 16: Segment Reporting of the Notes to Consolidated Financial Statements.

### RESEARCH AND DEVELOPMENT

We conduct continuous research and development activities to improve product development, to automate manual processes in our processing plants and growout operations, and to improve chicken breeding stock. Our Discovery Center includes 19 research kitchens and a USDA-inspected pilot plant. The Discovery Center enables us to bring new market-leading retail and foodservice products to the customer quickly and efficiently. Research and development costs totaled \$43 million, \$42 million, and \$38 million in fiscal 2012, 2011 and 2010, respectively.

### ENVIRONMENTAL REGULATION AND FOOD SAFETY

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

Congress and the United States Environmental Protection Agency are considering various options to control greenhouse gas emissions. It is unclear at this time when or if such options will be finalized, or what the final form may be. Due to the uncertainty surrounding this issue, it is premature to speculate on the specific nature of impacts that imposition of greenhouse gas emission controls would have on us, and whether such impacts would have a



material adverse effect.

5

---

## Table of Contents

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

### EMPLOYEES AND LABOR RELATIONS

As of September 29, 2012, we employed approximately 115,000 employees. Approximately 96,000 employees were employed in the United States and 19,000 employees were in foreign countries, primarily China, Mexico and Brazil. Approximately 29,000 employees in the United States were subject to collective bargaining agreements with various labor unions, with approximately 19% of those employees included under agreements expiring in fiscal 2013. The remaining agreements expire over the next several years. Approximately 8,000 employees in foreign countries were subject to collective bargaining agreements. We believe our overall relations with our workforce are good.

### MARKETING AND DISTRIBUTION

Our principal marketing objective is to be the primary provider of chicken, beef, pork and prepared foods products for our customers and consumers. As such, we utilize our national distribution system and customer support services to achieve the leading market position for our products. On an ongoing basis, we identify distinct markets and business opportunities through continuous consumer and market research. In addition to supporting strong regional brands across multiple protein lines, we build the Tyson brand and Tyson owned brands primarily through well-defined product-specific advertising and public relations efforts focused toward key consumer targets with specific needs. These efforts are designed to present key Tyson products as everyday solutions to relevant consumer problems thereby becoming part of regular eating routines.

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

### PATENTS AND TRADEMARKS

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

### INDUSTRY PRACTICES

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

### AVAILABILITY OF SEC FILINGS AND CORPORATE GOVERNANCE DOCUMENTS ON INTERNET WEBSITE

We maintain an internet website for investors at <http://ir.tyson.com>. On this website, we make available, free of charge, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to any of those reports, as soon as reasonably practicable after we electronically file such reports with, or furnish to, the Securities and Exchange Commission. Also available on the website for investors are the Corporate

Governance Principles, Audit Committee charter, Compensation Committee charter, Governance Committee charter, Nominating Committee charter, Code of Conduct and Whistleblower Policy. Our corporate governance documents are available in print, free of charge to any shareholder who requests them.

Table of Contents

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

Certain information in this report constitutes forward-looking statements. Such forward-looking statements include, but are not limited to, current views and estimates of our outlook for fiscal 2013, other future economic circumstances, industry conditions in domestic and international markets, our performance and financial results (e.g., debt levels, return on invested capital, value-added product growth, capital expenditures, tax rates, access to foreign markets and dividend policy). These forward-looking statements are subject to a number of factors and uncertainties that could cause our actual results and experiences to differ materially from anticipated results and expectations expressed in such forward-looking statements. We wish to caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

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

**ITEM 1A. RISK FACTORS**

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

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

Our results of operations and financial condition are dependent upon the cost and supply of raw materials such as feed grains, live cattle, live swine, energy and ingredients, as well as the selling prices for our products, many of which are determined by constantly changing market forces of supply and demand over which we have limited or no control. Corn, soybean meal and other feed ingredients are major production costs for vertically-integrated poultry processors such as us, representing roughly 69% of our cost of growing a live chicken in fiscal 2012. As a result, fluctuations in prices for these feed ingredients, which include competing demand for corn and soybean meal for use in the manufacture of renewable energy, can adversely affect our earnings. Production of feed ingredients is affected by, among other things, weather patterns throughout the world, the global level of supply inventories and demand for grains and other feed ingredients, as well as agricultural and energy policies of domestic and foreign governments.

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

7

---

## Table of Contents

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

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

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

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

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

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

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

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

In fiscal 2012, we sold products to approximately 130 countries. Major sales markets include Brazil, Canada, Central America, China, the European Union, Japan, Mexico, the Middle East, Russia, South Korea, Taiwan, Ukraine and Vietnam. Our sales to customers in foreign countries for fiscal 2012 totaled \$5.5 billion, of which \$4.0 billion related to export sales from the United States. In addition, we had approximately \$564 million of long-lived assets located in foreign countries, primarily Brazil, China, Mexico and India, at the end of fiscal 2012.

As a result, we are subject to various risks and uncertainties relating to international sales and operations, including: imposition of tariffs, quotas, trade barriers and other trade protection measures imposed by foreign countries regarding the importation of poultry, beef and pork products, in addition to import or export licensing requirements imposed by various foreign countries; closing of borders by foreign countries to the import of poultry, beef and pork products due to animal disease or other perceived health or safety issues; impact of currency exchange rate fluctuations between the U.S. dollar and foreign currencies, particularly the Brazilian real, the British pound sterling, the Canadian dollar, the Chinese renminbi, the European euro, and the Mexican peso; political and economic conditions; difficulties and costs associated in complying with, and enforcement of remedies under, a wide variety of complex domestic and international laws, treaties and regulations, including, without limitation, the United States' Foreign Corrupt Practices Act and economic and trade sanctions enforced by the United States Department of the Treasury's

Office of Foreign Assets Control;

• different regulatory structures and unexpected changes in regulatory environments;

• tax rates that may exceed those in the United States and earnings that may be subject to withholding requirements and incremental taxes upon repatriation;

• potentially negative consequences from changes in tax laws; and

• distribution costs, disruptions in shipping or reduced availability of freight transportation.

8

---

Table of Contents

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

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

We have approximately 115,000 employees, approximately 37,000 of whom are covered by collective bargaining agreements or are members of labor unions. Our operations depend on the availability and relative costs of labor and maintaining good relations with employees and the labor unions. If we fail to maintain good relations with our employees or with the labor unions, we may experience labor strikes or work stoppages, which could adversely affect our financial results.

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

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

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

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

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

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

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

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

Our revolving credit facility contains affirmative and negative covenants that, among other things, may limit or restrict our ability to: create liens and encumbrances; incur debt; merge, dissolve, liquidate or consolidate; dispose of



or transfer assets; change the nature of our business; engage in certain transactions with affiliates; and enter into sale/leaseback or hedging transactions, in each case, subject to certain qualifications and exceptions. In addition, we are required to maintain minimum interest expense coverage and maximum debt to capitalization ratios.

Our 4.50% Senior notes due June 2022 also contain affirmative and negative covenants that, among other things, may limit or restrict our ability to: create liens; engage in certain sale/leaseback transactions; and engage in certain consolidations, mergers and sales of assets.

## Table of Contents

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

Goodwill is initially recorded at fair value and is not amortized, but is reviewed for impairment at least annually or more frequently if impairment indicators are present. In assessing the carrying value of goodwill, we make estimates and assumptions about sales, operating margins, growth rates and discount rates based on budgets, business plans, economic projections, anticipated future cash flows and marketplace data. There are inherent uncertainties related to these factors and management's judgment in applying these factors. Goodwill valuations have been calculated principally using an income approach based on the present value of future cash flows of each reporting unit and are believed to reflect market participant views which would exist in an exit transaction. Under the income approach, we are required to make various judgmental assumptions about appropriate discount rates. Disruptions in global credit and other financial markets and deterioration of economic conditions, could, among other things, cause us to increase the discount rate used in the goodwill valuations. We could be required to evaluate the recoverability of goodwill prior to the annual assessment if we experience disruptions to the business, unexpected significant declines in operating results, divestiture of a significant component of our business or sustained market capitalization declines. These types of events and the resulting analyses could result in goodwill impairment charges in the future, which could be substantial. As of September 29, 2012, we had \$1.9 billion of goodwill, which represented approximately 16% of total assets.

Domestic and international government regulations could impose material costs.

Our operations are subject to extensive federal, state and foreign laws and regulations by authorities that oversee food safety standards and processing, packaging, storage, distribution, advertising, labeling and export of our products. Our facilities for processing chicken, beef, pork, prepared foods and milling feed and for housing live chickens and swine are subject to a variety of international, federal, state and local laws relating to the protection of the environment, including provisions relating to the discharge of materials into the environment, and to the health and safety of our employees. Our domestic chicken, beef and pork processing facilities are participants in the HACCP program and are subject to the Public Health Security and Bioterrorism Preparedness and Response Act of 2002. In addition, our products are subject to inspection prior to distribution, primarily by the USDA and the FDA. Also, our livestock procurement and poultry growout activities are regulated by the Grain Inspection, Packers and Stockyards Administration, which is part of USDA's Marketing and Regulatory Programs. Loss of or failure to obtain necessary permits and registrations could delay or prevent us from meeting current product demand, introducing new products, building new facilities or acquiring new businesses and could adversely affect operating results. Additionally, we are routinely subject to new or modified laws, regulations and accounting standards. If we are found to be out of compliance with applicable laws and regulations in these or other areas, we could be subject to civil remedies, including fines, injunctions, recalls or asset seizures, as well as potential criminal sanctions, any of which could have an adverse effect on our financial results.

A material acquisition, joint venture or other significant initiative could affect our operations and financial condition. We periodically evaluate potential acquisitions, joint ventures and other initiatives (collectively, "transactions"), and we may seek to expand our business through the acquisition of companies, processing plants, technologies, products and services, which could include material transactions. A material transaction may involve a number of risks, including:

- failure to realize the anticipated benefits of the transaction;
- difficulty integrating acquired businesses, technologies, operations and personnel with our existing business;
- diversion of management attention in connection with negotiating transactions and integrating the businesses acquired;
- exposure to unforeseen or undisclosed liabilities of acquired companies; and
- the need to obtain additional debt or equity financing for any transaction.

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

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

Our business is exposed to fluctuating market conditions. We use derivative financial instruments to reduce our exposure to various market risks including changes in commodity prices, interest rates and foreign exchange rates. We

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

Deterioration of economic conditions could negatively impact our business.

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

Table of Contents

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

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

Changes in consumer preference could negatively impact our business.

The food industry in general is subject to changing consumer trends, demands and preferences. Trends within the food industry change often, and failure to identify and react to changes in these trends could lead to, among other things, reduced demand and price reductions for our products, and could have an adverse effect on our financial results.

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

Our business could suffer significant setbacks in sales and operating income if our customers' plans and/or markets change significantly or if we lost one or more of our largest customers, including, for example, Wal-Mart Stores, Inc., which accounted for 13.8% of our sales in fiscal 2012. Many of our agreements with our customers are short-term, primarily due to the nature of our products, industry practice and the fluctuation in demand and price for our products. The consolidation of customers could negatively impact our business.

Our customers, such as supermarkets, warehouse clubs and food distributors, have consolidated in recent years, and consolidation is expected to continue throughout the United States and in other major markets. These consolidations have produced large, sophisticated customers with increased buying power who are more capable of operating with reduced inventories, opposing price increases, and demanding lower pricing, increased promotional programs and specifically tailored products. These customers also may use shelf space currently used for our products for their own private label products. Because of these trends, our volume growth could slow or we may need to lower prices or increase promotional spending for our products, any of which would adversely affect our financial results.

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

Natural disasters, fire, bioterrorism, pandemic or extreme weather, including droughts, floods, excessive cold or heat, hurricanes or other storms, could impair the health or growth of livestock or interfere with our operations due to power outages, fuel shortages, damage to our production and processing facilities or disruption of transportation channels, among other things. Any of these factors, as well as disruptions in our information systems, could have an adverse effect on our financial results.

Media campaigns related to food production present risks.

Media outlets, including new social media platforms, provide the opportunity for individuals or organizations to publicize inappropriate or inaccurate stories or perceptions about our Company or the food production industry. Such practices have the ability to cause damage to our brands, the industry generally, or consumers' perceptions of our Company or the food production industry and may result in negative publicity and adversely affect our financial results.

Our renewable energy ventures and other initiatives might not be successful.

We have been exploring ways to convert animal fats and other by-products from our operations into value-added products. For example, our joint venture Dynamic Fuels produces renewable synthetic fuels. We will continue to explore other ways to commercialize opportunities outside our core business, such as renewable energy and other technologically-advanced platforms. These initiatives might not be as financially successful as we initially announced

or might expect due to factors that include, but are not limited to, availability of tax credits, competing energy prices, failure to operate at the volumes anticipated, abilities of our joint venture partners and our limited experience in some of these new areas.

Table of Contents

Tyson Limited Partnership can exercise significant control.

As of September 29, 2012, Tyson Limited Partnership (the TLP) owns 99.977% of the outstanding shares of the Company's Class B Common Stock, \$0.10 par value (Class B stock) and the TLP and members of the Tyson family own, in the aggregate, 2.53% of the outstanding shares of the Company's Class A Common Stock, \$0.10 par value (Class A stock), giving them, collectively, control of approximately 71.52% of the total voting power of the Company's outstanding voting stock. At this time, the TLP does not have a managing general partner, as such, the management rights of the managing general partner may be exercised by a majority of the percentage interests of the general partners. As of September 29, 2012, Mr. John Tyson, Chairman of the Board of Directors, has 33.33% of the general partner percentage interests, and Ms. Barbara Tyson, a director of the Company, has 11.115% general partner percentage interests (the remaining general partnership interests are held by the Tyson Partnership Interest Trust (44.44%) and Harry C. Erwin, III (11.115%)). As a result of these holdings, positions and directorships, the partners in the TLP have the ability to exert substantial influence or actual control over our management and affairs and over substantially all matters requiring action by our stockholders, including amendments to our restated certificate of incorporation and by-laws, the election and removal of directors, any proposed merger, consolidation or sale of all or substantially all of our assets and other corporate transactions. This concentration of ownership may also delay or prevent a change in control otherwise favored by our other stockholders and could depress our stock price. Additionally, as a result of the Tyson family's significant ownership of our outstanding voting stock, we are eligible for "controlled company" exemptions from certain corporate governance requirements of the New York Stock Exchange.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None

## ITEM 2. PROPERTIES

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

	Number of Facilities			
	Owned	Leased	Total	
Chicken Segment:				
Processing plants	59	1	60	
Rendering plants	15	—	15	
Blending mills	2	—	2	
Feed mills	39	2	41	
Broiler hatcheries	63	9	72	
Breeder houses	593	760	1,353	
Broiler farm houses	758	1,089	1,847	
Beef Segment Production Facilities	12	—	12	
Pork Segment Production Facilities	9	—	9	
Prepared Foods Segment Processing Plants	22	1	23	
Distribution Centers	10	7	17	
Cold Storage Facilities	67	14	81	
		Capacity <sup>(1)</sup> per week at September 29, 2012	Fiscal 2012 Average Capacity Utilization	
Chicken Processing Plants		47 million head	88	%

Edgar Filing: TYSON FOODS INC - Form 10-K

Beef Production Facilities	174,000 head	76	%
Pork Production Facilities	448,000 head	90	%
Prepared Foods Processing Plants	46 million pounds	85	%

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

12

---

## Table of Contents

**Chicken:** Chicken processing plants include various phases of slaughtering, dressing, cutting, packaging, deboning and further-processing. We also have 16 pet food operations, which are part of the Chicken processing plants. The blending mills, feed mills and broiler hatcheries have sufficient capacity to meet the needs of the chicken growout operations.

**Beef:** Beef plants include various phases of slaughtering live cattle and fabricating beef products. Some also treat and tan hides. The Beef segment includes three case-ready operations that share facilities with the Pork segment. One of the beef facilities contains a tallow refinery. Carcass facilities reduce live cattle to dressed carcass form. Processing facilities conduct fabricating operations to produce boxed beef and allied products.

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

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

Our Dynamic Fuels joint venture produces renewable synthetic fuels. Construction of production facilities was completed in late fiscal 2010, and initial production began in October 2010. Dynamic Fuels operates one plant with designed annual capacity of 75 million gallons.

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

### ITEM 3. LEGAL PROCEEDINGS

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

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

Since 2003, nine lawsuits have been brought against us and several other poultry companies by approximately 150 plaintiffs in Washington County, Arkansas Circuit Court (Green v. Tyson Foods, Inc., et al., Bible v. Tyson Foods, Inc., Beal v. Tyson Foods, Inc., et al., McWhorter v. Tyson Foods, Inc., et al., McConnell v. Tyson Foods, Inc., et al., Carroll v. Tyson Foods, Inc., et al., Belew v. Tyson Foods, Inc., et al., Gonzalez v. Tyson Foods, Inc., et al., and Rasco v. Tyson Foods, Inc., et al.) alleging that the land application of poultry litter caused arsenic and pathogenic mold and fungi contamination of the air, soil and water in and around Prairie Grove, Arkansas and seeking recovery for several types of personal injuries, including several forms of cancer. On August 2, 2006, the Court granted summary judgment in favor of Tyson and the other poultry company defendants in the first case to go to trial, which the plaintiffs appealed, and the trial court stayed the remaining eight lawsuits pending the appeal. On May 8, 2008, the Arkansas Supreme Court reversed the summary judgment and remanded for a new trial. The remanded trial was held and the jury returned a verdict in our favor. The plaintiffs appealed this verdict to the Arkansas Supreme Court, which affirmed the verdict and denied the plaintiffs' petition for rehearing. The second trial, originally scheduled for



October 22, 2012, was canceled and no new trial date has been set.

Other Matters: We currently have approximately 115,000 employees and, at any time, have various employment practices matters outstanding. In the aggregate, these matters are significant to the Company, and we devote significant resources to managing employment issues. Additionally, we are subject to other lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of our business. While the ultimate results of these matters cannot be determined, they are not expected to have a material adverse effect on our consolidated results of operations or financial position.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

Table of Contents

## EXECUTIVE OFFICERS OF THE COMPANY

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

Name	Title	Age	Year Elected Executive Officer
Curt T. Calaway	Senior Vice President, Controller and Chief Accounting Officer	39	2012
Kenneth J. Kimbro	Senior Vice President, Chief Human Resources Officer	59	2009
Donnie King	Senior Group Vice President, Poultry and Prepared Foods	50	2009
Dennis Leatherby	Executive Vice President and Chief Financial Officer	52	1994
James V. Lochner	Chief Operating Officer	60	2005
Donnie Smith	President and Chief Executive Officer	53	2008
John Tyson	Chairman of the Board of Directors	59	2011
David L. Van Bebber	Executive Vice President and General Counsel	56	2008
Noel White	Senior Group Vice President, Fresh Meats	54	2009

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

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

Donnie King was appointed Senior Group Vice President, Poultry and Prepared Foods in December 2009, after serving as Group Vice President, Refrigerated and Deli since 2008, Group Vice President, Operations since 2007, Senior Vice President, Consumer Products Operations since 2006 and Senior Vice President, Poultry Operations since 2003. Mr. King was initially employed by Valmac Industries, Inc. in 1982. Valmac Industries, Inc. was acquired by the Company in 1984.

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

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

Donnie Smith was appointed President and Chief Executive Officer in November 2009, after serving as Senior Group Vice President, Poultry and Prepared Foods since January 2009, Group Vice President of Consumer Products since 2008, Group Vice President of Logistics and Operations Services since 2007, Group Vice President Information Systems, Purchasing and Distribution since 2006 and Senior Vice President and Chief Information Officer since 2005. Mr. Smith was initially employed by the Company in 1980.

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

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

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

Table of Contents

## PART II

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

We have issued and outstanding two classes of capital stock, Class A stock and Class B stock. Holders of Class B stock may convert such stock into Class A stock on a share-for-share basis. Holders of Class B stock are entitled to 10 votes per share while holders of Class A stock are entitled to one vote per share on matters submitted to shareholders for approval. As of October 27, 2012, there were approximately 27,000 holders of record of our Class A stock and 9 holders of record of our Class B stock, excluding holders in the security position listings held by nominees.

## DIVIDENDS

Cash dividends cannot be paid to holders of Class B stock unless they are simultaneously paid to holders of Class A stock. The per share amount of the cash dividend paid to holders of Class B stock cannot exceed 90% of the cash dividend simultaneously paid to holders of Class A stock. We have paid uninterrupted quarterly dividends on common stock each year since 1977. In both fiscal 2012 and 2011, the annual dividend rate for Class A stock was \$0.16 per share and the annual dividend rate for Class B stock was \$0.144 per share. On November 15, 2012, the Board of Directors declared a special dividend of \$0.10 per share for Class A stock and \$0.09 per share for Class B stock, payable December 14, 2012, to shareholders of record on November 30, 2012. Additionally, the Board of Directors declared a 25% increase in the quarterly dividend rate for both classes of our stock.

## MARKET INFORMATION

Our Class A stock is traded on the New York Stock Exchange under the symbol "TSN." No public trading market currently exists for our Class B stock. The high and low closing sales prices of our Class A stock for each quarter of fiscal 2012 and 2011 are represented in the table below.

	Fiscal 2012		Fiscal 2011	
	High	Low	High	Low
First Quarter	\$20.91	\$16.68	\$17.74	\$14.84
Second Quarter	20.37	18.52	19.82	16.25
Third Quarter	19.58	17.66	19.92	17.12
Fourth Quarter	18.56	14.17	19.24	15.68

## ISSUER PURCHASES OF EQUITY SECURITIES

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

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(1)</sup>
July 1 to July 28, 2012	77,966	\$17.38	—	38,432,722
July 29 to Sept. 1, 2012	780,249	15.39	654,000	37,778,722
Sept. 2 to Sept. 29, 2012	2,595,492	15.79	2,531,038	35,247,684
Total	3,453,707	<sup>(2)</sup> \$15.73	3,185,038	<sup>(3)</sup> 35,247,684

On February 7, 2003, we announced our Board of Directors approved a program to repurchase up to 25 million shares of Class A common stock from time to time in open market or privately negotiated transactions. The program has no fixed or scheduled termination date. On May 3, 2012, our Board of Directors approved an increase of 35 million shares authorized for repurchase under this program.

We purchased 268,669 shares during the period that were not made pursuant to our previously announced stock repurchase program, but were purchased to fund certain Company obligations under our equity compensation plans. These transactions included 191,975 shares purchased in open market transactions and 76,694 shares withheld to cover required tax withholdings on the vesting of restricted stock.

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



Table of Contents

## PERFORMANCE GRAPH

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

	Years Ending					
	Base Period	9/27/08	10/3/09	10/2/10	10/1/11	9/29/12
	9/29/07					
Tyson Foods, Inc.	100	71.82	70.93	94.58	101.90	94.86
S&P 500 Index	100	78.02	72.63	80.01	80.93	105.37
Peer Group	100	101.03	91.86	108.93	120.44	135.37

The total cumulative return on investment (change in the year-end stock price plus reinvested dividends), which is based on the stock price or composite index at the end of fiscal 2007, is presented for each of the periods for the Company, the S&P 500 Index and a peer group. The peer group includes: Campbell Soup Company, ConAgra Foods, Inc., General Mills, Inc., H.J. Heinz Co., Hershey Foods Corp., Hormel Foods Corp., Kellogg Co., McCormick & Co., Pilgrim's Pride Corporation, Sara Lee Corp. (up to June 28, 2012), Hillshire Brands Co. (beginning on June 28, 2012) and Smithfield Foods, Inc. The graph compares the performance of the Company with that of the S&P 500 Index and peer group, with the investment weighted on market capitalization.

Table of Contents

## ITEM 6. SELECTED FINANCIAL DATA

## FIVE-YEAR FINANCIAL SUMMARY

in millions, except per share and ratio data

	2012	2011	2010	2009	2008	
Summary of Operations						
Sales	\$33,278	\$32,266	\$28,430	\$26,704	\$26,862	
Goodwill impairment	—	—	29	560	—	
Operating income (loss)	1,248	1,285	1,556	(215 )	331	
Net interest expense	344	231	333	310	206	
Income (loss) from continuing operations	576	733	765	(550 )	86	
Loss from discontinued operation	—	—	—	(1 )	—	
Net income (loss)	576	733	765	(551 )	86	
Net income (loss) attributable to Tyson	583	750	780	(547 )	86	
Diluted net income (loss) per share attributable to Tyson:						
Income (loss) from continuing operations	1.58	1.97	2.06	(1.47 )	0.24	
Loss from discontinued operation	—	—	—	—	—	
Net income (loss)	1.58	1.97	2.06	(1.47 )	0.24	
Dividends per share:						
Class A	0.160	0.160	0.160	0.160	0.160	
Class B	0.144	0.144	0.144	0.144	0.144	
Balance Sheet Data						
Cash and cash equivalents	\$1,071	\$716	\$978	\$1,004	\$250	
Total assets	11,896	11,071	10,752	10,595	10,850	
Total debt	2,432	2,182	2,536	3,477	2,804	
Shareholders' equity	6,042	5,685	5,201	4,431	5,099	
Other Key Financial Measures						
Depreciation and amortization	\$499	\$506	\$497	\$513	\$493	
Capital expenditures	690	643	550	368	425	
Return on invested capital	17.1	% 18.5	% 22.8	% (3.0 )%	4.4	%
Effective tax rate	37.9	% 31.8	% 36.4	% (1.5 )%	44.6	%
Total debt to capitalization	28.7	% 27.7	% 32.8	% 44.0	% 35.5	%
Book value per share	\$16.84	\$15.38	\$13.78	\$11.77	\$13.51	
Closing stock price high	20.91	19.92	20.40	13.88	19.44	
Closing stock price low	14.17	14.84	12.02	4.40	12.14	

## Notes to Five-Year Financial Summary

a. Fiscal 2012 included a \$15 million non-cash charge related to the impairment of non-core assets in China and a pretax charge of \$167 million related to the early extinguishment of debt.

b. Fiscal 2011 included an \$11 million non-operating gain related to the sale of interest in an equity method investment and a \$21 million reduction to income tax expense related to a reversal of reserves for foreign uncertain tax positions.

c. Fiscal 2010 included \$61 million of interest expense related to losses on notes repurchased/redeemed during fiscal 2010, a \$29 million non-tax deductible charge related to a full goodwill impairment related to an immaterial Chicken segment reporting unit and a \$12 million non-operating charge related to the partial impairment of an equity method investment. Additionally, fiscal 2010 included insurance proceeds received of \$38 million related to Hurricane Katrina.

d. Fiscal 2009 was a 53-week year, while the other years presented were 52-week years.

e. Fiscal 2009 included a \$560 million non-tax deductible charge related to Beef segment goodwill impairment and a \$15 million pretax charge related to closing a prepared foods plant.

Fiscal 2008 included \$76 million of pretax charges related to: restructuring a beef operation; closing a poultry plant; asset impairments for packaging equipment, intangible assets, unimproved real property and software; flood damage; and severance charges. Additionally, fiscal 2008 included an \$18 million non-operating gain related to the sale of an investment.

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

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

In March 2009, we completed the sale of the beef processing, cattle feed yard and fertilizer assets of three of our Alberta, Canada subsidiaries (collectively, Lakeside). Lakeside was reported as a discontinued operation for all periods presented.

Table of Contents

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

## DESCRIPTION OF THE COMPANY

We are one of the world's largest meat protein companies and the second-largest food production company in the Fortune 500 with one of the most recognized brand names in the food industry. We produce, distribute and market chicken, beef, pork, prepared foods and related allied products. Our operations are conducted in four segments: Chicken, Beef, Pork and Prepared Foods. Some of the key factors influencing our business are customer demand for our products; the ability to maintain and grow relationships with customers and introduce new and innovative products to the marketplace; accessibility of international markets; market prices for our products; the cost of live cattle and hogs, raw materials, grain and feed ingredients; and operating efficiencies of our facilities.

## OVERVIEW

General – As a result of improved internal performance, strong exports and favorable domestic chicken market conditions, our operating results remained strong in fiscal 2012 despite a \$2.2 billion increase in input costs. The following are a few of the key drivers:

We continued to focus on maximizing our margins through margin management and operational efficiency improvements. Margin management improvements occurred in the areas of mix, export sales, price optimization and value-added products initiatives. The operational efficiencies occurred in the areas of yields, cost reduction and labor management.

Domestic chicken market conditions improved in fiscal 2012 driven by reduced industry supplies. The improved domestic chicken market conditions were partially offset by operating losses in our foreign start-up businesses. Our Beef segment experienced periods of reduced demand for beef products, particularly in the first half of fiscal 2012, but was able to remain profitable as a result of improved balance between beef demand and cattle supply. Our Pork segment remained within its normalized operating margin range despite periods of unfavorable pricing environments due to periods of increased domestic availability of pork products. Our Prepared Foods segment experienced favorable mix changes and lower raw material costs resulting in earnings within its operating margin range.

Margins – With an operating margin of 3.8% in fiscal 2012, we have achieved operating income exceeding \$1.2 billion for three consecutive years. The following is a summary of operating margins by segment:

Chicken – 3.8% (or 4.0% excluding \$15 million related to the impairment of non-core assets)

Beef – 1.6%

Pork – 7.6%

Prepared Foods – 5.6%

Debt and Liquidity – During fiscal 2012, we generated \$1.2 billion of operating cash flows. Additionally, we issued \$1.0 billion of 4.50% senior notes due in 2022 and used the proceeds to retire all of our 10.50% senior notes due in 2014. As a result of this transaction, we will realize approximately \$55 million in annualized interest savings. We also repurchased 12.5 million shares of our stock for \$230 million under our share repurchase program in fiscal 2012. At September 29, 2012, we had \$2.0 billion of liquidity, which includes the availability under our credit facility and \$1.1 billion of cash and cash equivalents.

Our accounting cycle resulted in a 52-week year for fiscal 2012, 2011 and 2010.

in millions, except per share data

	2012	2011	2010
Net income attributable to Tyson	\$583	\$750	\$780
Net income attributable to Tyson – per diluted share	1.58	1.97	2.06

2012 – Net income included the following items:

\$15 million non-cash charge, or \$0.04 per diluted share, related to the impairment of non-core assets in China; and \$167 million pretax charge, or \$0.29 per diluted share, related to the early extinguishment of debt.

2011 – Net income included the following items:

\$11 million gain, or \$0.03 per diluted share, related to a sale of interests in an equity method investment; and \$21 million reduction to income tax expense, or \$0.05 per diluted share, related to a reversal of reserves for foreign uncertain tax positions.



2010 – Net income included the following items:

- \$61 million in pretax charges, or \$0.09 per diluted share, related to losses on notes repurchased during fiscal 2010;
- \$29 million non-cash, non-tax deductible charge, or \$0.07 per diluted share, related to a full goodwill impairment in an immaterial Chicken segment reporting unit;
- \$12 million non-cash, non-tax deductible charge, or \$0.03 per diluted share, related to the impairment of an equity method investment; and
- \$38 million pretax gain, or \$0.06 per diluted share, from insurance proceeds.

Table of Contents

**FISCAL 2013 OUTLOOK**

Our continued capital investment in our businesses, strong liquidity and reduced interest expense has put us in a strong position as we begin a challenging fiscal 2013. The drought conditions in the summer of 2012 reduced grain supplies, which will result in higher input costs as well as increased costs for cattle and hog producers. USDA data indicates in fiscal 2013 overall domestic protein production (chicken, beef, pork and turkey) is expected to decrease 2% compared to fiscal 2012, which should continue to support improved pricing. The following is a summary of the fiscal 2013 outlook for each of our segments, as well as an outlook on sales, capital expenditures, net interest expense, debt and liquidity, share repurchases and dividends:

**Chicken** – Current USDA data shows U.S. chicken production will be down slightly in fiscal 2013. Due to the reduced crop supply, we expect higher grain costs in fiscal 2013 compared to fiscal 2012 of approximately \$600 million.

However, the capital investment and significant operational, mix and pricing improvements we have made in our Chicken segment have better positioned us to adapt to rising grain prices. For fiscal 2013, we anticipate our Chicken segment will remain profitable, but could be below our normalized range of 5.0%-7.0%.

**Beef** – We expect to see a reduction of industry fed cattle supplies of 2-3% in fiscal 2013 as compared to fiscal 2012. Although we generally expect adequate supplies in regions we operate our plants, there may be periods of imbalance of fed cattle supply and demand. We anticipate beef exports will remain strong. For fiscal 2013, we believe our Beef segment will remain profitable, but could be below our normalized range of 2.5%-4.5%.

**Pork** – We expect industry hog supplies in fiscal 2013 to be flat compared to fiscal 2012 and pork exports to remain strong. For fiscal 2013, we believe our Pork segment will be in or above our normalized range of 6.0%-8.0%.

**Prepared Foods** – We expect operational improvements and increased pricing to offset increased raw material costs. Because many of our sales contracts are formula based or shorter-term in nature, we are typically able to offset rising input costs through increased pricing. For fiscal 2013, we believe our Prepared Foods segment will remain in its normalized range of 4.0%-6.0%.

**Sales** – We expect fiscal 2013 sales to increase to approximately \$35 billion mostly resulting from price increases related to decreases in domestic availability of protein and rising raw material costs.

**Capital Expenditures** – Our preliminary capital expenditures plan for fiscal 2013 is approximately \$550 million. The reduction in planned capital expenditures from fiscal 2012 is primarily a result of an anticipated rise in working capital needs in fiscal 2013. Once we gain more visibility into our working capital needs, or should forecasted conditions change, we may raise our capital expenditures target. We will continue to make significant investments in our production facilities for high return operational efficiencies, other profit improvement projects and development of our foreign operations.

**Net Interest Expense** – We expect fiscal 2013 net interest expense will approximate \$140 million.

**Debt and Liquidity** – We do not have any significant maturities of debt due until October 2013. We may use our available cash to repurchase notes when available at attractive rates. Total liquidity at September 29, 2012, was \$2.0 billion, well above our goal to maintain liquidity in excess of \$1.2 billion.

**Share Repurchases** – We expect to continue repurchasing shares under our share repurchase plan. In fiscal 2012, we repurchased 12.5 million shares for approximately \$230 million. As of September 29, 2012, 35.2 million shares remain authorized for repurchases. The timing and extent to which we repurchase shares will depend upon, among other things, our working capital needs, market conditions, liquidity targets, our debt obligations and regulatory requirements.

**Dividends** – On November 15, 2012, the Board of Directors declared a special dividend of \$0.10 per share on our Class A common stock and \$0.09 per share on our Class B common stock. Additionally, the Board increased the quarterly dividend previously declared on August 3, 2012, to \$0.05 per share on our Class A common stock and \$0.045 per share on our Class B common stock. Both the special dividend and the increased quarterly dividend are payable on December 14, 2012, to shareholders of record at the close of business on November 30, 2012. The Board also declared a quarterly dividend of \$0.05 per share on our Class A common stock and \$0.045 per share on our Class B common stock, payable on March 31, 2013, to shareholders of record at the close of business on March 1, 2013.



Table of Contents

## SUMMARY OF RESULTS

Sales	in millions		
	2012	2011	2010
Sales	\$33,278	\$32,266	\$28,430
Change in sales volume	(4.3	)% 1.7	%
Change in average sales price	7.7	% 11.8	%
Sales growth	3.1	% 13.5	%

## 2012 vs. 2011 –

Average Sales Price – The increase in sales was largely due to an increase in average sales prices, which accounted for an increase of approximately \$2.7 billion. All segments, with the exception of the Pork segment, had an increase in average sales prices largely due to continued tight domestic availability of protein and increased live and raw material costs. These increases were partially offset by a decrease in average sales price in the Pork segment which was driven down by lower live hog costs.

Sales Volume – Sales were negatively impacted by a decrease in sales volume, which accounted for a decrease of \$1.7 billion. All segments, with the exception of the Pork segment, had a decrease in sales volume, with the majority of the decrease in the Beef segment.

## 2011 vs. 2010 –

Average Sales Price – The increase in sales was largely due to an increase in average sales prices, which accounted for an increase of approximately \$3.4 billion. While all segments had an increase in average sales prices mostly due to price increases associated with rising raw material costs, the majority of the increase was driven by the Beef and Pork segments.

Sales Volume – Sales were positively impacted by an increase in sales volume, which accounted for an increase of \$484 million. This was primarily due to increases in the Chicken and Pork segments, partially offset by decreases in the Beef and Prepared Foods segments.

Cost of Sales	in millions			
	2012	2011	2010	
Cost of sales	\$31,118	\$30,067	\$25,916	
Gross profit	\$2,160	\$2,199	\$2,514	
Cost of sales as a percentage of sales	93.5	% 93.2	% 91.2	%

## 2012 vs. 2011 –

- Cost of sales increased by approximately \$1.0 billion. Higher input cost per pound increased cost of sales by approximately \$2.2 billion, while lower sales volume decreased cost of sales \$1.2 billion.

- The \$2.2 billion impact of higher input costs per pound was primarily driven by:

- Increase in live cattle and hog costs of approximately \$1.5 billion.

- Increase in grain and feed ingredients of \$320 million and increase in other growout operating costs of \$50 million in our Chicken segment.

- The \$1.2 billion impact of lower sales volumes was driven by decreases in our Chicken, Beef and Prepared Foods segments, partially offset by an increase in sales volume in our Pork segment.

## 2011 vs. 2010 –

- Cost of sales increased by approximately \$4.1 billion. Higher input cost per pound increased cost of sales by approximately \$3.7 billion, while higher sales volume increased cost of sales \$445 million.

- The \$3.7 billion impact of higher input costs per pound was primarily driven by:

- Increase in live cattle and hog costs of approximately \$2.4 billion.

- Increase in grain and feed ingredients of \$675 million and increase in other growout operating costs of \$74 million in our Chicken segment, which were partially offset by approximately \$200 million of operational improvements.

- Increase in raw material costs of \$273 million in our Prepared Foods segment.

- The \$0.4 billion impact of higher sales volumes was primarily driven by:

- Increases in sales volume in our Chicken and Pork segments partially offset by decreases in our Beef and Prepared Foods segments.

Increase of \$145 million of costs of sales associated with Dynamic Fuels, which commenced production activities in fiscal 2011.

20

---

Table of Contents

Selling, General and Administrative	in millions			
	2012	2011	2010	
Selling, general and administrative	\$912	\$914	\$929	
As a percentage of sales	2.7	% 2.8	% 3.3	%

2011 vs. 2010 –

Decrease of \$13 million related to reduced incentive-based compensation awarded during fiscal 2011.

Goodwill Impairment	in millions		
	2012	2011	2010
	\$—	\$—	\$29

2010 – Included the full impairment of an immaterial Chicken segment reporting unit.

Interest Income	in millions		
	2012	2011	2010
	\$12	\$11	\$14

2012/2011/2010 – Interest income remained at the current level primarily due to continued low interest rates.

Interest Expense	in millions		
	2012	2011	2010
Cash interest expense	\$151	\$195	\$245
Loss on early extinguishment of debt	167	—	—
Losses on notes repurchased	—	7	61
Non-cash interest expense	38	40	41
Total Interest Expense	\$356	\$242	\$347

2012/2011/2010 –

Cash interest expense included interest expense related to the coupon rates for senior notes and commitment/letter of credit fees incurred on our revolving credit facilities. The decrease is due primarily to lower average weekly indebtedness of approximately 9% and 15% in fiscal 2012 and 2011, respectively. Additionally, the decrease in cash interest expense is due to lower average coupon rates compared to fiscal 2011 and 2010.

Loss on early extinguishment of debt included the amount paid exceeding the par value of debt, unamortized discount and unamortized debt issuance costs related to the full extinguishment of the 10.50% Senior Notes due 2014 (2014 Notes).

Losses on notes repurchased during fiscal 2011 and 2010 included the amount paid exceeding the carrying value of the notes repurchased, which primarily included the repurchases of the 8.25% Notes due October 2011 (2011 Notes) and the 6.60% Senior Notes due April 2016 (2016 Notes).

Non-cash interest expense primarily included interest related to the amortization of debt issuance costs and discounts/premiums on note issuances. This included debt issuance costs incurred on our revolving credit facility, the 2014 Notes, the 4.50% Senior Notes due 2022 (2022 Notes) issued in June 2012, as well as the accretion of the debt discount on the 3.25% Convertible Senior Notes due 2013 (2013 Notes), 2014 Notes and 2022 Notes.

Other (Income) Expense, net	in millions		
	2012	2011	2010
	\$(23	) \$(20	) \$20

2012 – Included \$16 million of equity earnings in joint ventures and \$4 million in net foreign currency exchange gains.

2011 – Included \$11 million gain related to a sale of interests in an equity method investment.

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

Table of Contents

## Effective Tax Rate

	2012		2011		2010	
	37.9	%	31.8	%	36.4	%

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

2012 –

Domestic production activity deduction reduced the rate 1.9%.

General business credits reduced the rate 0.8%.

State income taxes increased the rate 1.6%.

Foreign rate differences and valuation allowances increased the rate 3.3%.

2011 –

Domestic production activity deduction reduced the rate 2.3%.

Net decrease in unrecognized tax benefits reduced the rate 1.7%.

General business credits reduced the rate 0.9%.

State income taxes increased the rate 1.6%.

2010 –

Domestic production activity deduction reduced the rate 2.0%.

Decrease in unrecognized tax benefits reduced the rate 1.4%.

Decrease in state valuation allowances reduced the rate 1.0%.

State income taxes increased the rate 3.4%.

## SEGMENT RESULTS

We operate in four segments: Chicken, Beef, Pork and Prepared Foods. The following table is a summary of sales and operating income (loss), which is how we measure segment income (loss).

	Sales			Operating Income (Loss)			in millions
	2012	2011	2010	2012	2011	2010	
Chicken	\$11,591	\$11,017	\$10,062	\$446	\$164	\$519	
Beef	13,755	13,549	11,707	218	468	542	
Pork	5,510	5,460	4,552	417	560	381	
Prepared Foods	3,237	3,215	2,999	181	117	124	
Other	167	127	—	(14	) (24	) (10	)
Intersegment Sales	(982	) (1,102	) (890	) —	—	—	
Total	\$33,278	\$32,266	\$28,430	\$1,248	\$1,285	\$1,556	

Table of Contents

Chicken Segment Results	in millions					
	2012	2011	Change 2012 vs. 2011	2010	Change 2011 vs. 2010	
Sales	\$11,591	\$11,017	\$574	\$10,062	\$955	
Sales Volume Change			(3.6)	%	4.6	%
Average Sales Price Change			9.2	%	4.7	%
Operating Income	\$446	\$164	\$282	\$519	\$(355)	
Operating Margin	3.8	% 1.5	%	5.2	%	

2012 – Operating income included a \$15 million non-cash charge related to the impairment of non-core assets in China.  
 2010 – Operating income included a \$38 million gain from insurance proceeds and a \$29 million non-cash, non-tax deductible charge related to a full goodwill impairment of an immaterial Chicken segment reporting unit.

2012 vs. 2011 –

**Sales Volume** – The decrease in sales volumes in fiscal 2012 was primarily attributable to the impact of domestic production cuts we made in late fiscal 2011 and maintained throughout fiscal 2012, in order to balance our supply with forecasted customer demand. These production cuts reduced our total domestic slaughter pounds by approximately 4% in fiscal 2012, but were partially offset by increases in international sales volumes and open-market meat purchases.

**Average Sales Price** – The increase in average sales prices is primarily due to mix changes and price increases associated with reduced industry supply and increased input costs.

**Operating Income** – The increase in operating income was largely due to the increase in average sales price and operational improvements, partially offset by reduced sales volumes, increased grain, feed ingredients and other growout costs and losses incurred in our foreign start-up businesses.

**Grain, Feed Ingredients and Growout Costs** – Operating results were negatively impacted in fiscal 2012 by an increase in grain and feed ingredients costs of \$320 million and an increase in other growout operating costs of \$50 million.

**Operational Improvements** – Operating results were positively impacted by approximately \$115 million of operational improvements, primarily attributed to improvements in yield, mix and processing optimization.

**Start-up Businesses** – Our foreign start-up businesses in Brazil and China incurred operating losses of approximately \$105 million in fiscal 2012, which included \$15 million for the impairment of non-core assets.

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

Income/(Loss) – in millions

2012					\$(25)	)
2011					41	)
Decline in operating results					\$(66)	)

2011 vs. 2010 –

**Sales Volume** – A 2.1% increase in slaughter pounds that mostly occurred in the first three quarters of fiscal 2011 and a reduction of volumes in ending inventory in fiscal 2011 as compared to fiscal 2010, primarily drove the 4.6% increase in sales volume for fiscal 2011.

**Average Sales Price** – The increase in average sales prices is primarily due to mix changes and price increases associated with increased input costs.

**Operating Income** –

**Grain, Feed Ingredients and Growout Costs** – Operating results were negatively impacted in fiscal 2011 by an increase in grain and feed ingredients costs of \$675 million and an increase in other growout operating costs of \$74 million.

**Operational Improvements** – Operating results were positively impacted by approximately \$200 million of operational improvements, primarily attributed to improvements in yield, mix and processing optimization. These operational improvements were partially offset by an increase in operating costs, mostly from cooking ingredients and employee related costs.



Edgar Filing: TYSON FOODS INC - Form 10-K

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

Income/(Loss) – in millions

2011	\$41	
2010	(6	)
Improvement in operating results	\$47	

23

---

Table of Contents

## Beef Segment Results

	2012	2011	Change 2012 vs. 2011	2010	in millions Change 2011 vs. 2010
Sales	\$13,755	\$13,549	\$206	\$11,707	\$1,842
Sales Volume Change			(11.3)%		(1.0)%
Average Sales Price Change			14.4%		16.9%
Operating Income	\$218	\$468	\$(250)	\$542	\$(74)
Operating Margin	1.6	% 3.5	%	4.6	%

2012 vs. 2011 –

**Sales and Operating Income –**

Average sales price increased due to price increases associated with increased livestock costs. Sales volume decreased due to a reduction in live cattle processed and outside tallow purchases. Operating income decreased due to higher fed cattle costs and periods of reduced demand for beef products, which made it difficult to pass along increased input costs, as well as lower sales volumes and increased employee related operating costs.

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

Income/(Loss) – in millions

2012	\$31
2011	(41)
Improvement in operating results	\$72

2011 vs. 2010 –

**Sales and Operating Income –**

Average sales price increased due to price increases associated with increased livestock costs. We have maintained strong operating income by maximizing our revenues relative to the rising live cattle markets, partially attributable to strong export sales. This was offset by an increase in operating costs, primarily attributable to employee related costs.

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

Income/(Loss) – in millions

2011	\$(41)
2010	(15)
Decline in operating results	\$(26)

Table of Contents

## Pork Segment Results

	2012	2011	Change 2012 vs. 2011	2010	Change 2011 vs. 2010	in millions
Sales	\$5,510	\$5,460	\$50	\$4,552	\$908	
Sales Volume Change			2.4	%	4.1	%
Average Sales Price Change			(1.5	)%	15.2	%
Operating Income	\$417	\$560	\$(143	)	\$381	\$179
Operating Margin	7.6	% 10.3	%	8.4	%	
2012 vs. 2011 –						

## Sales and Operating Income –

Average sales price decreased due to increased domestic availability of pork products, which drove lower live hog costs. Operating income decreased due to compressed pork margins caused by the excess domestic availability of pork products. We were able to maintain strong operating margins by maximizing our revenues relative to the live hog markets, partially due to strong export sales and operational and mix performance.

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

## Income/(Loss) – in millions

2012	\$66	
2011	(32	)
Improvement in operating results	\$98	

## 2011 vs. 2010 –

## Sales and Operating Income –

Average sales price increased due to price increases associated with increased livestock costs. We have maintained strong operating income by maximizing our revenues relative to the rising live hog markets, partially attributable to strong export sales and operational and mix performance.

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

## Income/(Loss) – in millions

2011	\$(32	)
2010	(36	)
Improvement in operating results	\$4	

Table of Contents

Prepared Foods Segment Results	in millions				
	2012	2011	Change 2012 vs. 2011	2010	Change 2011 vs. 2010
Sales	\$3,237	\$3,215	\$22	\$2,999	\$216
Sales Volume Change			(0.9 )%		(2.2 )%
Average Sales Price Change			1.6 %		9.6 %
Operating Income	\$181	\$117	\$64	\$124	\$(7 )
Operating Margin	5.6	% 3.6	%	4.1	%

2012 vs. 2011 –

Sales and Operating Income – Operating margins were positively impacted by lower raw material costs of \$75 million and increased average sales prices, which were partially offset by lower volumes and increased operational costs of approximately \$30 million, largely due to costs related to revamping our lunchmeat business and the start-up of a new pepperoni plant. Because many of our sales contracts are formula based or shorter-term in nature, we typically offset changing input costs through pricing. However, there is a lag time for price changes to take effect, which is what we experienced during fiscal 2011.

2011 vs. 2010 –

Sales and Operating Income – Despite the increase in average sales prices, operating income remained flat, excluding \$8 million in insurance proceeds in fiscal 2010 related to flood damage at our Jefferson, Wisconsin plant. The increase in average sales prices were offset by lower volumes, increased raw material costs of \$273 million and increased operational costs of \$50 million, primarily attributable to employee related costs and plant variances mostly due to lower volumes.

#### LIQUIDITY AND CAPITAL RESOURCES

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

#### Cash Flows from Operating Activities

	in millions		
	2012	2011	2010
Net income	\$576	\$733	\$765
Non-cash items in net income:			
Depreciation and amortization	499	506	497
Deferred income taxes	140	86	18
Loss on early extinguishment of debt	167	—	—
Impairment of goodwill	—	—	29
Impairment of assets	34	18	36
Other, net	18	49	76
Net changes in working capital	(247 )	(346 )	11
Net cash provided by operating activities	\$1,187	\$1,046	\$1,432

Cash flows associated with Loss on early extinguishment of debt included the amount paid exceeding the par value of debt, unamortized discount and unamortized debt issuance costs related to the full extinguishment of the 2014 Notes.

Cash flows associated with changes in working capital:

2012 – Decreased due to the increase in inventory and accounts receivable balances, partially offset by the increase in accounts payable. The higher inventory and accounts receivable balances were driven by significant increases in input costs and price increases associated with the increased input costs.

2011 – Decreased due to the increase in inventory and accounts receivable balances, partially offset by the increase in accounts payable. The higher inventory and accounts receivable balances were driven by significant increases in input costs and price increases associated with the increased input costs.

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

Table of Contents

Cash Flows from Investing Activities	in millions		
	2012	2011	2010
Additions to property, plant and equipment	\$(690	) \$(643	) \$(550
Proceeds from sale (purchases) of marketable securities, net	(11	) (80	) (4
Proceeds from notes receivable	—	51	—
Change in restricted cash to be used for investing activities	—	—	43
Other, net	41	28	11
Net cash used for investing activities	\$(660	) \$(644	) \$(500

Additions to property, plant and equipment include acquiring new equipment and upgrading our facilities to maintain competitive standing and position us for future opportunities. In fiscal 2012 and 2011, our capital spending was primarily for production efficiencies in our operations and for ongoing development of foreign operations. In fiscal 2010, our capital spending was primarily related to production efficiencies in our operations, construction of Dynamic Fuels' facility and development of our foreign operations.

Capital spending for fiscal 2013 is expected to approximate \$550 million, and includes spending on our operations for production and labor efficiencies, yield improvements and sales channel flexibility, as well as expansion of our foreign operations. The reduction in planned capital expenditures from fiscal 2012 is primarily a result of an anticipated rise in working capital needs in fiscal 2013. Once we gain more visibility into our working capital needs, or should forecasted conditions change, we may raise our capital expenditures target.

Purchases of marketable securities included funding for our deferred compensation plans.

Proceeds from notes receivable totaling \$51 million in fiscal 2011 related to the collection of notes receivable received in conjunction with the sale of a business operation in fiscal 2009.

Change in restricted cash – In fiscal 2009, Dynamic Fuels received \$100 million in proceeds from the sale of Gulf Opportunity Zone tax-exempt bonds made available by the federal government to the regions affected by Hurricanes Katrina and Rita in 2005. The cash received from these bonds was restricted and could only be used towards the construction of the Dynamic Fuels' facility. The Dynamic Fuels' facility was complete in October 2010.

Table of Contents

Cash Flows from Financing Activities	in millions		
	2012	2011	2010
Payments on debt	\$(993	) \$(500	) \$(1,034
Net proceeds from borrowings	1,116	115	—
Purchase of redeemable noncontrolling interest	—	(66	) —
Change in restricted cash to be used for financing activities	—	—	140
Purchases of Tyson Class A common stock	(264	) (207	) (48
Dividends	(57	) (59	) (59
Other, net	27	59	42
Net cash used for financing activities	\$(171	) \$(658	) \$(959

**Payments on debt included –**

2012 – \$885 million for the extinguishment of the 2014 Notes and \$103 million related to borrowings at our foreign operations.

2011 – \$315 million of 2011 Notes; \$63 million of 2016 Notes; \$2 million of 7.0% Notes due May 2018 (2018 Notes); and \$103 million related to borrowings at our foreign operations.

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

**Net proceeds from borrowings included –**

2012 – We received net proceeds of \$995 million from the issuance of the 2022 Notes. We used the net proceeds towards the extinguishment of the 2014 Notes, including the payments of accrued interest and related premiums, and general corporate purposes. Additionally, our foreign operations received proceeds of \$115 million from borrowings. Total debt related to our foreign operations was \$102 million at September 29, 2012 (\$62 million current, \$40 million long-term).

2011 – Our foreign operations received proceeds of \$106 million from borrowings. Total debt related to our foreign operations was \$98 million at October 1, 2011 (\$58 million current, \$40 million long-term). Additionally, Dynamic Fuels received \$9 million in proceeds from short term notes in fiscal 2011.

In fiscal 2011, the minority interest partner in our 60%-owned Shandong Tyson Xinchang Foods (currently referred to as Shandong Tyson) joint ventures in China exercised put options requiring us to purchase its entire 40% equity interest. The transaction closed in fiscal 2011 for cash consideration totaling \$66 million.

**Purchases of Tyson Class A common stock include:**

\$230 million and \$170 million for shares repurchased pursuant to our share repurchase program in fiscal 2012 and 2011, respectively; and

\$34 million, \$37 million and \$48 million for shares repurchased to fund certain obligations under our equity compensation plans in fiscal 2012, 2011 and 2010, respectively.

Table of Contents

Liquidity						in millions
	Commitments Expiration Date	Facility Amount	Outstanding Letters of Credit under Revolving Credit Facility (no draw downs)	Amount Borrowed	Amount Available	
Cash and cash equivalents						\$1,071
Revolving credit facility	August 2017	\$1,000	\$38	\$—		\$962
Total liquidity						\$2,033

The revolving credit facility supports our short-term funding needs and letters of credit. The letters of credit issued under this facility are primarily in support of workers' compensation insurance programs and derivative activities. Our 2013 Notes may be converted to Class A stock early during any fiscal quarter in the event our Class A stock trades at or above \$21.96 for at least 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter. In this event, the note holders may require us to pay outstanding principal in cash, which totaled \$458 million at September 29, 2012. Any conversion premium would be paid in shares of Class A stock. The conditions for early conversion were not met in our fourth quarter of fiscal 2012, and thus, the notes may not be converted in our first quarter of fiscal 2013. On and after July 15, 2013, until the close of business on the second scheduled trading day immediately preceding the maturity date, which is October 15, 2013, holders may convert their notes at any time, regardless of the foregoing circumstances. Due to the early conversion option regardless of conversion conditions beginning in July 2013, we have recorded the 2013 Notes balance of \$458 million and remaining discount of \$22 million as Current debt in our Consolidated Balance Sheets at September 29, 2012. Should the holders exercise their early conversion option, we would use current cash on hand and/or cash flow from operations for principal payments. We presently plan to use current cash on hand and/or cash flows from operations for payment on the 2013 Notes not converted early upon maturity.

At September 29, 2012, approximately 29% of our cash is held in the international accounts of our foreign subsidiaries. Generally, we do not rely on the foreign cash as a source of funds to support our ongoing domestic liquidity needs, but rather we manage our worldwide cash requirements by reviewing available funds among our foreign subsidiaries and the cost effectiveness with which those funds can be accessed. The repatriation of cash balances from certain of our subsidiaries could have adverse tax consequences or be subject to regulatory capital requirements; however, those balances are generally available without legal restrictions to fund ordinary business operations. Our U.S. income taxes, net of applicable foreign tax credits, have not been provided on undistributed earnings of foreign subsidiaries. Our intention is to reinvest these earnings permanently or to repatriate the earnings only when it is tax effective to do so.

Our current ratio was 1.91 to 1 and 2.01 to 1 at September 29, 2012, and October 1, 2011, respectively.

**Capital Resources****Credit Facility**

Cash flows from operating activities and current cash on hand are our primary sources of liquidity for funding debt service, capital expenditures, dividends and share repurchases. We also have a revolving credit facility, with a committed maximum capacity of \$1.0 billion, to provide additional liquidity for working capital needs, letters of credit and a source of financing for growth opportunities. As of September 29, 2012, we had outstanding letters of credit totaling \$38 million issued under this facility, none of which were drawn upon, which left \$962 million available for borrowing. Our revolving credit facility is funded by a syndicate of 43 banks, with commitments ranging from \$0.3 million to \$90 million per bank. The syndicate includes bank holding companies that are required to be adequately capitalized under federal bank regulatory agency requirements.

**Capitalization**

To monitor our credit ratings and our capacity for long-term financing, we consider various qualitative and quantitative factors. We monitor the ratio of our debt to our total capitalization as support for our long-term financing decisions. At September 29, 2012, and October 1, 2011, the ratio of our debt-to-total capitalization was 28.7% and 27.7%, respectively. For the purpose of this calculation, debt is defined as the sum of current and long-term debt.



Total capitalization is defined as debt plus Total Shareholders' Equity. Our ratio of debt to our total capitalization increased in fiscal 2012 primarily resulting from the net increase in our debt balance from issuing the \$1.0 billion 2022 Notes and extinguishing the \$810 million 2014 Notes.

Table of Contents

## Credit Ratings

## 2016 Notes

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

On August 19, 2010, Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. (S&P), upgraded the credit rating from "BB" to "BB+." On September 2, 2010, Moody's upgraded the credit rating from "Ba3" to "Ba2." These upgrades decreased the interest rate on the 2016 Notes from 7.85% to 7.35%, effective beginning with the six-month interest payment due October 1, 2010.

On February 24, 2011, S&P upgraded the credit rating of these notes from "BB+" to "BBB-." On March 29, 2011, Moody's upgraded the credit rating of these notes from "Ba2" to "Ba1." These upgrades decreased the interest rate on the 2016 Notes from 7.35% to 6.85%, effective beginning with the six-month interest payment due April 1, 2011. On June 7, 2012, Moody's upgraded the credit rating of these notes from "Ba1" to "Baa3." This upgrade decreased the interest rate on the 2016 Notes from 6.85% to 6.60%, effective beginning with the six-month interest payment due October 1, 2012.

A one-notch downgrade by either ratings agency would increase the interest rates on the 2016 Notes by 0.25%.

## Revolving Credit Facility

S&P's corporate credit rating for Tyson Foods, Inc. is "BBB-." Moody's senior, unsecured, subsidiary guaranteed long-term debt rating for Tyson Foods, Inc. is "Baa3." Fitch Ratings', a wholly owned subsidiary of Fimalac, S.A. (Fitch), issuer default rating for Tyson Foods, Inc. is "BBB." The below table outlines the fees paid on the unused portion of the facility (facility fee rate) and letter of credit fees (undrawn letter of credit fee and borrowing spread) depending on the rating levels of Tyson Foods, Inc. from S&P, Moody's and Fitch.

Ratings Level (S&P/Moody's/Fitch)	Facility Fee Rate	Undrawn Letter of Credit Fee and Borrowing Spread	
BBB+/Baa1/BBB+ or above	0.150	% 1.125	%
BBB/Baa2/BBB	0.175	% 1.375	%
BBB-/Baa3/BBB- (current level)	0.225	% 1.625	%
BB+/Ba1/BB+	0.275	% 1.875	%
BB/Ba2/BB or lower or unrated	0.325	% 2.125	%

In the event the rating levels are split, the applicable fees and spread will be based upon the rating level in effect for two of the rating agencies, or, if all three rating agencies have different rating levels, the applicable fees and spread will be based upon the rating level that is between the rating levels of the other two rating agencies.

## Debt Covenants

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

Our 2022 Notes also contain affirmative and negative covenants that, among other things, may limit or restrict our ability to: create liens; engage in certain sale/leaseback transactions; and engage in certain consolidations, mergers and sales of assets.

We were in compliance with all debt covenants at September 29, 2012.

## OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements material to our financial position or results of operations. The off-balance sheet arrangements we have are guarantees of debt of outside third parties, including a lease and grower loans, and residual value guarantees covering certain operating leases for various types of equipment. See Note 19: Commitments and Contingencies of the Notes to Consolidated Financial Statements for further discussion.



Table of Contents

## CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations as of September 29, 2012:

	Payments Due by Period				in millions
	2013	2014-2015	2016-1017	2018 and thereafter	Total
Debt and capital lease obligations:					
Principal payments <sup>(1)</sup>	\$ 537	\$ 35	\$ 650	\$ 1,238	\$ 2,460
Interest payments <sup>(2)</sup>	122	232	138	260	752
Guarantees <sup>(3)</sup>	21	56	24	32	133
Operating lease obligations <sup>(4)</sup>	101	119	53	55	328
Purchase obligations <sup>(5)</sup>	819	109	61	86	1,075
Capital expenditures <sup>(6)</sup>	400	33	—	—	433
Other long-term liabilities <sup>(7)</sup>	8	5	4	30	47
Total contractual commitments	\$ 2,008	\$ 589	\$ 930	\$ 1,701	\$ 5,228

(1) In the event of a default on payment, acceleration of the principal payments could occur.

(2) Interest payments include interest on all outstanding debt. Payments are estimated for variable rate and variable term debt based on effective rates at September 29, 2012, and expected payment dates.

(3) Amounts include guarantees of debt of outside third parties, which consist of a lease and grower loans, all of which are substantially collateralized by the underlying assets, as well as residual value guarantees covering certain operating leases for various types of equipment. The amounts included are the maximum potential amount of future payments.

(4) Amounts include minimum lease payments under lease agreements.

(5) Amounts include agreements to purchase goods or services that are enforceable and legally binding and specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. The purchase obligations amount included items, such as future purchase commitments for grains, livestock contracts and fixed grower fees that provide terms that meet the above criteria. We have excluded future purchase commitments for contracts that do not meet these criteria. Purchase orders have not been included in the table, as a purchase order is an authorization to purchase and may not be considered an enforceable and legally binding contract. Contracts for goods or services that contain termination clauses without penalty have also been excluded.

(6) Amounts include estimated amounts to complete buildings and equipment under construction as of September 29, 2012.

(7) Amounts include items that meet the definition of a purchase obligation and are recorded in the Consolidated Balance Sheets.

In addition to the amounts shown above in the table, we have unrecognized tax benefits of \$168 million and related interest and penalties of \$64 million at September 29, 2012, recorded as liabilities. During fiscal 2013, tax audit resolutions could potentially change these amounts by approximately \$20 million because tax positions are sustained on audit.

The maximum contractual obligation associated with our cash flow assistance programs at September 29, 2012, based on the estimated fair values of the livestock supplier's net tangible assets on that date, aggregated to approximately \$275 million, or approximately \$250 million remaining maximum commitment after netting the cash flow assistance related receivables.

## RECENTLY ISSUED/ADOPTED ACCOUNTING PRONOUNCEMENTS

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

Accounting Principles for recently adopted accounting pronouncements.

31

---

Table of Contents

## CRITICAL ACCOUNTING ESTIMATES

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

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

Cash consideration given to customers is considered a reduction in the price of our products, thus recorded as a reduction to sales. The remainder of marketing and advertising costs is recorded as a selling, general and administrative expense.

A 10% change in our marketing accruals at September 29, 2012, would impact pretax earnings by approximately \$15 million.

Table of Contents

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
<p>Accrued self insurance</p> <p>We are self insured for certain losses related to health and welfare, workers' compensation, auto liability and general liability claims.</p> <p>We use an independent third-party actuary to assist in determining our self-insurance liability. We and the actuary consider a number of factors when estimating our self-insurance liability, including claims experience, demographic factors, severity factors and other actuarial assumptions.</p> <p>We periodically review our estimates and assumptions with our third-party actuary to assist us in determining the adequacy of our self-insurance liability. Our policy is to maintain an accrual within the central to high point of the actuarial range.</p>	<p>Our self-insurance liability contains uncertainties due to assumptions required and judgment used.</p> <p>Costs to settle our obligations, including legal and healthcare costs, could increase or decrease causing estimates of our self-insurance liability to change.</p> <p>Incident rates, including frequency and severity, could increase or decrease causing estimates in our self-insurance liability to change.</p>	<p>We have not made any material changes in the accounting methodology used to establish our self-insurance liability during the past three fiscal years.</p> <p>We do not believe there is a reasonable likelihood there will be a material change in the estimates or assumptions used to calculate our self-insurance liability. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to gains or losses that could be material.</p> <p>A 10% increase in the actuarial estimate at September 29, 2012, would result in an increase in the amount we recorded for our self-insurance liability of approximately \$6 million. A 10% decrease in the actuarial estimate at September 29, 2012, would result in a decrease in the amount we recorded for our self-insurance liability of approximately \$23 million.</p>
<p>Impairment of long-lived assets</p> <p>Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Examples include a significant adverse change in the extent or manner in which we use a long-lived asset or a change in its physical condition.</p>	<p>Our impairment analysis contains uncertainties due to judgment in assumptions and estimates surrounding undiscounted future cash flows of the long-lived asset, including forecasting useful lives of assets and selecting the discount rate that reflects the risk inherent in future cash flows to determine fair value.</p>	<p>We have not made any material changes in the accounting methodology used to evaluate the impairment of long-lived assets during the last three fiscal years.</p> <p>We do not believe there is a reasonable likelihood there will be a material change in the estimates or assumptions used to calculate impairments of long-lived assets. However, if actual results are not consistent with our estimates and assumptions used to calculate estimated future cash flows, we may be exposed to impairment losses that could be material.</p>
<p>When evaluating long-lived assets for impairment, we compare the carrying value of the asset to the asset's estimated undiscounted future cash flows. An impairment is indicated if the estimated future cash flows are less than the carrying value of the asset. The impairment is the excess of the carrying value over the fair value</p>	<p>Our Dynamic Fuels consolidated joint venture began commercial operations in October of 2010 and has incurred net operating losses of \$14 million and \$24 million in fiscal 2012 and 2011, respectively. The plant has experienced mechanical difficulties, pre-treatment system performance issues and hydrogen supply</p>	<p>We do not believe there is a reasonable likelihood there will be a material change in the estimates or assumptions used to calculate estimated future cash flows, we may be exposed to impairment losses that could be material.</p>



of the long-lived asset.

We recorded impairment charges related to long-lived assets of \$25 million, \$15 million and \$19 million, respectively, in fiscal 2012, 2011 and 2010.

disruptions, which have contributed to plant down time and higher than expected operational costs. Upgrades to the feedstock pre-treatment systems and improvements to the mechanical reliability of the plant are currently ongoing. If the plant upgrades and improvements fail to improve operational performance, or should industry economics make the plant uneconomical to operate, we may be required to assess the recoverability of Dynamic Fuels' long-lived assets to determine whether an impairment exists.

Additionally, we continue to evaluate our international operations and strategies, which may expose us to future impairment losses.

Table of Contents

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
<p>Income taxes</p> <p>We estimate total income tax expense based on statutory tax rates and tax planning opportunities available to us in various jurisdictions in which we earn income.</p>	<p>Changes in tax laws and rates could affect recorded deferred tax assets and liabilities in the future.</p>	<p>We do not believe there is a reasonable likelihood there will be a material change in the tax related balances or valuation allowances. However, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the current estimate of the tax liabilities.</p>
<p>Federal income tax includes an estimate for taxes on earnings of foreign subsidiaries expected to be remitted to the United States and be taxable, but not for earnings considered indefinitely invested in the foreign subsidiary.</p>	<p>Changes in projected future earnings could affect the recorded valuation allowances in the future.</p>	<p>To the extent we prevail in matters for which unrecognized tax benefit liabilities have been established, or are required to pay amounts in excess of our recorded unrecognized tax benefit liabilities, our effective tax rate in a given financial statement period could be materially affected. An unfavorable tax settlement would require use of our cash and generally result in an increase in our effective tax rate in the period of resolution. A favorable tax settlement would generally be recognized as a reduction in our effective tax rate in the period of resolution.</p>
<p>Deferred income taxes are recognized for the future tax effects of temporary differences between financial and income tax reporting using tax rates in effect for the years in which the differences are expected to reverse.</p>	<p>Our calculations related to income taxes contain uncertainties due to judgment used to calculate tax liabilities in the application of complex tax regulations across the tax jurisdictions where we operate.</p>	<p>To the extent we prevail in matters for which unrecognized tax benefit liabilities have been established, or are required to pay amounts in excess of our recorded unrecognized tax benefit liabilities, our effective tax rate in a given financial statement period could be materially affected. An unfavorable tax settlement would require use of our cash and generally result in an increase in our effective tax rate in the period of resolution. A favorable tax settlement would generally be recognized as a reduction in our effective tax rate in the period of resolution.</p>
<p>Valuation allowances are recorded when it is likely a tax benefit will not be realized for a deferred tax asset.</p>	<p>Our analysis of unrecognized tax benefits contains uncertainties based on judgment used to apply the more likely than not recognition and measurement thresholds.</p>	<p>To the extent we prevail in matters for which unrecognized tax benefit liabilities have been established, or are required to pay amounts in excess of our recorded unrecognized tax benefit liabilities, our effective tax rate in a given financial statement period could be materially affected. An unfavorable tax settlement would require use of our cash and generally result in an increase in our effective tax rate in the period of resolution. A favorable tax settlement would generally be recognized as a reduction in our effective tax rate in the period of resolution.</p>
<p>We record unrecognized tax benefit liabilities for known or anticipated tax issues based on our analysis of whether, and the extent to which, additional taxes will be due.</p>	<p>Our analysis of unrecognized tax benefits contains uncertainties based on judgment used to apply the more likely than not recognition and measurement thresholds.</p>	<p>To the extent we prevail in matters for which unrecognized tax benefit liabilities have been established, or are required to pay amounts in excess of our recorded unrecognized tax benefit liabilities, our effective tax rate in a given financial statement period could be materially affected. An unfavorable tax settlement would require use of our cash and generally result in an increase in our effective tax rate in the period of resolution. A favorable tax settlement would generally be recognized as a reduction in our effective tax rate in the period of resolution.</p>
<p>Impairment of goodwill and other intangible assets</p>	<p>Description: Goodwill is evaluated for impairment by first performing a qualitative assessment to determine whether a quantitative goodwill test is necessary. If it is determined, based on qualitative factors, the fair value of the reporting unit may be more likely than not less than carrying amount or if significant changes to macro-economic factors related to the reporting unit have occurred that could materially impact fair value, a quantitative goodwill impairment test would be required. Additionally, we can elect to forgo the qualitative assessment and perform the quantitative test. The quantitative goodwill impairment test is performed using a two-step process. The first step is to identify if a potential impairment exists by comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to have a potential impairment and the second step of the quantitative impairment test is not necessary. However, if the carrying amount of a reporting unit exceeds its fair value, the second step is performed to determine if goodwill is impaired and to measure the amount of impairment loss to recognize, if any. The second step compares the implied fair value of goodwill with the carrying amount of goodwill. If the implied fair value of goodwill exceeds the carrying amount, then goodwill is not considered impaired. However, if the carrying amount of goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess.</p>	<p>To the extent we prevail in matters for which unrecognized tax benefit liabilities have been established, or are required to pay amounts in excess of our recorded unrecognized tax benefit liabilities, our effective tax rate in a given financial statement period could be materially affected. An unfavorable tax settlement would require use of our cash and generally result in an increase in our effective tax rate in the period of resolution. A favorable tax settlement would generally be recognized as a reduction in our effective tax rate in the period of resolution.</p>

The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination (i.e., the fair value of the reporting unit is allocated to all the assets and liabilities, including any unrecognized intangible assets, as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was determined as the exit price a market participant would pay for the same business).

For other indefinite life intangible assets, a qualitative assessment can also be performed to determine whether the existence of events and circumstances indicates it is more likely than not an intangible asset is impaired. Similar to goodwill, we can also elect to forgo the qualitative test for indefinite life intangible assets and perform the quantitative test. Upon performing the quantitative test, if the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. We elected to forgo the qualitative assessments on our indefinite life intangible assets for the fiscal 2012 impairment test.

We have elected to make the first day of the fourth quarter the annual impairment assessment date for goodwill and other indefinite life intangible assets. However, we could be required to evaluate the recoverability of goodwill and other indefinite life intangible assets prior to the required annual assessment if, among other things, we experience disruptions to the business, unexpected significant declines in operating results, divestiture of a significant component of the business or a sustained decline in market capitalization.

## Table of Contents

**Judgments and Uncertainties:** We estimate the fair value of our reporting units, generally our operating segments, using various valuation techniques, with the primary technique being a discounted cash flow analysis, which uses significant unobservable inputs, or Level 3 inputs, as defined by the fair value hierarchy. A discounted cash flow analysis requires us to make various judgmental assumptions about sales, operating margins, growth rates and discount rates.

We include assumptions about sales, operating margins and growth rates which consider our budgets, business plans and economic projections, and are believed to reflect market participant views which would exist in an exit transaction. Assumptions are also made for varying perpetual growth rates for periods beyond the long-term business plan period. Generally, we utilize normalized operating margin assumptions based on future expectations and operating margins historically realized in the reporting units' industries. For the fiscal 2012 impairment test of material reporting units, our Domestic Chicken and Beef reporting units generally utilized operating margins in future years in excess of the operating margin realized in the most recent year.

Our Domestic Chicken reporting unit had goodwill at September 29, 2012, totaling \$900 million or 95% of our Chicken segment's goodwill. We generally assumed operating margins in future years would return to our normalized range of 5.0% to 7.0%, as we believe this is consistent with market participant views in an exit transaction. Had we assumed future operating margins consistent with those realized in the current fiscal year, we would have still passed the first step of the annual impairment test. Valuing the Domestic Chicken reporting unit utilizing projected operating margins averaging less than 3.3% (breakeven), or a 2.3% increase in the discount rate used in fiscal 2012, would have caused the carrying value of the Domestic Chicken reporting unit to be in excess of fair value, which would have required the second step to be performed. Although our Domestic Chicken reporting unit realized operating margins in fiscal 2012 in excess of the breakeven operating margins required to pass the first step, the Domestic Chicken reporting unit may be challenged in fiscal 2013 to realize this level of operating margins, due to the expected temporary challenging market conditions in fiscal 2013.

Our Beef reporting unit, which is our Beef operating segment, had goodwill at September 29, 2012, totaling \$563 million. We generally assumed operating margins in future years would return to our normalized range of 2.5% to 4.5%, as we believe this is consistent with market participant views in an exit transaction. Had we assumed future operating margins consistent with those realized in the current fiscal year, we would have still passed the first step of the annual impairment test. Valuing the Beef reporting unit utilizing projected operating margins averaging less than 1.4% (breakeven), or a 3.6% increase in the discount rate used in fiscal 2012, would have caused the carrying value of the Beef reporting unit to be in excess of fair value, which would have required the second step to be performed. Although our Beef reporting unit realized operating margins in fiscal 2012 in excess of the breakeven operating margins required to pass the first step, the Beef reporting unit may be challenged in fiscal 2013 to realize this level of operating margins, due to the expected temporary challenging market conditions in fiscal 2013.

Other indefinite life intangible asset fair values have been calculated for trademarks using a royalty rate method. Assumptions about royalty rates are based on the rates at which similar brands and trademarks are licensed in the marketplace.

Our impairment analysis contains uncertainties due to uncontrollable events that could positively or negatively impact the anticipated future economic and operating conditions.

**Effect if Actual Results Differ From Assumptions:** We have not made any material changes in the accounting methodology used to evaluate impairment of goodwill and other intangible assets during the last three years other than the adoption of the new guidance allowing the option to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative impairment test.

The discount rate used in our annual goodwill impairment test decreased to an average of 8.0% in fiscal 2012 from 8.8% in fiscal 2011. There were no significant changes in the other key estimates and assumptions.

During fiscal 2012, 2011 and 2010, all of our material reporting units that underwent a quantitative test passed the first step of the goodwill impairment analysis and therefore, the second step was not necessary. In fiscal 2010, we recorded a \$29 million full impairment of an immaterial Chicken segment reporting unit's goodwill.

Some of the inherent estimates and assumptions used in determining fair value of the reporting units are outside the control of management, including interest rates, cost of capital, tax rates and our credit ratings. While we believe we

have made reasonable estimates and assumptions to calculate the fair value of the reporting units and other indefinite life intangible assets, it is possible a material change could occur. If our actual results are not consistent with our estimates and assumptions used to calculate fair value, we may be required to perform the second step, which could result in additional material impairments of our goodwill.

All of our material reporting units' estimated fair value exceeded their carrying value by more than 20% at the date of their most recent estimated fair value determination. Consequently, we do not currently consider any of our material reporting units at significant risk of failing the first step of the annual goodwill impairment test.

Our fiscal 2012 other indefinite life intangible asset impairment analysis did not result in a material impairment charge. A hypothetical 20% decrease in the fair value of intangible assets would not result in a material impairment.

Table of Contents

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

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

The sensitivity analyses presented below are the measures of potential losses of fair value resulting from hypothetical changes in market prices related to commodities. Sensitivity analyses do not consider the actions we may take to mitigate our exposure to changes, nor do they consider the effects such hypothetical adverse changes may have on overall economic activity. Actual changes in market prices may differ from hypothetical changes.

**Commodities Risk:** We purchase certain commodities, such as grains and livestock, in the course of normal operations. As part of our commodity risk management activities, we use derivative financial instruments, primarily futures and options, to reduce the effect of changing prices and as a mechanism to procure the underlying commodity. However, as the commodities underlying our derivative financial instruments can experience significant price fluctuations, any requirement to mark-to-market the positions that have not been designated or do not qualify as hedges could result in volatility in our results of operations. Contract terms of a hedge instrument closely mirror those of the hedged item providing a high degree of risk reduction and correlation. Contracts designated and highly effective at meeting this risk reduction and correlation criteria are recorded using hedge accounting. The following table presents a sensitivity analysis resulting from a hypothetical change of 10% in market prices as of September 29, 2012, and October 1, 2011, on the fair value of open positions. The fair value of such positions is a summation of the fair values calculated for each commodity by valuing each net position at quoted futures prices. The market risk exposure analysis includes hedge and non-hedge derivative financial instruments.

Effect of 10% change in fair value	in millions	
	2012	2011
Livestock:		
Cattle	\$42	\$34
Hogs	37	57
Grain	30	11

**Interest Rate Risk:** At September 29, 2012, we had variable rate debt of \$219 million with a weighted average interest rate of 3.9%. A hypothetical 10% increase in interest rates effective at September 29, 2012, and October 1, 2011, would have a minimal effect on interest expense.

Additionally, changes in interest rates impact the fair value of our fixed-rate debt. At September 29, 2012, we had fixed-rate debt of \$2.2 billion with a weighted average interest rate of 5.9%. Market risk for fixed-rate debt is estimated as the potential increase in fair value, resulting from a hypothetical 10% decrease in interest rates. A hypothetical 10% decrease in interest rates would have increased the fair value of our fixed-rate debt by approximately \$16 million at September 29, 2012, and \$5 million at October 1, 2011. The fair values of our debt were estimated based on quoted market prices and/or published interest rates.

**Foreign Currency Risk:** We have foreign exchange exposure from fluctuations in foreign currency exchange rates primarily as a result of certain receivable and payable balances. The primary currencies we have exposure to are the Brazilian real, the British pound sterling, the Canadian dollar, the Chinese renminbi, the European euro, and the Mexican peso. We periodically enter into foreign exchange forward and option contracts to hedge some portion of our

foreign currency exposure. A hypothetical 10% change in foreign exchange rates effective at September 29, 2012, and October 1, 2011, related to the foreign exchange forward and option contracts would have a \$21 million and \$18 million impact, respectively, on pretax income. In the future, we may enter into more foreign exchange forward and option contracts as a result of our international growth strategy.

Table of Contents

Concentrations of Credit Risk: Our financial instruments exposed to concentrations of credit risk consist primarily of cash equivalents and trade receivables. Our cash equivalents are in high quality securities placed with major banks and financial institutions. Concentrations of credit risk with respect to receivables are limited due to our large number of customers and their dispersion across geographic areas. We perform periodic credit evaluations of our customers' financial condition and generally do not require collateral. At September 29, 2012, and October 1, 2011, 17.1% and 16.5%, respectively, of our net accounts receivable balance was due from Wal-Mart Stores, Inc. No other single customer or customer group represented greater than 10% of net accounts receivable.

37

---



Table of Contents

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

## TYSON FOODS, INC.

## CONSOLIDATED STATEMENTS OF INCOME

	Three years ended September 29, 2012 in millions, except per share data		
	2012	2011	2010
Sales	\$33,278	\$32,266	\$28,430
Cost of Sales	31,118	30,067	25,916
Gross Profit	2,160	2,199	2,514
Operating Expenses:			
Selling, general and administrative	912	914	929
Goodwill impairment	—	—	29
Operating Income	1,248	1,285	1,556
Other (Income) Expense:			
Interest income	(12	) (11	) (14
Interest expense	356	242	347
Other, net	(23	) (20	) 20
Total Other (Income) Expense	321	211	353
Income before Income Taxes	927	1,074	1,203
Income Tax Expense	351	341	438
Net Income	576	733	765
Less: Net Loss Attributable to Noncontrolling Interest	(7	) (17	) (15
Net Income Attributable to Tyson	\$583	\$750	\$780
Weighted Average Shares Outstanding:			
Class A Basic	293	303	303
Class B Basic	70	70	70
Diluted	370	380	379
Net Income per Share Attributable to Tyson:			
Class A Basic	\$1.64	\$2.04	\$2.13
Class B Basic	\$1.48	\$1.84	\$1.91
Diluted	\$1.58	\$1.97	\$2.06
See accompanying notes.			

Table of ContentsTYSON FOODS, INC.  
CONSOLIDATED BALANCE SHEETSSeptember 29, 2012, and October 1, 2011  
in millions, except share and per share data

	2012	2011
Assets		
Current Assets:		
Cash and cash equivalents	\$1,071	\$716
Accounts receivable, net	1,378	1,321
Inventories	2,809	2,587
Other current assets	145	156
Total Current Assets	5,403	4,780
Net Property, Plant and Equipment	4,022	3,823
Goodwill	1,891	1,892
Intangible Assets	129	149
Other Assets	451	427
Total Assets	\$11,896	\$11,071
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current debt	\$515	\$70
Accounts payable	1,372	1,264
Other current liabilities	943	1,040
Total Current Liabilities	2,830	2,374
Long-Term Debt	1,917	2,112
Deferred Income Taxes	558	424
Other Liabilities	549	476
Commitments and Contingencies (Note 19)		
Shareholders' Equity:		
Common stock (\$0.10 par value):		
Class A-authorized 900 million shares, issued 322 million shares in both 2012 and 2011	32	32
Convertible Class B-authorized 900 million shares, issued 70 million shares in both 2012 and 2011	7	7
Capital in excess of par value	2,278	2,261
Retained earnings	4,327	3,801
Accumulated other comprehensive loss	(63	) (79
Treasury stock, at cost – 33 million shares in 2012, and 22 million shares in 2011	(569	) (365
Total Tyson Shareholders' Equity	6,012	5,657
Noncontrolling Interest	30	28
Total Shareholders' Equity	6,042	5,685
Total Liabilities and Shareholders' Equity	\$11,896	\$11,071

See accompanying notes.

Table of Contents

## TYSON FOODS, INC.

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Three years ended September 29, 2012 in millions					
	September 29, 2012		October 1, 2011		October 2, 2010	
	Shares	Amount	Shares	Amount	Shares	Amount
Common Stock at beginning and end of year:						
Class A	322	\$32	322	\$32	322	\$32
Class B	70	7	70	7	70	7
Capital in Excess of Par Value:						
Balance at beginning of year		2,261		2,243		2,236
Stock-based compensation		17		18		7
Balance at end of year		2,278		2,261		2,243
Retained Earnings:						
Balance at beginning of year		3,801		3,113		2,399
Net income attributable to Tyson		583		750		780
Dividends		(57 )		(59 )		(59 )
Redeemable noncontrolling interest accretion		—		(3 )		(7 )
Balance at end of year		4,327		3,801		3,113
Accumulated Other Comprehensive Income (Loss), Net of Tax:						
Balance at beginning of year		(79 )		—		(34 )
Hedge accounting		17		(17 )		12
Investment accounting		—		(8 )		—
Currency translation adjustments		3		(41 )		27
Net change in postretirement liabilities		(4 )		(13 )		(5 )
Balance at end of year		(63 )		(79 )		—
Treasury Stock:						
Balance at beginning of year	22	(365 )	15	(229 )	16	(242 )
Purchase of Tyson Class A common stock	14	(264 )	12	(207 )	3	(48 )
Stock-based compensation	(3 )	60	(5 )	71	(4 )	61
Balance at end of year	33	(569 )	22	(365 )	15	(229 )
Total Shareholders' Equity Attributable to Tyson		\$6,012		\$5,657		\$5,166
Equity Attributable to Noncontrolling Interests						
Balance at beginning of year		\$28		\$35		\$33
Net loss attributable to noncontrolling interests <sup>(1)</sup>		(7 )		(13 )		(6 )
Contributions by noncontrolling interest		9		8		10
Net foreign currency translation adjustment and other		—		(2 )		(2 )
Total Equity Attributable to Noncontrolling Interests		\$30		\$28		\$35
Total Shareholders' Equity		\$6,042		\$5,685		\$5,201
Comprehensive Income:						

Edgar Filing: TYSON FOODS INC - Form 10-K

Net income	\$576	\$733	\$765
Other comprehensive income (loss), net of tax	16	(79 )	34
Total Comprehensive Income	592	654	799
Less: Comprehensive Loss attributable to noncontrolling interest	(7 )	(13 )	(6 )
Total Comprehensive Income attributable to Tyson	\$599	\$667	\$805

See accompanying notes.

(1) Excludes net loss related to redeemable noncontrolling interest of \$(4) million and \$(9) million, for fiscal 2011 and 2010, respectively.

40

---

Table of ContentsTYSON FOODS, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three years ended September 29, 2012		
	in millions		
	2012	2011	2010
Cash Flows From Operating Activities:			
Net income	\$576	\$733	\$765
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	443	433	416
Amortization	56	73	81
Deferred income taxes	140	86	18
Loss on early extinguishment of debt	167	—	—
Impairment of goodwill	—	—	29
Impairment of assets	34	18	36
Other, net	18	49	76
Increase in accounts receivable	(69)	(114)	(79)
Increase in inventories	(259)	(299)	(239)
Increase in accounts payable	106	152	101
Increase (decrease) in income taxes payable/receivable	8	(73)	(53)
Increase (decrease) in interest payable	5	19	(4)
Net change in other current assets and liabilities	(38)	(31)	285
Cash Provided by Operating Activities	1,187	1,046	1,432
Cash Flows From Investing Activities:			
Additions to property, plant and equipment	(690)	(643)	(550)
Purchases of marketable securities	(58)	(146)	(53)
Proceeds from sale of marketable securities	47	66	49
Proceeds from notes receivable	—	51	—
Change in restricted cash to be used for investing activities	—	—	43
Other, net	41	28	11
Cash Used for Investing Activities	(660)	(644)	(500)
Cash Flows From Financing Activities:			
Payments on debt	(993)	(500)	(1,034)
Net proceeds from borrowings	1,116	115	—
Purchase of redeemable noncontrolling interest	—	(66)	—
Change in restricted cash to be used for financing activities	—	—	140
Purchases of Tyson Class A common stock	(264)	(207)	(48)
Dividends	(57)	(59)	(59)
Other, net	27	59	42
Cash Used for Financing Activities	(171)	(658)	(959)
Effect of Exchange Rate Change on Cash	(1)	(6)	1
Increase (Decrease) in Cash and Cash Equivalents	355	(262)	(26)
Cash and Cash Equivalents at Beginning of Year	716	978	1,004
Cash and Cash Equivalents at End of Year	\$1,071	\$716	\$978
See accompanying notes.			

Table of Contents

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## TYSON FOODS, INC.

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

Description of Business: Tyson Foods, Inc. (collectively, “Company,” “we,” “us” or “our”), founded in 1935 with world headquarters in Springdale, Arkansas, is one of the world’s largest meat protein companies and the second-largest food production company in the Fortune 500. We produce a wide variety of brand name protein-based and prepared food products marketed in the United States and approximately 130 countries around the world.

Consolidation: The consolidated financial statements include the accounts of all wholly-owned subsidiaries, as well as majority-owned subsidiaries over which we exercise control and, when applicable, entities for which we have a controlling financial interest or variable interest entities for which we are the primary beneficiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Fiscal Year: We utilize a 52- or 53-week accounting period ending on the Saturday closest to September 30. The Company’s accounting cycle resulted in a 52-week year for fiscal 2012, 2011 and 2010.

Cash and Cash Equivalents: Cash equivalents consist of investments in short-term, highly liquid securities having original maturities of three months or less, which are made as part of our cash management activity. The carrying values of these assets approximate their fair values. We primarily utilize a cash management system with a series of separate accounts consisting of lockbox accounts for receiving cash, concentration accounts where funds are moved to, and several zero-balance disbursement accounts for funding payroll, accounts payable, livestock procurement, grower payments, etc. As a result of our cash management system, checks issued, but not presented to the banks for payment, may result in negative book cash balances. These negative book cash balances are included in accounts payable and other current liabilities. At September 29, 2012, and October 1, 2011, checks outstanding in excess of related book cash balances totaled approximately \$265 million and \$281 million, respectively.

Accounts Receivable: We record accounts receivable at net realizable value. This value includes an appropriate allowance for estimated uncollectible accounts to reflect any loss anticipated on the accounts receivable balances and charged to the provision for doubtful accounts. We calculate this allowance based on our history of write-offs, level of past due accounts and relationships with and economic status of our customers. At September 29, 2012, and October 1, 2011, our allowance for uncollectible accounts was \$33 million and \$31 million, respectively. We generally do not have collateral for our receivables, but we do periodically evaluate the credit worthiness of our customers.

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

	2012	in millions 2011
Processed products:		
Weighted-average method – chicken and prepared foods	\$754	\$715
First-in, first-out method – beef and pork	611	581
Livestock – first-in, first-out method	952	928
Supplies and other – weighted-average method	492	363
Total inventory	\$2,809	\$2,587

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

We review the carrying value of long-lived assets at each balance sheet date if indication of impairment exists.

Recoverability is assessed using undiscounted cash flows based on historical results and current projections of earnings before interest and taxes. We measure impairment as the excess of carrying cost over the fair value of an

asset. The fair value of an asset is measured using discounted cash flows including market participant assumptions of future operating results and discount rates.

## Table of Contents

**Goodwill and Other Intangible Assets:** Goodwill and indefinite life intangible assets are initially recorded at fair value and not amortized, but are reviewed for impairment at least annually or more frequently if impairment indicators arise. Our goodwill is allocated by reporting unit and is evaluated for impairment by first performing a qualitative assessment to determine whether a quantitative goodwill test is necessary. If it is determined, based on qualitative factors, the fair value of the reporting unit may be more likely than not less than carrying amount or if significant changes to macro-economic factors related to the reporting unit have occurred that could materially impact fair value, a quantitative goodwill impairment test would be required. Additionally, we can elect to forgo the qualitative assessment and perform the quantitative test.

The first step of the quantitative test is to identify if a potential impairment exists by comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to have a potential impairment and the second step of the quantitative impairment test is not necessary. However, if the carrying amount of a reporting unit exceeds its fair value, the second step is performed to determine if goodwill is impaired and to measure the amount of impairment loss to recognize, if any. The second step compares the implied fair value of goodwill with the carrying amount of goodwill. If the implied fair value of goodwill exceeds the carrying amount, then goodwill is not considered impaired. However, if the carrying amount of goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination (i.e., the fair value of the reporting unit is allocated to all the assets and liabilities, including any unrecognized intangible assets, as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was determined as the exit price a market participant would pay for the same business). We have elected to make the first day of the fourth quarter the annual impairment assessment date for goodwill and other indefinite life intangible assets.

We estimate the fair value of our reporting units using a discounted cash flow analysis, which uses significant unobservable inputs, or Level 3 inputs, as defined by the fair value hierarchy. This analysis requires us to make various judgmental estimates and assumptions about sales, operating margins, growth rates and discount factors and is believed to reflect market participant views which would exist in an exit transaction. Generally, we utilize normalized operating margin assumptions based on future expectations and operating margins historically realized in the reporting units' industries. For the fiscal 2012 impairment test of material reporting units requiring a quantitative test, both our Domestic Chicken and Beef reporting units, which had goodwill at September 29, 2012, totaling \$900 million and \$563 million, respectively, utilized operating margins in future years in excess of the operating margins realized in the most recent year. We assumed operating margins in future years generally would return to our normalized range, as we believe this is consistent with market participant views in exit transactions. Some of the inherent estimates and assumptions used in determining fair value of the reporting units are outside the control of management, including interest rates, cost of capital, tax rates and credit ratings. While we believe we have made reasonable estimates and assumptions to calculate the fair value of the reporting units, it is possible a material change could occur. If our actual results are not consistent with our estimates and assumptions used to calculate fair value, we may be required to perform the second step of the quantitative test in future years, which could result in material impairments of our goodwill.

During fiscal 2012, 2011 and 2010, all of our material reporting units that underwent the quantitative test passed the first step of the goodwill impairment analysis and therefore, the second step was not necessary. In fiscal 2010, we recorded a \$29 million full impairment of an immaterial Chicken segment reporting unit's goodwill.

For our other indefinite life intangible assets, a qualitative assessment can also be performed to determine whether the existence of events and circumstances indicates it is more likely than not an intangible asset is impaired. Similar to goodwill, we can also elect to forgo the qualitative test for indefinite life intangible assets and perform the quantitative test. Upon performing the quantitative test, if the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The fair value of trademarks is determined using a royalty rate method based on expected revenues by trademark.

**Investments:** We have investments in joint ventures and other entities. We use the cost method of accounting when our voting interests are less than 20 percent. We use the equity method of accounting when our voting interests are in



excess of 20 percent and we do not have a controlling interest or a variable interest in which we are the primary beneficiary. Investments in joint ventures and other entities are reported in the Consolidated Balance Sheets in Other Assets.

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

Table of Contents

**Variable Interest Entity:** We have an investment in a joint venture, Dynamic Fuels LLC (Dynamic Fuels), in which we have a 50% ownership interest. Dynamic Fuels qualifies as a variable interest entity for which we consolidate as we are the primary beneficiary. At September 29, 2012, Dynamic Fuels had \$177 million of total assets, of which \$146 million was net property, plant and equipment, and \$124 million of total liabilities, of which \$100 million was long-term debt. At October 1, 2011, Dynamic Fuels had \$170 million of total assets, of which \$144 million was net property, plant and equipment, and \$116 million of total liabilities, of which \$100 million was long-term debt.

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

**Capital Stock:** We have two classes of capital stock, Class A Common Stock, \$0.10 par value (Class A stock) and Class B Common Stock, \$0.10 par value (Class B stock). Holders of Class B stock may convert such stock into Class A stock on a share-for-share basis. Holders of Class B stock are entitled to 10 votes per share, while holders of Class A stock are entitled to one vote per share on matters submitted to shareholders for approval. As of September 29, 2012, Tyson Limited Partnership (the TLP) owned 99.977% of the outstanding shares of Class B stock and the TLP and members of the Tyson family owned, in the aggregate, 2.53% of the outstanding shares of Class A stock, giving them, collectively, control of approximately 71.52% of the total voting power of the outstanding voting stock. Cash dividends cannot be paid to holders of Class B stock unless they are simultaneously paid to holders of Class A stock. The per share amount of the cash dividend paid to holders of Class B stock cannot exceed 90% of the cash dividend simultaneously paid to holders of Class A stock. We pay quarterly cash dividends to Class A and Class B shareholders. We paid Class A dividends per share of \$0.16 and Class B dividends per share of \$0.144 in each of fiscal years 2012, 2011 and 2010.

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

On May 11, 2011, we announced our Board of Directors reactivated a share repurchase program, which had no activity since fiscal 2005, to repurchase up to the remaining available 22.5 million shares of Class A common stock under the program. In May 2012, our Board of Directors approved an increase of 35 million shares authorized for repurchase under our share repurchase program. As of September 29, 2012, 35.2 million shares remained available for repurchase. The share repurchase program has no fixed or scheduled termination date and the timing and extent to which we repurchase shares will depend upon, among other things, our working capital needs, market conditions, liquidity targets, our debt obligations and regulatory requirements. In addition to the share repurchase program, we purchase shares on the open market to fund certain obligations under our equity compensation plans.

A summary of cumulative share repurchases of our Class A Stock is as follows (in millions):

	September 29, 2012		October 1, 2011		October 2, 2010	
	Shares	Dollars	Shares	Dollars	Shares	Dollars
Shares repurchased:						
Under share repurchase program	12.5	\$230	9.7	\$170	—	\$—
To fund certain obligations under equity compensation plans	1.8	34	2.0	37	3.2	48
Total share repurchases	14.3	\$264	11.7	\$207	3.2	\$48

Table of Contents

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

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

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

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

**Advertising and Promotion Expenses:** Advertising and promotion expenses are charged to operations in the period incurred. Customer incentive and trade promotion activities are recorded as a reduction to sales based on amounts estimated as being due to customers, based primarily on historical utilization and redemption rates, while other advertising and promotional activities are recorded as selling, general and administrative expenses. Advertising and promotion expenses for fiscal 2012, 2011 and 2010 were \$496 million, \$552 million and \$505 million, respectively.

**Research and Development:** Research and development costs are expensed as incurred. Research and development costs totaled \$43 million, \$42 million and \$38 million in fiscal 2012, 2011 and 2010, respectively.

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

**Recently Issued Accounting Pronouncements:**

In June 2011, the Financial Accounting Standards Board (FASB) issued guidance regarding the presentation of comprehensive income. This guidance is effective for annual periods, and interim periods within those years, beginning after December 15, 2011. We will adopt this guidance in the first quarter of fiscal 2013. Upon adoption, we will be required to present comprehensive income as part of our consolidated statements of income, or in a separate financial statement. Currently, we present such information in our notes to the consolidated financial statements. Other than changing the presentation of comprehensive income, we do not expect the adoption will have a significant impact on our consolidated financial statements.

In December 2011, the FASB issued guidance enhancing disclosures related to offsetting of certain assets and liabilities. This guidance is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. We do not expect the adoption will have a significant impact on our consolidated financial statements.



Table of Contents**NOTE 2: CHANGES IN ACCOUNTING PRINCIPLES**

In May 2011, the FASB clarified the guidance around fair value measurements and disclosures. This guidance is effective for interim and annual periods beginning after December 15, 2011. We adopted this guidance in the second quarter of fiscal 2012. The adoption did not have a significant impact on our consolidated financial statements.

In September 2011, the FASB issued guidance amending the way companies test for goodwill impairment, allowing the option to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative impairment test. This guidance is effective for interim and annual periods beginning after December 15, 2011, with early adoption permitted. We adopted the guidance in connection with our annual goodwill impairment test in the fourth quarter of fiscal 2012. The adoption did not have a significant impact on our consolidated financial statements.

In July 2012, the FASB issued guidance amending the way companies test for indefinite-lived intangible asset impairment, allowing the option to first assess qualitative factors to determine whether it is necessary to perform the quantitative impairment test. This guidance is effective for interim and annual periods beginning after September 15, 2012, with early adoption permitted. We adopted the guidance in connection with our annual indefinite-lived intangible assets impairment test in the fourth quarter of fiscal 2012. The adoption did not have a significant impact on our consolidated financial statements.

**NOTE 3: ACQUISITIONS**

In August 2009, we completed the establishment of related joint ventures in China referred to as Shandong Tyson Xinchang Foods (currently referred to as Shandong Tyson). The aggregate purchase price for our 60% equity interest was \$21 million, which excludes \$93 million of cash transferred to the joint venture for future capital needs. The purchase price included \$29 million allocated to Intangible Assets and \$19 million allocated to Goodwill, as well as the assumption of \$76 million of Current and Long-Term Debt. In May 2011, the minority partner exercised put options requiring us to purchase its entire 40% equity interest. In August 2011, the transaction closed for \$66 million.

In October 2008, we acquired three vertically integrated poultry companies in southern Brazil: Macedo Agroindustrial, Avicola Itaiopolis and Frangobras. The aggregate purchase price was \$67 million. In addition, we had \$15 million of contingent purchase price based on production volumes. The purchase price included \$23 million allocated to Goodwill and \$19 million allocated to Intangible Assets. Through fiscal 2012, we have paid \$10 million of the contingent purchase price.

**NOTE 4: PROPERTY, PLANT AND EQUIPMENT**

Major categories of property, plant and equipment and accumulated depreciation at September 29, 2012, and October 1, 2011:

	in millions	
	2012	2011
Land	\$101	\$95
Building and leasehold improvements	2,868	2,698
Machinery and equipment	5,208	4,897
Land improvements and other	408	386
Buildings and equipment under construction	298	446
	8,883	8,522
Less accumulated depreciation	4,861	4,699
Net property, plant and equipment	\$4,022	\$3,823

Approximately \$433 million will be required to complete buildings and equipment under construction at September 29, 2012.

Table of Contents

## NOTE 5: GOODWILL AND OTHER INTANGIBLE ASSETS

The following table reflects goodwill activity for fiscal 2012 and 2011:  
in millions

	Chicken	Beef	Pork	Prepared Foods	Consolidated	
Balance at October 2, 2010						
Goodwill	\$979	\$1,123	\$317	\$63	\$2,482	
Accumulated impairment losses	(29	) (560	) —	—	(589	)
	950	563	317	63	1,893	
Fiscal 2011 Activity:						
Impairment losses	—	—	—	—	—	
Currency translation and other	(1	) —	—	—	(1	)
Balance at October 1, 2011						
Goodwill	\$978	\$1,123	\$317	\$63	\$2,481	
Accumulated impairment losses	(29	) (560	) —	—	(589	)
	\$949	\$563	\$317	\$63	\$1,892	
Fiscal 2012 Activity:						
Impairment losses	—	—	—	—	—	
Currency translation and other	(1	) —	—	—	(1	)
Balance at September 29, 2012						
Goodwill	977	1,123	317	63	2,480	
Accumulated impairment losses	(29	) (560	) —	—	(589	)
	\$948	\$563	\$317	\$63	\$1,891	

Other intangible assets by type at September 29, 2012, and October 1, 2011:  
in millions

	2012	2011
Gross Carrying Value:		
Trademarks	\$56	\$56
Patents, intellectual property and other	142	143
Land use rights	21	25
Less Accumulated Amortization	90	75
Total Intangible Assets	\$129	\$149

Beginning with the date benefits are realized, other intangible assets are amortized using the straight-line method over their estimated period of benefit of three to 30 years. Amortization expense of \$16 million, \$18 million and \$19 million was recognized during fiscal 2012, 2011 and 2010, respectively. We estimate amortization expense on intangible assets for the next five fiscal years subsequent to September 29, 2012, will be: 2013 - \$16 million; 2014 - \$15 million; 2015 - \$15 million; 2016 - \$14 million; 2017 - \$12 million.

## NOTE 6: OTHER CURRENT LIABILITIES

Other current liabilities at September 29, 2012, and October 1, 2011, include:

	in millions	
	2012	2011
Accrued salaries, wages and benefits	\$382	\$407
Self-insurance reserves	274	298
Other	287	335
Total other current liabilities	\$943	\$1,040

Table of Contents

## NOTE 7: DEBT

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

	2012	2011
Revolving credit facility	\$—	\$—
Senior notes:		
3.25% Convertible senior notes due October 2013 (2013 Notes)	458	458
10.50% Senior notes due March 2014 (2014 Notes)	—	810
6.60% Senior notes due April 2016 (2016 Notes)	638	638
7.00% Notes due May 2018	120	120
4.50% Senior notes due June 2022 (2022 Notes)	1,000	—
7.00% Notes due January 2028	18	18
Discount on senior notes	(28	) (76
GO Zone tax-exempt bonds due October 2033 (0.20% at 9/29/2012)	100	100
Other	126	114
Total debt	2,432	2,182
Less current debt	515	70
Total long-term debt	\$1,917	\$2,112

Annual maturities of debt for the five fiscal years subsequent to September 29, 2012, are: 2013 - \$537 million; 2014 - \$22 million; 2015 - \$13 million; 2016 - \$646 million; 2017 - \$4 million.

Revolving Credit Facility

In August 2012, we entered into a new \$1.0 billion revolving credit facility that supports short-term funding needs and letters of credit, which replaced our revolving credit facility scheduled to expire in February 2016. The facility will mature and the commitments thereunder will terminate in August 2017.

After reducing the amount available by outstanding letters of credit issued under this facility, the amount available for borrowing at September 29, 2012, was \$962 million. At September 29, 2012, we had outstanding letters of credit issued under this facility totaling \$38 million, none of which were drawn upon. We had an additional \$151 million of bilateral letters of credit issued separately from the revolving credit facility, none of which were drawn upon. Our letters of credit are issued primarily in support of workers' compensation insurance programs, derivative activities and Dynamic Fuels' Gulf Opportunity Zone tax-exempt bonds.

This facility is unsecured. However, if at any time (the Collateral Trigger Date) we shall fail to have (a) a corporate rating from Moody's Investors Service, Inc. (Moody's) of "Ba1" or better, (b) a corporate rating from Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business (S&P), of "BB+" or better, or (c) a corporate rating from Fitch Ratings, a wholly owned subsidiary of Fimalac, S.A. (Fitch), of "BB+" or better, we, any subsidiary that has guaranteed any material indebtedness of the Company, and substantially all of our other domestic subsidiaries shall be required to secure the obligations under the credit agreement and related documents with a first-priority perfected security interest in our and such subsidiary's cash, deposit and securities accounts, accounts receivable and related assets, inventory and proceeds of any of the foregoing (the Collateral Requirement).

If on any date prior to any Collateral Trigger Date we shall have (a) a corporate rating from Moody's of "Baa2" or better, (b) a corporate rating from S&P of "BBB" or better and (c) a corporate rating from Fitch of "BBB" or better, in each case with stable or better outlook, then the Collateral Requirement will no longer be effective.

This facility is fully guaranteed by Tyson Fresh Meats, Inc (TFM Parent), our wholly owned subsidiary, until such date TFM Parent is released from all of its guarantees of other material indebtedness. If in the future any of our other subsidiaries shall guarantee any of our material indebtedness, such subsidiary shall also be required to guarantee the indebtedness, obligations and liabilities under this facility.

Table of Contents

## 2013 Notes

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

during any fiscal quarter after December 27, 2008, if the last reported sale price of our Class A stock for at least 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter is at least 130% of the applicable conversion price on each applicable trading day (which would currently require our shares to trade at or above \$21.96); or

during the five business days after any 10 consecutive trading days (measurement period) in which the trading price per \$1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our Class A stock and the applicable conversion rate on each such day; or upon the occurrence of specified corporate events as defined in the supplemental indenture.

On and after July 15, 2013, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time, regardless of the foregoing circumstances. Upon conversion, we will deliver cash up to the aggregate principal amount of the 2013 Notes to be converted and shares of our Class A stock in respect of the remainder, if any, of our conversion obligation in excess of the aggregate principal amount of the 2013 Notes being converted. As of September 29, 2012, none of the conditions permitting conversion of the 2013 Notes had been satisfied. However, due to the early conversion option regardless of conversion conditions beginning in July 2013, we have recorded the 2013 Notes balance, net of remaining discount, as Current debt in our Consolidated Balance Sheets at September 29, 2012.

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

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

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

We sold warrants in private transactions for total proceeds of \$44 million. The warrants permit the purchasers to acquire up to approximately 27 million shares of our Class A stock at an initial exercise price of \$22.31 per share, subject to adjustment. The warrants are exercisable on various dates from January 2014 through March 2014. The maximum amount of shares that may be issued to satisfy the conversion of the 2013 Notes is limited to 35.9 million shares. However, the convertible note hedge and warrant transactions, in effect, increase the initial conversion price of the 2013 Notes from \$16.89 per share to \$22.31 per share, thus reducing the potential future economic dilution associated with conversion of the 2013 Notes. If our share price is below \$22.31 upon conversion of the 2013



Notes, there is no economic net share impact. Upon conversion, a 10% increase in our share price above the \$22.31 conversion price would result in the issuance of 2.5 million incremental shares. The 2013 Notes and the warrants could have a dilutive effect on our earnings per share to the extent the price of our Class A stock during a given measurement period exceeds the respective exercise prices of those instruments. The call options are excluded from the calculation of diluted earnings per share as their impact is anti-dilutive.

## Table of Contents

### 2014 Notes

In March 2009, we issued \$810 million of senior unsecured notes, which were scheduled to mature in March 2014. The 2014 Notes carried a 10.50% interest rate, with interest payments due semi-annually on March 1 and September 1. These were issued at an original issue discount of \$59 million, based on an issue price of 92.756% of face value. The 2014 Notes were fully and unconditionally guaranteed by substantially all of our domestic subsidiaries.

In June 2012, we commenced a cash tender offer to purchase any and all of the outstanding 2014 Notes. Upon completion of the tender offer, we repurchased \$790 million principal amount of the 2014 Notes. We incurred a loss of \$167 million related to the early extinguishment of the 2014 Notes, which was recorded in Interest expense in the Consolidated Statements of Income for fiscal 2012.

Subsequent to the settlement of the tender offer, we called for redemption the remaining aggregate principal amount of the 2014 Notes not validly tendered. In July 2012, we redeemed all of the remaining 2014 Notes.

### 2016 Notes

The 2016 Notes carried an interest rate at issuance of 6.60%, with an interest step up feature dependent on their credit rating. On August 19, 2010, S&P upgraded the credit rating of these notes from "BB" to "BB+." On September 2, 2010, Moody's upgraded our credit rating from "Ba3" to "Ba2." These upgrades decreased the interest rate on the 2016 Notes from 7.85% to 7.35%, effective beginning with the six-month interest payment due October 1, 2010.

On February 24, 2011, S&P upgraded the credit rating of these notes from "BB+" to "BBB-." On March 29, 2011, Moody's upgraded our credit rating from "Ba2" to "Ba1." These upgrades decreased the interest rate on the 2016 Notes from 7.35% to 6.85%, effective beginning with the six-month interest payment due April 1, 2011.

On June 7, 2012, Moody's upgraded the credit rating of these notes from "Ba1" to "Baa3." This upgrade decreased the interest rate on the 2016 Notes from 6.85% to 6.60%, effective beginning with the six-month interest payment due October 1, 2012.

### 2022 Notes

In June 2012, we issued \$1.0 billion of senior unsecured notes, which will mature in June 2022. The 2022 Notes carry a 4.50% interest rate, with interest payments due semi-annually on June 15 and December 15. After the original issue discount of \$5 million, based on an issue price of 99.458%, we received net proceeds of \$995 million. In addition, we incurred offering expenses of \$9 million. We used the net proceeds towards the repurchase and redemption of the 2014 Notes, including the payments of accrued interest and related premiums, and general corporate purposes.

### GO Zone Tax-Exempt Bonds

In October 2008, Dynamic Fuels received \$100 million in proceeds from the sale of Gulf Opportunity Zone tax-exempt bonds made available by the federal government to the regions affected by Hurricanes Katrina and Rita in 2005. These floating rate bonds are due October 1, 2033. In November 2008, we entered into an interest rate swap related to these bonds to mitigate our interest rate risk on a portion of the bonds for five years. We also issued a letter of credit as a guarantee for the entire bond issuance.

### Debt Covenants

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

Our 2022 Notes also contain affirmative and negative covenants that, among other things, may limit or restrict our ability to: create liens; engage in certain sale/leaseback transactions; and engage in certain consolidations, mergers and sales of assets.

We were in compliance with all debt covenants at September 29, 2012.

Table of Contents

## NOTE 8: INCOME TAXES

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

	2012	2011	2010
			in millions
Federal	\$310	\$320	\$374
State	22	21	44
Foreign	19	—	20
	\$351	\$341	\$438
Current	\$211	\$255	\$420
Deferred	140	86	18
	\$351	\$341	\$438

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

	2012	2011	2010
Federal income tax rate	35.0	% 35.0	% 35.0
State income taxes	1.6	1.6	2.4
Unrecognized tax benefits, net	0.6	(1.7)	(1.4)
General business credits	(0.8)	(0.9)	(0.7)
Domestic production deduction	(1.9)	(2.3)	(2.0)
Foreign rate differences and valuation allowances	3.3	0.2	2.3
Other	0.1	(0.1)	0.8
	37.9	% 31.8	% 36.4

During fiscal 2012, foreign tax rates different than the statutory federal rate increased the effective tax rate 2.2%. Tax expense was also impacted by foreign valuation allowances, which increased tax expense by \$11 million, as well as the domestic production deduction, which decreased tax expense by \$17 million.

During fiscal 2011, tax expense was impacted by the domestic production deduction, adjustments to reserves for uncertain tax positions due to domestic and foreign tax audit activities, and estimated general business credits, which decreased tax expense by \$25 million, \$19 million and \$9 million, respectively.

During fiscal 2010, tax expense was impacted by the domestic production deduction and reductions in unrecognized tax benefits, which decreased tax expense by \$24 million and \$16 million, respectively.

Approximately \$36 million of loss, \$32 million of income and \$27 million of loss from continuing operations before income taxes for fiscal 2012, 2011 and 2010, respectively, were from operations based in countries other than the United States.

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

Table of Contents

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

	2012		2011		in millions
	Deferred Tax		Deferred Tax		
	Assets	Liabilities	Assets	Liabilities	
Property, plant and equipment	\$—	\$542	\$—	\$401	
Suspended taxes from conversion to accrual method	—	76	—	81	
Intangible assets	—	35	—	35	
Inventory	9	105	9	113	
Accrued expenses	193	—	196	—	
Net operating loss and other carryforwards	101	—	97	—	
Insurance reserves	21	—	23	—	
Other	69	90	80	68	
	\$393	\$848	\$405	\$698	
Valuation allowance	\$(78	)	\$(92	)	
Net deferred tax liability		\$533		\$385	

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

The deferred tax liability for property, plant and equipment increased significantly in fiscal 2012 due primarily to increased capital expenditures along with bonus depreciation for federal income tax purposes. The deferred tax liability for suspended taxes from conversion to accrual method represents the 1987 change from the cash to accrual method of accounting and will be recognized by 2027.

At September 29, 2012, our gross state tax net operating loss carryforwards approximated \$580 million and expire in fiscal years 2013 through 2032. Gross foreign net operating loss carryforwards approximated \$215 million, of which \$112 million expire in fiscal years 2013 through 2022, and the remainder has no expiration. We also have tax credit carryforwards of approximately \$22 million that expire in fiscal years 2013 through 2026.

We have accumulated undistributed earnings of foreign subsidiaries aggregating approximately \$230 million and \$339 million at September 29, 2012, and October 1, 2011, respectively. These earnings are expected to be indefinitely reinvested outside of the United States. If those earnings were distributed in the form of dividends or otherwise, we would be subject to federal income taxes (subject to an adjustment for foreign tax credits), state income taxes and withholding taxes payable to the various foreign countries. It is not currently practicable to estimate the tax liability that might be payable on the repatriation of these foreign earnings.

The following table summarizes the activity related to our gross unrecognized tax benefits at September 29, 2012, October 1, 2011, and October 2, 2010:

	in millions		
	2012	2011	2010
Balance as of the beginning of the year	\$174	\$184	\$233
Increases related to current year tax positions	3	4	4
Increases related to prior year tax positions	5	21	11
Reductions related to prior year tax positions	(10	) (24	) (35
Reductions related to settlements	(1	) (9	) (25
Reductions related to expirations of statute of limitations	(3	) (2	) (4
Balance as of the end of the year	\$168	\$174	\$184

The amount of unrecognized tax benefits, if recognized, that would impact our effective tax rate was \$154 million and \$155 million at September 29, 2012, and October 1, 2011, respectively. We classify interest and penalties on unrecognized tax benefits as income tax expense. At September 29, 2012, and October 1, 2011, before tax benefits, we had \$64 million and \$58 million, respectively, of accrued interest and penalties on unrecognized tax benefits.



Table of Contents

As of September 29, 2012, we are subject to income tax examinations for U.S. federal income taxes for fiscal years 2003 through 2011. We are also subject to income tax examinations by major state and foreign jurisdictions for fiscal years 2001 through 2011. During fiscal 2013, tax audit resolutions could potentially change our unrecognized tax benefits by approximately \$20 million because tax positions are sustained on audit.

**NOTE 9: OTHER INCOME AND CHARGES**

During fiscal 2012, we recorded \$16 million of equity earnings in joint ventures and \$4 million in net foreign currency exchange gains, which were recorded in the Consolidated Statements of Income in Other, net.

During fiscal 2011, we recorded an \$11 million gain related to a sale of interests in an equity method investment. This gain was recorded in the Consolidated Statements of Income in Other, net.

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

Table of Contents

## NOTE 10: EARNINGS PER SHARE

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

	in millions, except per share data		
	2012	2011	2010
Numerator:			
Net income	\$576	\$733	\$765
Less: Net loss attributable to noncontrolling interest	(7	) (17	) (15
Net income attributable to Tyson	583	750	780
Less Dividends:			
Class A (\$0.16/share)	47	49	49
Class B (\$0.144/share)	10	10	10
Undistributed earnings	\$526	\$691	\$721
Class A undistributed earnings	\$433	\$572	\$597
Class B undistributed earnings	93	119	124
Total undistributed earnings	\$526	\$691	\$721
Denominator:			
Denominator for basic earnings per share:			
Class A weighted average shares	293	303	303
Class B weighted average shares, and shares under if-converted method for diluted earnings per share	70	70	70
Effect of dilutive securities:			
Stock options and restricted stock	4	6	6
Convertible 2013 Notes	3	1	—
Denominator for diluted earnings per share – adjusted weighted average shares and assumed conversions	370	380	379
Net Income Per Share Attributable to Tyson:			
Class A Basic	\$1.64	\$2.04	\$2.13
Class B Basic	\$1.48	\$1.84	\$1.91
Diluted	\$1.58	\$1.97	\$2.06

Approximately 4 million, 4 million and 5 million in fiscal 2012, 2011 and 2010, respectively, of our stock-based compensation shares were antidilutive and were not included in the dilutive earnings per share calculation. We have two classes of capital stock, Class A stock and Class B stock. Cash dividends cannot be paid to holders of Class B stock unless they are simultaneously paid to holders of Class A stock. The per share amount of cash dividends paid to holders of Class B stock cannot exceed 90% of the cash dividends paid to holders of Class A stock. We allocate undistributed earnings based upon a 1 to 0.9 ratio per share to Class A stock and Class B stock, respectively. We allocate undistributed earnings based on this ratio due to historical dividend patterns, voting control of Class B shareholders and contractual limitations of dividends to Class B stock.

Table of Contents

## NOTE 11: DERIVATIVE FINANCIAL INSTRUMENTS

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

Our risk management programs are periodically reviewed by our Board of Directors' Audit Committee. These programs are monitored by senior management and may be revised as market conditions dictate. Our current risk management programs utilize industry-standard models that take into account the implicit cost of hedging. Risks associated with our market risks and those created by derivative instruments and the fair values are strictly monitored, using Value-at-Risk and stress tests. Credit risks associated with our derivative contracts are not significant as we minimize counterparty concentrations, utilize margin accounts or letters of credit, and deal with credit-worthy counterparties. Additionally, our derivative contracts are mostly short-term in duration and we generally do not make use of credit-risk-related contingent features. No significant concentrations of credit risk existed at September 29, 2012.

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

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

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

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

**Cash flow hedges**

Derivative instruments, such as futures and options, are designated as hedges against changes in the amount of future cash flows related to procurement of certain commodities utilized in our production processes. We do not purchase forward and option commodity contracts in excess of our physical consumption requirements and generally do not hedge forecasted transactions beyond 18 months. The objective of these hedges is to reduce the variability of cash flows associated with the forecasted purchase of those commodities. For the derivative instruments we designate and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of OCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses representing hedge ineffectiveness are recognized in earnings in the current period. Ineffectiveness related to our cash flow hedges was not significant during fiscal 2012, 2011 and 2010.

We had the following aggregated notional values of outstanding forward and option contracts accounted for as cash flow hedges (in millions, except soy meal tons):

Metric	September 29, 2012	October 1, 2011
--------	--------------------	-----------------



Commodity:

Corn	Bushels	12	6
Soy Meal	Tons	164,700	82,300
Foreign Currency	United States dollar	\$80	\$75

As of September 29, 2012, the net amounts expected to be reclassified into earnings within the next 12 months are pretax gains of \$18 million related to grain and pretax losses of \$2 million related to foreign currency. During fiscal 2012, 2011 and 2010, we did not reclassify significant pretax gains/losses into earnings as a result of the discontinuance of cash flow hedges due to the probability the original forecasted transaction would not occur by the end of the originally specified time period or within the additional period of time allowed by generally accepted accounting principles.

Table of Contents

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

	Gain/(Loss) Recognized in OCI on Derivatives			Consolidated Statements of Income Classification	Gain/(Loss) Reclassified from OCI to Earnings		
	2012	2011	2010		2012	2011	2010
Cash Flow Hedge – Derivatives designated as hedging instruments:							
Commodity contracts	\$24	\$(5 )	\$6	Cost of Sales	\$(16 )	\$25	\$(6 )
Foreign exchange contracts	(8 )	9	1	Other Income/Expense	4	—	1
Total	\$16	\$4	\$7		\$(12 )	\$25	\$(5 )

## Fair value hedges

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

	Metric	September 29, 2012	October 1, 2011
Commodity:			
Live Cattle	Pounds	232	318
Lean Hogs	Pounds	239	601

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

	Consolidated Statements of Income Classification	in millions		
		2012	2011	2010
Gain/(Loss) on forwards	Cost of Sales	\$47	\$(78 )	\$(58 )
Gain/(Loss) on purchase contract	Cost of Sales	(47 )	78	58

Ineffectiveness related to our fair value hedges was not significant during fiscal 2012, 2011 and 2010.

## Foreign net investment hedges

We utilize forward foreign exchange contracts to protect the value of our net investments in certain foreign subsidiaries. For derivative instruments that are designated and qualify as a hedge of a net investment in a foreign currency, the gain or loss is reported in OCI as part of the cumulative translation adjustment to the extent it is effective, with the related amounts due to or from counterparties included in other liabilities or other assets. We utilize the forward-rate method of assessing hedge effectiveness. Any ineffective portions of net investment hedges are recognized in the Consolidated Statements of Income during the period of change. Ineffectiveness related to our foreign net investment hedges was not significant during fiscal 2012, 2011 and 2010. At September 29, 2012, and October 1, 2011, we had \$27 million and \$35 million, respectively, aggregate outstanding notional values related to our forward foreign currency contracts accounted for as foreign net investment hedges.

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

	Gain/(Loss) Recognized in OCI on Derivatives			Consolidated Statements of Income Classification	Gain/(Loss) Reclassified from OCI to Earnings		
	2012	2011	2010		2012	2011	2010

Net Investment Hedge – Derivatives  
designated as hedging instruments:

Foreign exchange contracts	\$(2 )	\$(2 )	\$(1 )	Other Income/Expense	\$—	\$—	\$—
----------------------------	--------	--------	--------	----------------------	-----	-----	-----

56

---

Table of Contents

## Undesignated positions

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

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

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

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

We had the following aggregate outstanding notional values related to our undesignated positions (in millions, except soy meal tons):

	Metric	September 29, 2012	October 1, 2011
Commodity:			
Corn	Bushels	19	17
Soy Meal	Tons	1,200	174,600
Soy Oil	Pounds	17	13
Live Cattle	Pounds	68	72
Lean Hogs	Pounds	108	19
Foreign Currency	United States dollars	\$165	\$110
Interest Rate	Average monthly notional debt	\$27	\$39

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

	Consolidated Statements of Income Classification	Gain/(Loss) Recognized in Earnings		
		2012	2011	2010
Derivatives not designated as hedging instruments:				
Commodity contracts	Sales	\$(10	) \$20	\$27

Edgar Filing: TYSON FOODS INC - Form 10-K

Commodity contracts	Cost of Sales	51	(2	) (20	)
Foreign exchange contracts	Other Income/Expense	—	(3	) (5	)
Interest rate contracts	Interest Expense	—	—	1	
Total		\$41	\$15	\$3	

57

---

Table of Contents

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

	Fair Value	
	2012	2011
Derivative Assets:		
Derivatives designated as hedging instruments:		
Commodity contracts	\$32	\$3
Foreign exchange contracts	—	12
Total derivative assets – designated	32	15
Derivatives not designated as hedging instruments:		
Commodity contracts	21	21
Foreign exchange contracts	1	5
Total derivative assets – not designated	22	26
Total derivative assets	\$54	\$41
Derivative Liabilities:		
Derivatives designated as hedging instruments:		
Commodity contracts	\$6	\$41
Foreign exchange contracts	1	—
Total derivative liabilities – designated	7	41
Derivatives not designated as hedging instruments:		
Commodity contracts	96	121
Foreign exchange contracts	2	1
Interest rate contracts	—	2
Total derivative liabilities – not designated	98	124
Total derivative liabilities	\$105	\$165

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

**NOTE 12: FAIR VALUE MEASUREMENTS**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy contains three levels as follows:

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

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

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets in non-active markets;

Inputs other than quoted prices that are observable for the asset or liability; and

Inputs derived principally from or corroborated by other observable market data.

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



Table of Contents

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

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

September 29, 2012	Level 1	Level 2	Level 3	Netting (a)	Total
Assets:					
Commodity Derivatives	\$—	\$53	\$—	\$(40 )	\$13
Foreign Exchange Forward Contracts	—	1	—	(1 )	—
Available for Sale Securities:					
Debt securities	—	27	86	—	113
Equity securities	6	1	—	—	7
Deferred Compensation Assets	31	149	—	—	180
Total Assets	\$37	\$231	\$86	\$(41 )	\$313

## Liabilities:

Commodity Derivatives	\$—	\$102	\$—	\$(100 )	\$2
Foreign Exchange Forward Contracts	—	3	—	—	3
Interest Rate Swap	—	—	—	—	—
Total Liabilities	\$—	\$105	\$—	\$(100 )	\$5

October 1, 2011	Level 1	Level 2	Level 3	Netting (a)	Total
Assets:					
Commodity Derivatives	\$—	\$24	\$—	\$(21 )	\$3
Foreign Exchange Forward Contracts	—	17	—	(2 )	15
Available for Sale Securities:					
Debt securities	—	34	83	—	117
Equity securities	7	—	—	—	7
Deferred Compensation Assets	28	122	—	—	150
Total Assets	\$35	\$197	\$83	\$(23 )	\$292

## Liabilities:

Commodity Derivatives	\$—	\$162	\$—	\$(135 )	\$27
Foreign Exchange Forward Contracts	—	1	—	(1 )	—
Interest Rate Swap	—	2	—	—	2
Total Liabilities	\$—	\$165	\$—	\$(136 )	\$29

Our derivative assets and liabilities are presented in our Consolidated Balance Sheets on a net basis. We net derivative assets and liabilities, including cash collateral, when a legally enforceable master netting arrangement (a) exists between the counterparty to a derivative contract and us. At September 29, 2012, and October 1, 2011, we had posted with various counterparties \$59 million and \$113 million, respectively, of cash collateral and held no cash collateral.



Table of Contents

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

	September 29, 2012	October 1, 2011
Balance at beginning of year	\$83	\$73
Total realized and unrealized gains (losses):		
Included in earnings	1	—
Included in other comprehensive income (loss)	—	(1
Purchases	28	31
Issuances	—	—
Settlements	(26	) (20
Balance at end of year	\$86	\$83
Total gains (losses) for the periods included in earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held at end of year	\$—	\$—

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

**Derivative Assets and Liabilities:** Our derivatives, including commodities, foreign exchange forward contracts and an interest rate swap, primarily include exchange-traded and over-the-counter contracts which are further described in Note 11: Derivative Financial Instruments. We record our commodity derivatives at fair value using quoted market prices adjusted for credit and non-performance risk and internal models that use as their basis readily observable market inputs including current and forward commodity market prices. Our foreign exchange forward contracts are recorded at fair value based on quoted prices and spot and forward currency prices adjusted for credit and non-performance risk. Our interest rate swap is recorded at fair value based on quoted LIBOR swap rates adjusted for credit and non-performance risk. We classify these instruments in Level 2 when quoted market prices can be corroborated utilizing observable current and forward commodity market prices on active exchanges, observable market transactions of spot currency rates and forward currency prices or observable benchmark market rates at commonly quoted intervals.

**Available for Sale Securities:** Our investments in marketable debt securities are classified as available-for-sale and are included in Other Assets in the Consolidated Balance Sheets. These investments, which are generally long-term in nature with maturities ranging up to 35 years, are reported at fair value based on pricing models and quoted market prices adjusted for credit and non-performance risk. We classify our investments in U.S. government and agency debt securities as Level 2 as fair value is generally estimated using discounted cash flow models that are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other readily available relevant economic measures. We classify certain corporate, asset-backed and other debt securities as Level 3 as there is limited activity or less observable inputs into valuation models, including current interest rates and estimated prepayment, default and recovery rates on the underlying portfolio or structured investment vehicle. We also classify privately held redeemable preferred stock securities as Level 3 as there is limited activity or less observable inputs into valuation models, including current interest rates and credit worthiness of the underlying private issuer. Significant changes to assumptions or unobservable inputs in the valuation of our Level 3 instruments would not have a significant impact to our consolidated financial statements.

Additionally, we have eight million shares of Syntroleum Corporation common stock and 4.25 million warrants, which expire in June 2015, to purchase an equivalent amount of Syntroleum Corporation common stock at an average price of \$2.87. We record the shares and warrants in Other Assets in the Consolidated Balance Sheets at fair value based on quoted market prices. We classify the shares as Level 1 as the fair value is based on unadjusted quoted prices available in active markets. We classify the warrants as Level 2 as fair value can be corroborated based on observable market data.

Table of Contents

(in millions)	September 29, 2012			October 1, 2011		
	Amortized Cost Basis	Fair Value	Unrealized Gain/(Loss)	Amortized Cost Basis	Fair Value	Unrealized Gain/(Loss)
Available for Sale Securities:						
Debt Securities:						
U.S. Treasury and Agency	\$26	\$27	\$1	\$33	\$34	\$1
Corporate and Asset-Backed (a)	64	66	2	54	56	2
Redeemable Preferred Stock	20	20	—	27	27	—
Equity Securities:						
Common Stock and Warrants	9	7	(2	) 9	7	(2

At September 29, 2012, and October 1, 2011, the amortized cost basis for Corporate and Asset-Backed debt (a) securities had been reduced by accumulated other than temporary impairments of \$2 million and \$3 million, respectively.

Unrealized holding gains (losses), net of tax, are excluded from earnings and reported in OCI until the security is settled or sold. On a quarterly basis, we evaluate whether losses related to our available-for-sale securities are temporary in nature. Losses on equity securities are recognized in earnings if the decline in value is judged to be other than temporary. If losses related to our debt securities are determined to be other than temporary, the loss would be recognized in earnings if we intend, or more likely than not will be required, to sell the security prior to recovery. For debt securities in which we have the intent and ability to hold until maturity, losses determined to be other than temporary would remain in OCI, other than expected credit losses which are recognized in earnings. We consider many factors in determining whether a loss is temporary, including the length of time and extent to which the fair value has been below cost, the financial condition and near-term prospects of the issuer and our ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery. During fiscal 2012, 2011 and 2010, we recognized no other than temporary impairments in earnings. No other than temporary losses were deferred in OCI as of September 29, 2012, and October 1, 2011.

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

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

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

#### Other Financial Instruments

Fair value of our debt is principally estimated using Level 2 inputs based on quoted prices for those or similar instruments. Fair value and carrying value for our debt are as follows (in millions):

	September 29, 2012		October 1, 2011	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Total Debt	\$2,596	\$2,432	\$2,334	\$2,182

#### Concentrations of Credit Risk

Our financial instruments exposed to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. Our cash equivalents are in high quality securities placed with major banks and financial institutions. Concentrations of credit risk with respect to receivables are limited due to the large number of customers and their dispersion across geographic areas. We perform periodic credit evaluations of our customers' financial condition and generally do not require collateral. At September 29, 2012, and October 1, 2011, 17.1% and 16.5%, respectively, of our net accounts receivable balance was due from Wal-Mart Stores, Inc. No other single customer or customer group represented greater than 10% of net accounts receivable.

Table of Contents

## NOTE 13: STOCK-BASED COMPENSATION

We issue shares under our stock-based compensation plans by issuing Class A stock from treasury. The total number of shares available for future grant under the Tyson Foods, Inc. 2000 Stock Incentive Plan (Incentive Plan) was 10,795,188 at September 29, 2012.

## Stock Options

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

Nonqualified stock options may be granted at a price equal to, less than or more than the fair value of Class A stock on the date the option is granted. Stock options under the Incentive Plan generally become exercisable ratably over three years from the date of grant and must be exercised within 10 years from the date of grant. Our policy is to recognize compensation expense on a straight-line basis over the requisite service period for the entire award.

	Shares Under Option	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value (in millions)
Outstanding, October 1, 2011	18,255,221	\$13.46		
Exercised	(2,776,130	) 12.66		
Canceled	(365,971	) 15.25		
Granted	3,954,240	19.63		
Outstanding, September 29, 2012	19,067,360	14.82	6.0	\$38
Exercisable, September 29, 2012	10,540,898	\$14.00	4.4	\$22

We generally grant stock options once a year; however, we granted stock options twice during fiscal 2010. The weighted average grant-date fair value of options granted in fiscal 2012, 2011 and 2010 was \$6.99, \$6.19 and \$4.76, respectively. The fair value of each option grant is established on the date of grant using a binomial lattice method. We use historical volatility for a period of time comparable to the expected life of the option to determine volatility assumptions. Expected life is calculated based on the contractual term of each grant and takes into account the historical exercise and termination behavior of participants. Risk-free interest rates are based on the five-year Treasury bond rate. Assumptions as of the grant date used in the fair value calculation of each year's grants are outlined in the following table.

	2012	2011	2010	
Expected life (in years)	6.7	6.7	6.5	
Risk-free interest rate	0.9	% 1.5	% 1.2	%
Expected volatility	36.6	% 38.8	% 40.4	%
Expected dividend yield	1.0	% 1.0	% 1.3	%

We recognized stock-based compensation expense related to stock options, net of income taxes, of \$15 million, \$12 million and \$11 million for fiscal 2012, 2011 and 2010, respectively. The related tax benefit for fiscal 2012, 2011 and 2010 was \$10 million, \$7 million and \$7 million, respectively. We had 3.4 million, 3.8 million and 2.2 million options vest in fiscal 2012, 2011 and 2010, respectively, with a grant date fair value of \$17 million, \$16 million and \$13 million, respectively.

In fiscal 2012, 2011 and 2010, we received cash of \$34 million, \$51 million and \$31 million, respectively, for the exercise of stock options. Shares are issued from treasury for stock option exercises. The related tax benefit realized from stock options exercised during fiscal 2012, 2011 and 2010, was \$7 million, \$10 million and \$5 million, respectively. The total intrinsic value of options exercised in fiscal 2012, 2011 and 2010, was \$21 million, \$26 million and \$12 million, respectively. Cash flows resulting from tax deductions in excess of the compensation cost of those options (excess tax deductions) are classified as financing cash flows. We realized \$3 million, \$5 million and \$3 million in excess tax deductions during fiscal 2012, 2011 and 2010, respectively. As of September 29, 2012, we had \$27 million of total unrecognized compensation cost related to stock option plans that will be recognized over a

weighted average period of 1.1 years.

62

---

Table of Contents

## Restricted Stock

We issue restricted stock at the market value as of the date of grant, with restrictions expiring over periods through 2015. Unearned compensation is recognized over the vesting period for the particular grant using a straight-line method.

	Number of Shares	Weighted Average Grant- Date Fair Value Per Share	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value (in millions)
Nonvested, October 1, 2011	2,970,302	\$ 14.70		
Granted	639,421	17.73		
Dividends	20,587	18.79		
Vested	(1,152,468	) 15.20		
Forfeited	(106,272	) 16.30		
Nonvested, September 29, 2012	2,371,570	\$ 15.29	1.0	\$ 38

As of September 29, 2012, we had \$13 million of total unrecognized compensation cost related to restricted stock awards that will be recognized over a weighted average period of 1.0 year.

We recognized stock-based compensation expense related to restricted stock, net of income taxes, of \$7 million, \$7 million and \$8 million for fiscal 2012, 2011 and 2010, respectively. The related tax benefit for fiscal 2012, 2011 and 2010 was \$4 million, \$5 million and \$5 million, respectively. We had 1.2 million, 0.9 million and 1.8 million restricted stock awards vest in fiscal 2012, 2011 and 2010, respectively, with a grant date fair value of \$17 million, \$14 million and \$30 million, respectively.

## Performance-Based Shares

In July 2003, our Compensation Committee began authorizing us to award performance-based shares of our Class A stock to certain senior executives. These awards are typically granted on the first business day of our fiscal year. The vesting of the performance-based shares is generally over three years and each award is subject to the attainment of goals determined by the Compensation Committee prior to the date of the award. We review progress toward the attainment of goals each quarter during the vesting period. However, the attainment of goals can be determined only at the end of the vesting period. If the shares vest, the ultimate cost will be equal to the Class A stock price on the date the shares vest multiplied by the number of shares awarded for all performance grants with other than market criteria. For grants with market performance criteria, the ultimate expense will be the fair value of the probable shares to vest regardless if the shares actually vest. Total expense recorded related to performance-based shares was not material for fiscal 2012, 2011 and 2010.

## NOTE 14: PENSIONS AND OTHER POSTRETIREMENT BENEFITS

At September 29, 2012, we had four noncontributory defined benefit pension plans consisting of three funded qualified plans and one unfunded non-qualified plan. All three of our qualified plans are frozen and provide benefits based on a formula using years of service and a specified benefit rate. Effective January 1, 2004, we implemented a non-qualified defined benefit plan for certain contracted officers that uses a formula based on years of service and final average salary. We also have other postretirement benefit plans for which substantially all of our employees may receive benefits if they satisfy applicable eligibility criteria. The postretirement healthcare plans are contributory with participants' contributions adjusted when deemed necessary.

We have defined contribution retirement programs for various groups of employees. We recognized expenses of \$47 million, \$45 million and \$48 million in fiscal 2012, 2011 and 2010, respectively.

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

Other postretirement benefits include postretirement medical costs and life insurance.

Table of Contents

## Benefit Obligations And Funded Status

The following table provides a reconciliation of the changes in the plans' benefit obligations, assets and funded status at September 29, 2012, and October 1, 2011:

	Pension Benefits		Non-Qualified		in millions Other Postretirement Benefits	
	Qualified		2012	2011	2012	2011
	2012	2011	2012	2011	2012	2011
Change in benefit obligation						
Benefit obligation at beginning of year	\$99	\$97	\$62	\$42	\$44	\$45
Service cost	—	—	5	3	1	—
Interest cost	4	5	3	2	2	2
Plan participants' contributions	—	—	—	—	1	1
Actuarial loss	5	3	13	17	25	4
Benefits paid	(7 )	(6 )	(2 )	(2 )	(9 )	(8 )
Benefit obligation at end of year	101	99	81	62	64	44
Change in plan assets						
Fair value of plan assets at beginning of year	74	74	—	—	—	—
Actual return on plan assets	13	1	—	—	—	—
Employer contributions	6	5	2	2	8	7
Plan participants' contributions	—	—	—	—	1	1
Benefits paid	(7 )	(6 )	(2 )	(2 )	(9 )	(8 )
Fair value of plan assets at end of year	86	74	—	—	—	—
Funded status	\$(15 )	\$(25 )	\$(81 )	\$(62 )	\$(64 )	\$(44 )

Amounts recognized in the Consolidated Balance Sheets consist of:

	Pension Benefits		Non-Qualified		in millions Other Postretirement Benefits	
	Qualified		2012	2011	2012	2011
	2012	2011	2012	2011	2012	2011
Accrued benefit liability	\$(15 )	\$(25 )	\$(81 )	\$(62 )	\$(64 )	\$(44 )
Accumulated other comprehensive (income)/loss:						
Unrecognized actuarial loss	39	45	29	17	—	—
Unrecognized prior service (cost)/credit	—	—	1	2	(4 )	(5 )
Net amount recognized	\$24	\$20	\$(51 )	\$(43 )	\$(68 )	\$(49 )

At September 29, 2012, and October 1, 2011, all pension plans had an accumulated benefit obligation in excess of plan assets. The accumulated benefit obligation for all qualified pension plans was \$101 million and \$99 million at September 29, 2012, and October 1, 2011, respectively. Plans with accumulated benefit obligations in excess of plan assets are as follows:

	Pension Benefits		in millions Non-Qualified	
	Qualified		2012	2011
	2012	2011	2012	2011
Projected benefit obligation	\$101	\$99	\$81	\$62
Accumulated benefit obligation	101	99	69	55
Fair value of plan assets	86	74	—	—

Table of Contents

## Net Periodic Benefit Cost

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

	in millions								
	Pension Benefits						Other Postretirement Benefits		
	Qualified			Non-Qualified			2012	2011	2010
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Service cost	\$—	\$—	\$—	\$5	\$3	\$3	\$1	\$—	\$1
Interest cost	4	5	5	3	2	2	2	2	2
Expected return on plan assets	(6 )	(6 )	(6 )	—	—	—	—	—	—
Amortization of prior service cost	—	—	—	1	1	1	(1 )	(1 )	(1 )
Recognized actuarial loss, net	3	3	1	1	—	—	24	1	—
Net periodic benefit cost	\$1	\$2	\$—	\$10	\$6	\$6	\$26	\$2	\$2

As of September 29, 2012, the amounts expected to be reclassified into earnings within the next 12 months related to net periodic benefit cost for the qualified and non-qualified pensions are \$3 million and \$3 million, respectively.

## Assumptions

Weighted average assumptions are as follows:

	Pension Benefits						Other Postretirement Benefits			
	Qualified			Non-Qualified			2012	2011	2010	
	2012	2011	2010	2012	2011	2010	2012	2011	2010	
Discount rate to determine net periodic benefit cost	4.53 %	5.06 %	6.00 %	4.75 %	5.50 %	6.00 %	4.09 %	4.50 %	5.71 %	
Discount rate to determine benefit obligations	4.02 %	4.53 %	5.06 %	4.23 %	4.75 %	5.50 %	3.66 %	4.09 %	4.50 %	
Rate of compensation increase	N/A	N/A	N/A	3.50 %	3.50 %	3.50 %	N/A	N/A	N/A	
Expected return on plan assets	6.37 %	7.79 %	7.80 %	N/A	N/A	N/A	N/A	N/A	N/A	

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

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

We have three other postretirement benefit plans which are all healthcare related. Two of these plans, which benefit obligations totaled \$26 million at September 29, 2012, were not impacted by healthcare cost trend rates as they consist of fixed annual payments. The remaining plan, which benefit obligation was \$38 million at September 29, 2012, covers retirees who do not yet qualify for Medicare and utilized an assumed healthcare cost trend rate of 8%. A one-percentage point change in assumed healthcare cost trend rate would have an approximate \$4 million impact on the postretirement benefit obligation.



Table of Contents

## Plan Assets

The fair value of plan assets for domestic pension benefit plans was \$69 million and \$59 million as of September 29, 2012, and October 1, 2011, respectively. The following table sets forth the actual and target asset allocation for pension plan assets:

	2012	2011	Target Asset Allocation	
Cash	1.6	% 1.9	% 2.0	%
Fixed Income Securities	46.0	24.2	38.0	
US Stock Funds	23.5	41.4	22.5	
International Stock Funds	23.5	17.7	22.5	
Real Estate	5.0	4.7	5.0	
Alternatives	0.4	10.1	10.0	
Total	100.0	% 100.0	% 100.0	%

A foreign subsidiary pension plan had \$17 million and \$15 million in plan assets at September 29, 2012, and October 1, 2011, respectively. All of this plan's assets are held in an insurance contract consistent with its target asset allocation.

The plan trustees have established a set of investment objectives related to the assets of the pension plans and regularly monitor the performance of the funds and portfolio managers. Objectives for the pension assets are (i) to provide growth of capital and income, (ii) to achieve a target weighted average annual rate of return competitive with other funds with similar investment objectives and (iii) to diversify to reduce risk. The investment objectives and target asset allocation were adopted in January 2004 and amended in August 2012. Alternative investments may include, but are not limited to, hedge funds, private equity funds and fixed income funds.

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

	in millions			
	September 29, 2012			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$1	\$—	\$—	\$1
Fixed Income Securities Bond Fund (a)	32	—	—	32
Equity Securities:				
U.S. stock funds (a)	16	—	—	16
International stock funds (a)	16	—	—	16
Global real estate funds (a)	4	—	—	4
Total equity securities	36	—	—	36
Other Investments - Alternatives (b)	—	—	—	—
Total fair value	69	—	—	69
Insurance Contract (b)	—	—	17	17
Total plan assets	\$69	\$—	\$17	\$86

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

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

Table of Contents

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

	Alternative funds	Insurance contract	Total
Balance at October 1, 2011	\$6	\$15	\$21
Actual return on plan assets:			
Assets still held at reporting date	—	2	2
Assets sold during the period	—	—	—
Purchases, sales and settlements, net	(6	) —	(6
Transfers in and/or out of Level 3	—	—	—
Balance at September 29, 2012	\$—	\$17	\$17

We believe there are no significant concentrations of risk within our plan assets as of September 29, 2012.

**Contributions**

Our policy is to fund at least the minimum contribution required to meet applicable federal employee benefit and local tax laws. In our sole discretion, we may from time to time fund additional amounts. Expected contributions to pension plans for fiscal 2013 are approximately \$8 million. For fiscal 2012, 2011 and 2010, we funded \$8 million, \$7 million and \$4 million, respectively, to defined benefit plans.

**Estimated Future Benefit Payments**

The following benefit payments are expected to be paid:

	Pension Benefits		in millions Other Postretirement Benefits
	Qualified	Non-Qualified	
2013	\$7	\$2	\$ 5
2014	7	3	5
2015	7	3	5
2016	6	3	5
2017	6	4	5
2018-2022	29	24	24

The above benefit payments for other postretirement benefit plans are not expected to be offset by Medicare Part D subsidies in 2013 or thereafter.

Table of Contents

## NOTE 15: COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive loss are as follows:

	2012	in millions 2011	
Accumulated other comprehensive income (loss), net of taxes:			
Unrealized net hedging gains (losses)	\$10	\$(7	)
Unrealized net gain on investments	1	1	
Currency translation adjustment	(32	) (35	)
Postretirement benefits reserve adjustments	(42	) (38	)
Total accumulated other comprehensive loss	\$(63	) \$(79	)

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

	Before Tax	Income Tax	in millions After Tax	
Fiscal 2012:				
Net hedging loss reclassified to earnings	\$12	\$(5	) \$7	
Net hedging unrealized gain	16	(6	) 10	
Currency translation adjustment	2	1	3	
Net change in postretirement liabilities	(6	) 2	(4	)
Other comprehensive income (loss) – 2012	\$24	\$(8	) \$16	
Fiscal 2011:				
Net hedging gain reclassified to earnings	\$(25	) \$10	\$(15	)
Net hedging unrealized gain (loss)	4	(6	) (2	)
Unrealized loss on investments	(12	) 4	(8	)
Currency translation adjustment	(42	) 1	(41	)
Net change in postretirement liabilities	(21	) 8	(13	)
Other comprehensive income (loss) – 2011	\$(96	) \$17	\$(79	)
Fiscal 2010:				
Net hedging loss reclassified to earnings	\$7	\$(1	) \$6	
Net hedging unrealized gain	7	(1	) 6	
Currency translation adjustment	27	—	27	
Net change in postretirement liabilities	(6	) 1	(5	)
Other comprehensive income (loss) – 2010	\$35	\$(1	) \$34	

Table of Contents

NOTE 16: SEGMENT REPORTING

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

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

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

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

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

Table of Contents

	in millions						
	Chicken	Beef	Pork	Prepared Foods	Other	Intersegment Sales	Consolidated
Fiscal year ended September 29, 2012							
Sales	\$11,591	\$13,755	\$5,510	\$3,237	\$167	\$(982)	) \$33,278
Operating Income (Loss)	446	218	417	181	(14)	)	1,248
Total Other (Income) Expense							321
Income before Income Taxes							927
Depreciation	268	86	30	54	5		443
Total Assets	5,902	2,634	895	960	1,505		11,896
Additions to property, plant and equipment	451	100	32	99	8		690
Fiscal year ended October 1, 2011							
Sales	\$11,017	\$13,549	\$5,460	\$3,215	\$127	\$(1,102)	) \$32,266
Operating Income (Loss)	164	468	560	117	(24)	)	1,285
Total Other (Income) Expense							211
Income before Income Taxes							1,074
Depreciation	259	84	28	58	4		433
Total Assets	5,412	2,610	960	943	1,146		11,071
Additions to property, plant and equipment	464	88	27	58	6		643
Fiscal year ended October 2, 2010							
Sales	\$10,062	\$11,707	\$4,552	\$2,999	\$—	\$(890)	) \$28,430
Operating Income (Loss)	519	542	381	124	(10)	)	1,556
Total Other (Income) Expense							353
Income before Income Taxes							1,203
Depreciation	251	82	27	56	—		416
Total Assets	5,031	2,468	845	940	1,468		10,752
Additions to property, plant and equipment	320	61	27	42	100		550

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

The Pork segment had sales of \$771 million, \$816 million and \$718 million for fiscal 2012, 2011 and 2010, respectively, from transactions with other operating segments. The Beef segment had sales of \$211 million, \$286 million and \$172 million for fiscal 2012, 2011 and 2010, respectively, from transactions with other operating segments.

Our largest customer, Wal-Mart Stores, Inc., accounted for 13.8%, 13.3% and 13.4% of consolidated sales in fiscal 2012, 2011 and 2010, respectively. Sales to Wal-Mart Stores, Inc. were included in the Chicken, Beef, Pork and Prepared Foods segments. Any extended discontinuance of sales to this customer could, if not replaced, have a material impact on our operations.

The majority of our operations are domiciled in the United States. Approximately 95%, 96% and 96% of sales to external customers for fiscal 2012, 2011 and 2010, respectively, were sourced from the United States. Approximately \$5.9 billion and \$5.8 billion, respectively, of long-lived assets were located in the United States at September 29, 2012, and October 1, 2011. Approximately \$564 million and \$539 million of long-lived assets were located in foreign countries, primarily Brazil, China, Mexico and India, at September 29, 2012, and October 1, 2011, respectively. We sell certain products in foreign markets, primarily Brazil, Canada, Central America, China, the European Union, Japan, Mexico, the Middle East, Russia, South Korea, Taiwan, Ukraine and Vietnam. Our export sales from the United States totaled \$4.0 billion, \$4.1 billion and \$3.2 billion for fiscal 2012, 2011 and 2010, respectively.

Substantially all of our export sales are facilitated through unaffiliated brokers, marketing associations and foreign sales staffs. Sales of products produced in a country other than the United States were less than 10% of consolidated sales for each of fiscal 2012, 2011 and 2010.

Table of Contents

## NOTE 17: SUPPLEMENTAL CASH FLOW INFORMATION

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

	2012	2011	2010
Interest, net of amounts capitalized	\$274	\$174	\$302
Income taxes, net of refunds	187	311	470

## NOTE 18: TRANSACTIONS WITH RELATED PARTIES

We have operating leases for an airplane and two wastewater facilities with John Tyson, Chairman of the Company, certain members of the Tyson family, the Donald J. Tyson Revocable Trust and the Randal W. Tyson Testamentary Trust. Total payments of \$2 million in each of fiscal 2012, 2011 and 2010, were paid to entities in which these parties had an ownership interest.

## NOTE 19: COMMITMENTS AND CONTINGENCIES

## Commitments

We lease equipment, properties and certain farms for which total rentals approximated \$193 million, \$183 million and \$188 million, respectively, in fiscal 2012, 2011 and 2010. Most leases have initial terms up to seven years, some with varying renewal periods. The most significant obligations assumed under the terms of the leases are the upkeep of the facilities and payments of insurance and property taxes.

Minimum lease commitments under non-cancelable leases at September 29, 2012, were:

	in millions
2013	\$101
2014	72
2015	47
2016	32
2017	21
2018 and beyond	55
Total	\$328

We guarantee obligations of certain outside third parties, which consists of a lease and grower loans, all of which are substantially collateralized by the underlying assets. Terms of the underlying debt cover periods up to ten years, and the maximum potential amount of future payments as of September 29, 2012, was \$75 million. We also maintain operating leases for various types of equipment, some of which contain residual value guarantees for the market value of the underlying leased assets at the end of the term of the lease. The remaining terms of the lease maturities cover periods over the next seven years. The maximum potential amount of the residual value guarantees is \$58 million, of which \$52 million would be recoverable through various recourse provisions and an additional undeterminable recoverable amount based on the fair value of the underlying leased assets. The likelihood of material payments under these guarantees is not considered probable. At September 29, 2012, and October 1, 2011, no material liabilities for guarantees were recorded.

We have cash flow assistance programs in which certain livestock suppliers participate. Under these programs, we pay an amount for livestock equivalent to a standard cost to grow such livestock during periods of low market sales prices. The amounts of such payments that are in excess of the market sales price are recorded as receivables and accrue interest. Participating suppliers are obligated to repay these receivables balances when market sales prices exceed this standard cost, or upon termination of the agreement. Our maximum obligation associated with these programs is limited to the fair value of each participating livestock supplier's net tangible assets. The potential maximum obligation as of September 29, 2012, was approximately \$275 million. The total receivables under these programs were \$25 million and \$28 million at September 29, 2012, and October 1, 2011, respectively, and are included, net of allowance for uncollectible amounts, in Accounts Receivable and Other Assets in our Consolidated Balance Sheets. Even though these programs are limited to the net tangible assets of the participating livestock suppliers, we also manage a portion of our credit risk associated with these programs by obtaining security interests in livestock suppliers' assets. After analyzing residual credit risks and general market conditions, we have recorded an allowance for these programs' estimated uncollectible receivables of \$10 million at both September 29, 2012, and October 1, 2011.





Table of Contents

Additionally, we enter into future purchase commitments for various items, such as grains, livestock contracts and fixed grower fees. At September 29, 2012, these commitments totaled:

	in millions
2013	\$819
2014	73
2015	36
2016	35
2017	26
2018 and beyond	86
Total	\$1,075

## Contingencies

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

We have pending against us a lawsuit styled *DeAsencio v. Tyson Foods, Inc.* (E. Dist. Pennsylvania, August 22, 2000) in which the plaintiffs allege that we failed to compensate certain poultry plant employees for the time it takes to engage in pre- and post-shift activities such as changing into and out of protective and sanitary clothing and walking to and from the changing area, work areas and break areas in violation of the Federal Labor Standards Act (FLSA). They seek back wages, liquidated damages, pre- and post-judgment interest, and attorneys' fees. Plaintiffs appealed a jury verdict and final judgment entered in our favor on June 22, 2006. On September 7, 2007, the U.S. Court of Appeals for the Third Circuit reversed the jury verdict and remanded the case to the District Court for further proceedings. We sought rehearing en banc, which was denied by the Court of Appeals on October 5, 2007. The United States Supreme Court denied our petition for a writ of certiorari on June 9, 2008. The new trial date has not been set. We have pending twelve separate wage and hour actions involving Tyson Fresh Meats Inc.'s plants located in Lexington, Nebraska (*Lopez, et al. v. Tyson Foods, Inc.*, D. Nebraska, June 30, 2006), Garden City and Emporia, Kansas (*Garcia, et al. v. Tyson Foods, Inc., Tyson Fresh Meats, Inc.*, D. Kansas, May 15, 2006), Storm Lake, Iowa (*Bouaphakeo (f/k/a Sharp), et al. v. Tyson Foods, Inc.*, N.D. Iowa, February 6, 2007), Columbus Junction, Iowa (*Guyton (f/k/a Robinson), et al. v. Tyson Foods, Inc., d.b.a Tyson Fresh Meats, Inc.*, S.D. Iowa, September 12, 2007), Joslin, Illinois (*Murray, et al. v. Tyson Foods, Inc.*, C.D. Illinois, January 2, 2008; and *DeVoss v. Tyson Foods, Inc. d.b.a. Tyson Fresh Meats*, C.D. Illinois, March 2, 2011), Dakota City, Nebraska (*Gomez, et al. v. Tyson Foods, Inc.*, D. Nebraska, January 16, 2008), Madison, Nebraska (*Acosta, et al. v Tyson Foods, Inc. d.b.a Tyson Fresh Meats, Inc.*, D. Nebraska, February 29, 2008), Perry and Waterloo, Iowa (*Edwards, et al. v. Tyson Foods, Inc. d.b.a Tyson Fresh Meats, Inc.*, S.D. Iowa, March 20, 2008); Council Bluffs, Iowa (*Maxwell (f/k/a Salazar), et al. v. Tyson Foods, Inc. d.b.a Tyson Fresh Meats, Inc.*, S.D. Iowa, April 29, 2008); Logansport, Indiana (*Carter, et al. v. Tyson Foods, Inc. and Tyson Fresh Meats, Inc.*, N.D. Indiana, April 29, 2008); and Goodlettsville, Tennessee (*Abadeer v. Tyson Foods, Inc., and Tyson Fresh Meats, Inc.*, M.D. Tennessee, February 6, 2009). The actions allege we failed to pay employees for all hours worked, including overtime compensation for the time it takes to change into protective work uniforms, safety equipment and other sanitary and protective clothing worn by employees, and for walking to and from the changing area, work areas and break areas in violation of the FLSA and analogous state laws. The plaintiffs seek back wages, liquidated damages, pre- and post-judgment interest, attorneys' fees and costs. Each case is proceeding in its jurisdiction.

After a trial in the Garcia case, which involved the Garden City, Kansas facility, a jury verdict in favor of the plaintiffs was entered on March 17, 2011. Exclusive of pre- and post-judgment interest, attorneys' fees and costs, the jury found violations of federal and state laws for pre- and post-shift work activities and awarded damages in the amount of \$503,011. Plaintiffs' counsel has filed an application for attorneys' fees and expenses in the amount of \$3,475,422, which we have contested. The court stayed the filing of a notice of appeal pending its decision on plaintiffs' application for attorneys' fees and expenses.

A jury trial was held in the Lopez case, which involved the Lexington, NE beef plant, and resulted in a jury verdict in favor of Tyson. Judgment was entered and the complaint was dismissed with prejudice on May 26, 2011. Plaintiffs filed an appeal with the Eighth Circuit Court of Appeals on June 16, 2011, and the appellate court affirmed the jury's verdict in favor of Tyson on September 4, 2012.

Table of Contents

A jury trial was held in the Bouaphakeo case, which involved the Storm Lake, Iowa pork plant and resulted in a jury verdict in favor of the plaintiffs for violations of federal and state laws for pre- and post-shift work activities. The trial court also awarded the plaintiffs liquidated damages, resulting in total damages awarded in the amount of \$5,784,758. We have appealed the jury's verdict and trial court's award. The plaintiffs' counsel has also filed an application for attorneys' fees and expenses in the amount of \$2,692,145.

A jury trial was held in the Guyton case, which involved the Columbus Junction, Iowa pork plant, and resulted in a jury verdict in favor of Tyson on April 25, 2012. The plaintiffs filed a post-trial motion, which remains pending in the trial court.

The Maxwell case has been resolved by the parties, and the parties filed a joint motion for approval of the terms of settlement with the trial court on October 31, 2012, which the trial court has preliminarily approved.

The Acosta and Gomez cases are scheduled for trials on January 14, 2013, and March 18, 2013, respectively.

We have pending one wage and hour action involving our Tyson Prepared Foods plant located in Jefferson, Wisconsin (Weissman, et al. v. Tyson Prepared Foods, Inc., Jefferson County (Wisconsin) Circuit Court, October 20, 2010). The plaintiffs allege that employees should be paid for the time it takes to engage in pre- and post-shift activities such as changing into and out of protective and sanitary clothing and the associated time it takes to walk to and from their workstations post-donning and pre-doffing of protective and sanitary clothing. Six named plaintiffs seek to act as state law class representatives on behalf of all current and former employees who were allegedly not paid for time worked and seek back wages, liquidated damages, pre- and post-judgment interest, and attorneys' fees and costs. On May 16, 2011, the plaintiffs filed a motion to certify a state law class of all hourly employees who have worked at the Jefferson plant from October 20, 2008, to the present. We have filed motions for summary judgment seeking dismissal of the claims, or, in the alternative, to limit the claims made for non-compensable clothes changing activities. The court granted summary judgment in favor of Tyson on August 31, 2012, and the plaintiffs filed a notice of appeal on October 5, 2012.

On June 19, 2005, the Attorney General and the Secretary of the Environment of the State of Oklahoma filed a complaint in the U.S. District Court for the Northern District of Oklahoma against us, three of our subsidiaries and six other poultry integrators. The complaint, which was subsequently amended, asserts a number of state and federal causes of action including, but not limited to, counts under Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), Resource Conservation and Recovery Act (RCRA), and state-law public nuisance theories. The amended complaint asserts that defendants and certain contract growers who are not named in the amended complaint polluted the surface waters, groundwater and associated drinking water supplies of the Illinois River Watershed (IRW) through the land application of poultry litter. Oklahoma asserts that this alleged pollution has also caused extensive injury to the environment (including soils and sediments) of the IRW and that the defendants have been unjustly enriched. Oklahoma's claims cover the entire IRW, which encompasses more than one million acres of land and the natural resources (including lakes and waterways) contained therein. Oklahoma seeks wide-ranging relief, including injunctive relief, compensatory damages in excess of \$800 million, an unspecified amount in punitive damages and attorneys' fees. We and the other defendants have denied liability, asserted various defenses, and filed a third-party complaint that asserts claims against other persons and entities whose activities may have contributed to the pollution alleged in the amended complaint. The district court has stayed proceedings on the third party complaint pending resolution of Oklahoma's claims against the defendants. On October 31, 2008, the defendants filed a motion to dismiss for failure to join the Cherokee Nation as a required party or, in the alternative, for judgment as a matter of law based on the plaintiffs' lack of standing. This motion was granted in part and denied in part on July 22, 2009. In its ruling, the district court dismissed Oklahoma's claims for cost recovery and for natural resources damages under CERCLA and for unjust enrichment under Oklahoma common law. This ruling also narrowed the scope of Oklahoma's remaining claims by dismissing all damage claims under its causes of action for Oklahoma common law nuisance, federal common law nuisance, and Oklahoma common law trespass, leaving only its claims for injunctive relief for trial. On August 18, 2009, the Court granted partial summary judgment in favor of the defendants on Oklahoma's claims for violations of the Oklahoma Registered Poultry Feeding Operations Act. Oklahoma later voluntarily dismissed the remainder of this claim. On September 2, 2009, the Cherokee Nation filed a motion to intervene in the lawsuit. Its motion to intervene was denied on September 15, 2009, and the Cherokee

Nation filed a notice of appeal of that ruling in the Tenth Circuit Court of Appeals on September 17, 2009. A non-jury trial of the case began on September 24, 2009. At the close of Oklahoma's case-in-chief, the Court granted the defendants' motions to dismiss claims based on RCRA, nuisance per se, and health risks related to bacteria. The defense rested its case on January 13, 2010, and closing arguments were held on February 11, 2010. On September 21, 2010, the Court of Appeals affirmed the district court's denial of the Cherokee Nation's motion to intervene. On October 6, 2010, the Cherokee Nation and the State of Oklahoma filed a petition for rehearing or en banc review seeking reconsideration of this ruling. The Court of Appeals denied this petition. The district court has not yet rendered its decision from the trial, which ended in February 2010.

Table of Contents

On May 8, 2008, a lawsuit was filed against the Company and two of our employees in the District Court of McCurtain County, Oklahoma styled *Armstrong, et al. v. Tyson Foods, Inc., et al.* (the Armstrong Case). The lawsuit was brought by a group of 52 poultry growers who allege that certain of our live production practices in Oklahoma constitute fraudulent inducement, fraud, unjust enrichment, negligence, gross negligence, unconscionability, violations of the Oklahoma Business Sales Act, Deceptive Trade Practice violations, violations of the Consumer Protection Act, and conversion, as well as other theories of recovery. The plaintiffs sought damages in an unspecified amount. On October 30, 2009, 20 additional growers represented by the same attorney filed a lawsuit against us in the same court asserting the same or similar claims, which is styled *Clardy, et al. v. Tyson Foods, Inc., et al.* (the Clardy Case). In both of these cases we have denied all allegations of wrongdoing. In June 2009, the plaintiffs in the Armstrong case requested an expedited trial date for a smaller group of plaintiffs they claimed were facing imminent financial peril. The Court ultimately severed a group of 10 plaintiffs from the Armstrong Case, and a trial began on March 15, 2010. On April 1, 2010, the jury returned a verdict against us and one of our employees, and on April 2, 2010, the Court entered a judgment in the amount of \$8,655,735, which included punitive damages. Subsequent to the trial, the presiding judge disqualified from the cases and the Oklahoma Supreme Court appointed a new judge to the cases. Following this appointment, the trial court granted our motions for change of venue and to stay all future trials of plaintiffs in the Armstrong Case and the Clardy Case pending the outcome of our appeal of the initial Armstrong Case verdict. The trial court took under advisement the sizes of groupings of plaintiffs in future trials in response to our motion to sever the plaintiffs' claims into individual cases. We appealed the initial Armstrong Case verdict to the Oklahoma Supreme Court based on numerous irregularities and rulings during the trial, and the Oklahoma Supreme Court reversed the verdict and remanded the case back to the trial court. At this time, new trial dates in the Armstrong Case have not been scheduled, nor have trial dates for the Clardy Case.

In late 2010, the United States Environmental Protection Agency (EPA) Region 7 began a Clean Air Act investigation of the Company related to operation and maintenance of ammonia refrigeration equipment at multiple facilities. The EPA subsequently referred the matter, which involves allegations of potential non-compliance with the Clean Air Act's Risk Management Plan requirements at 25 Tyson facilities in Kansas, Missouri, Iowa and Nebraska, to the United States Department of Justice (DOJ). The EPA and DOJ have indicated they will seek monetary penalties and injunctive relief requiring equipment and infrastructure changes at several facilities. Currently we are engaged in settlement discussions with the EPA and DOJ.

Table of Contents

## NOTE 20: QUARTERLY FINANCIAL DATA (UNAUDITED)

	in millions, except per share data			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2012				
Sales	\$8,329	\$8,268	\$8,308	\$8,373
Gross profit	493	535	562	570
Operating income	278	302	336	332
Net income	156	166	73	181
Net income attributable to Tyson	156	166	76	185
Net income per share attributable to Tyson:				
Class A Basic	\$0.43	\$0.47	\$0.21	\$0.53
Class B Basic	\$0.39	\$0.42	\$0.19	\$0.48
Diluted	\$0.42	\$0.44	\$0.21	\$0.51
2011				
Sales	\$7,615	\$8,000	\$8,247	\$8,404
Gross profit	744	533	531	391
Operating income	498	303	312	172
Net income	294	156	188	95
Net income attributable to Tyson	298	159	196	97
Net income per share attributable to Tyson:				
Class A Basic	\$0.81	\$0.43	\$0.53	\$0.27
Class B Basic	\$0.73	\$0.39	\$0.48	\$0.24
Diluted	\$0.78	\$0.42	\$0.51	\$0.26

Third quarter fiscal 2012 net income included a \$167 million pretax charge related to the early extinguishment of debt. Fourth quarter fiscal 2012 net income included a \$15 million non-cash charge related to the impairment of non-core assets in China.

First quarter fiscal 2011 net income included \$11 million gain related to a sale of interests in an equity method investment. Third quarter fiscal 2011 net income included \$21 million reduction to income tax expense related to a reversal of reserves for foreign uncertain tax positions.

Table of Contents

## NOTE 21: CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

TFM Parent, our wholly-owned subsidiary, has fully and unconditionally guaranteed the 2016 Notes. Additionally, TFM Parent has fully and unconditionally guaranteed the 2022 Notes until such date TFM Parent has been released of its guarantee of both (i) Tyson's \$1.0 billion revolving credit facility and (ii) the 2016 Notes, at which time TFM Parent's guarantee of the 2022 Notes is permanently released. The following financial information presents condensed consolidating financial statements, which include Tyson Foods, Inc. (TFI Parent); TFM Parent; the Non-Guarantor Subsidiaries (Non-Guarantors) on a combined basis; the elimination entries necessary to consolidate TFI Parent, TFM Parent and the Non-Guarantors; and Tyson Foods, Inc. on a consolidated basis, and is provided as an alternative to providing separate financial statements for the guarantor. This presentation has been revised from the financial presentation disclosed in prior periods to reflect changes in the subsidiary guarantees associated with the permanent release of certain subsidiary guarantors upon the retirement of the 2014 Notes.

Condensed Consolidating Statement of Income for the year ended September 29, 2012						in millions	
	TFI Parent	TFM Parent	Non- Guarantors	Eliminations	Total		
Sales	\$352	\$18,832	\$15,375	\$(1,281)	\$33,278	)	
Cost of Sales	(4)	18,088	14,314	(1,280)	31,118	)	
Gross Profit	356	744	1,061	(1)	2,160	)	
Operating Expenses:							
Selling, general and administrative	59	205	649	(1)	912	)	
Goodwill impairment	—	—	—	—	—	)	
Operating Income	297	539	412	—	1,248	)	
Other (Income) Expense:							
Interest expense, net	49	143	152	—	344	)	
Other, net	1	—	(24)	—	(23)	)	
Equity in net earnings of subsidiaries	(427)	(43)	—	470	—	)	
Total Other (Income) Expense	(377)	100	128	470	321	)	
Income before Income Taxes	674	439	284	(470)	927	)	
Income Tax Expense (Benefit)	91	130	130	—	351	)	
Net Income	583	309	154	(470)	576	)	
Less: Net Loss Attributable to Noncontrolling Interest	—	—	(7)	—	(7)	)	
Net Income Attributable to Tyson	\$583	\$309	\$161	\$(470)	\$583	)	
Condensed Consolidating Statement of Income for the year ended October 1, 2011						in millions	
	TFI Parent	TFM Parent	Non- Guarantors	Eliminations	Total		
Sales	\$157	\$18,636	\$14,700	\$(1,227)	\$32,266	)	
Cost of Sales	29	17,461	13,804	(1,227)	30,067	)	
Gross Profit	128	1,175	896	—	2,199	)	
Operating Expenses:							
Selling, general and administrative	52	215	647	—	914	)	
Goodwill impairment	—	—	—	—	—	)	
Operating Income	76	960	249	—	1,285	)	
Other (Income) Expense:							
Interest expense, net	(26)	148	109	—	231	)	
Other, net	(9)	—	(11)	—	(20)	)	
Equity in net earnings of subsidiaries	(673)	(115)	—	788	—	)	

Edgar Filing: TYSON FOODS INC - Form 10-K

Total Other (Income) Expense	(708	) 33	98	788	211	
Income before Income Taxes	784	927	151	(788	) 1,074	
Income Tax Expense (Benefit)	34	272	35	—	341	
Net Income	750	655	116	(788	) 733	
Less: Net Loss Attributable to Noncontrolling Interest	—	—	(17	) —	(17	)
Net Income Attributable to Tyson	\$750	\$655	\$133	\$(788	) \$750	

76

---



Table of Contents

Condensed Consolidating Statement of Income for the year ended October 2, 2010					in millions	
	TFI Parent	TFM Parent	Non- Guarantors	Eliminations	Total	
Sales	\$454	\$15,950	\$13,415	\$(1,389 )	\$28,430	
Cost of Sales	16	14,867	12,422	(1,389 )	25,916	
Gross Profit	438	1,083	993	—	2,514	
Operating Expenses:						
Selling, general and administrative	93	199	637	—	929	
Goodwill impairment	—	—	29	—	29	
Operating Income	345	884	327	—	1,556	
Other (Income) Expense:						
Interest expense, net	328	2	3	—	333	
Other, net	25	1	(6 )	—	20	
Equity in net earnings of subsidiaries	(782 )	(51 )	—	833	—	
Total Other (Income) Expense	(429 )	(48 )	(3 )	833	353	
Income before Income Taxes	774	932	330	(833 )	1,203	
Income Tax Expense (Benefit)	(6 )	304	140	—	438	
Net Income	780	628	190	(833 )	765	
Less: Net Loss Attributable to Noncontrolling Interest	—	—	(15 )	—	(15 )	
Net Income Attributable to Tyson	\$780	\$628	\$205	\$(833 )	\$780	
Condensed Consolidating Balance Sheet as of September 29, 2012					in millions	
	TFI Parent	TFM Parent	Non- Guarantors	Eliminations	Total	
Assets						
Current Assets:						
Cash and cash equivalents	\$1	\$9	\$1,061	\$—	\$1,071	
Accounts receivable, net	1	499	878	—	1,378	
Inventories	—	950	1,859	—	2,809	
Other current assets	139	100	90	(184 )	145	
Total Current Assets	141	1,558	3,888	(184 )	5,403	
Net Property, Plant and Equipment	31	873	3,118	—	4,022	
Goodwill	—	881	1,010	—	1,891	
Intangible Assets	—	26	103	—	129	
Other Assets	1,257	151	251	(1,208 )	451	
Investment in Subsidiaries	11,849	2,005	—	(13,854 )	—	
Total Assets	\$13,278	\$5,494	\$8,370	\$(15,246 )	\$11,896	
Liabilities and Shareholders' Equity						
Current Liabilities:						
Current debt	\$439	\$—	\$167	\$(91 )	\$515	
Accounts payable	10	558	804	—	1,372	
Other current liabilities	4,887	144	766	(4,854 )	943	
Total Current Liabilities	5,336	702	1,737	(4,945 )	2,830	
Long-Term Debt	1,774	809	486	(1,152 )	1,917	
Deferred Income Taxes	—	135	432	(9 )	558	
Other Liabilities	156	146	294	(47 )	549	

Edgar Filing: TYSON FOODS INC - Form 10-K

Total Tyson Shareholders' Equity	6,012	3,702	5,391	(9,093	) 6,012
Noncontrolling Interest	—	—	30	—	30
Total Shareholders' Equity	6,012	3,702	5,421	(9,093	) 6,042
Total Liabilities and Shareholders' Equity	\$13,278	\$5,494	\$8,370	\$(15,246	) \$11,896

77

---

Table of Contents

## Condensed Consolidating Balance Sheet as of October 1, 2011

in millions

	TFI Parent	TFM Parent	Non- Guarantors	Eliminations	Total
<b>Assets</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$1	\$1	\$714	\$—	\$716
Accounts receivable, net	1	506	813	1	1,321
Inventories	2	926	1,659	—	2,587
Other current assets	62	95	83	(84 )	156
<b>Total Current Assets</b>	<b>66</b>	<b>1,528</b>	<b>3,269</b>	<b>(83 )</b>	<b>4,780</b>
Net Property, Plant and Equipment	37	875	2,911	—	3,823
Goodwill	—	881	1,011	—	1,892
Intangible Assets	—	31	118	—	149
Other Assets	2,179	180	260	(2,192 )	427
Investment in Subsidiaries	11,396	1,923	—	(13,319 )	—
<b>Total Assets</b>	<b>\$13,678</b>	<b>\$5,418</b>	<b>\$7,569</b>	<b>\$(15,594 )</b>	<b>\$11,071</b>
<b>Liabilities and Shareholders' Equity</b>					
<b>Current Liabilities:</b>					
Current debt	\$2	\$—	\$68	\$—	\$70
Accounts payable	8	525	731	—	1,264
Other current liabilities	5,808	144	843	(5,755 )	1,040
<b>Total Current Liabilities</b>	<b>5,818</b>	<b>669</b>	<b>1,642</b>	<b>(5,755 )</b>	<b>2,374</b>
Long-Term Debt	1,972	1,198	1,005	(2,063 )	2,112
Deferred Income Taxes	—	120	319	(15 )	424
Other Liabilities	231	142	217	(114 )	476
<b>Total Tyson Shareholders' Equity</b>	<b>5,657</b>	<b>3,289</b>	<b>4,358</b>	<b>(7,647 )</b>	<b>5,657</b>
Noncontrolling Interest	—	—	28	—	28
<b>Total Shareholders' Equity</b>	<b>5,657</b>	<b>3,289</b>	<b>4,386</b>	<b>(7,647 )</b>	<b>5,685</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$13,678</b>	<b>\$5,418</b>	<b>\$7,569</b>	<b>\$(15,594 )</b>	<b>\$11,071</b>

## Condensed Consolidating Statement of Cash Flows for the year ended September 29, 2012

in millions

	TFI Parent	TFM Parent	Non- Guarantors	Eliminations	Total
Cash Provided by (Used for) Operating Activities	\$312	\$438	\$447	\$(10 )	\$1,187
<b>Cash Flows from Investing Activities:</b>					
Additions to property, plant and equipment (Purchases of)/Proceeds from marketable securities, net	(1 )	(104 )	(585 )	—	(690 )
Proceeds from notes receivable	—	(7 )	(4 )	—	(11 )
Change in restricted cash to be used for investing activities	—	—	—	—	—
Other, net	1	5	35	—	41
<b>Cash Provided by (Used for) Investing Activities</b>	<b>—</b>	<b>(106 )</b>	<b>(554 )</b>	<b>—</b>	<b>(660 )</b>
<b>Cash Flows from Financing Activities:</b>					
Net change in debt	107	—	16	—	123
Purchase of redeemable noncontrolling interest	—	—	—	—	—

Edgar Filing: TYSON FOODS INC - Form 10-K

Change in restricted cash to be used for financing activities	—	—	—	—	—
Purchases of Tyson Class A common stock	(264	) —	—	—	(264 )
Dividends	(57	) —	(10	) 10	(57 )
Other, net	26	—	1	—	27
Net change in intercompany balances	(124	) (324	) 448	—	—
Cash Provided by (Used for) Financing Activities	(312	) (324	) 455	10	(171 )
Effect of Exchange Rate Change on Cash Increase (Decrease) in Cash and Cash Equivalents	—	—	(1	) —	(1 )
	—	8	347	—	355
Cash and Cash Equivalents at Beginning of Year	1	1	714	—	716
Cash and Cash Equivalents at End of Period	\$ 1	\$ 9	\$ 1,061	\$—	\$ 1,071

78

---

Table of Contents

Condensed Consolidating Statement of Cash Flows for the year ended October 1, 2011					in millions	
	TFI Parent	TFM Parent	Non- Guarantors	Eliminations	Total	
Cash Provided by (Used for) Operating Activities	\$31	\$564	\$471	\$(20	)	\$1,046
Cash Flows from Investing Activities:						
Additions to property, plant and equipment (Purchases of)/Proceeds from marketable securities, net	(1	) (107	) (535	) —		(643
Proceeds from notes receivable	—	—	51	—		51
Change in restricted cash to be used for investing activities	—	—	—	—		—
Other, net	23	—	5	—		28
Cash Provided by (Used for) Investing Activities	22	(164	) (502	) —		(644
Cash Flows from Financing Activities:						
Net change in debt	(391	) (6	) 12	—		(385
Purchase of redeemable noncontrolling interest	—	—	(66	) —		(66
Change in restricted cash to be used for financing activities	—	—	—	—		—
Purchases of Tyson Class A common stock	(207	) —	—	—		(207
Dividends	(59	) —	(20	) 20		(59
Other, net	49	—	10	—		59
Net change in intercompany balances	554	(395	) (159	) —		—
Cash Provided by (Used for) Financing Activities	(54	) (401	) (223	) 20		(658
Effect of Exchange Rate Change on Cash Increase (Decrease) in Cash and Cash Equivalents	(1	) (1	) (260	) —		(262
Cash and Cash Equivalents at Beginning of Year	2	2	974	—		978
Cash and Cash Equivalents at End of Period	\$1	\$1	\$714	\$—		\$716
Condensed Consolidating Statement of Cash Flows for the year ended October 2, 2010					in millions	
	TFI Parent	TFM Parent	Non- Guarantors	Eliminations	Total	
Cash Provided by (Used for) Operating Activities	\$386	\$499	\$547	\$—		\$1,432
Cash Flows from Investing Activities:						
Additions to property, plant and equipment (Purchases of)/Proceeds from marketable securities, net	(3	) (85	) (462	) —		(550
Proceeds from notes receivable	—	—	—	—		—
Change in restricted cash to be used for investing activities	—	—	43	—		43
Other, net	(1	) (1	) 13	—		11
Cash Provided by (Used for) Investing Activities	(4	) (86	) (410	) —		(500
Cash Flows from Financing Activities:						
Net change in debt	(874	) (149	) (11	) —		(1,034

Edgar Filing: TYSON FOODS INC - Form 10-K

Purchase of redeemable noncontrolling interest	—	—	—	—	—	
Change in restricted cash to be used for financing activities	—	—	140	—	140	
Purchases of Tyson Class A common stock	(48	) —	—	—	(48	)
Dividends	(59	) —	—	—	(59	)
Other, net	32	—	10	—	42	
Net change in intercompany balances	569	(262	) (307	) —	—	
Cash Provided by (Used for) Financing Activities	(380	) (411	) (168	) —	(959	)
Effect of Exchange Rate Change on Cash	—	—	1	—	1	
Increase (Decrease) in Cash and Cash Equivalents	2	2	(30	) —	(26	)
Cash and Cash Equivalents at Beginning of Year	—	—	1,004	—	1,004	
Cash and Cash Equivalents at End of Period	\$2	\$2	\$974	\$—	\$978	

Table of Contents

Report of Independent Registered Public Accounting Firm  
To the Board of Directors and Shareholders of  
Tyson Foods, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Tyson Foods, Inc. and its subsidiaries at September 29, 2012 and October 1, 2011, and the results of their operations and their cash flows for each of the three years in the period ended September 29, 2012 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 29, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP  
Fayetteville, AR  
November 19, 2012

Table of Contents

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

An evaluation was performed, under the supervision and with the participation of management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the 1934 Act)). Based on that evaluation, management, including the CEO and CFO, has concluded that, as of September 29, 2012, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

In the quarter ended September 29, 2012, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting

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

Management conducted an evaluation of the effectiveness of our internal control over financial reporting as of September 29, 2012. In making this assessment, we used criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework.

Based on this evaluation under the framework in Internal Control – Integrated Framework issued by COSO, Management concluded the Company's internal control over financial reporting was effective as of September 29, 2012.

The Company's independent registered public accounting firm, PricewaterhouseCoopers LLP, who has audited the fiscal 2012 financial statements included in this Form 10-K has also audited the Company's internal control over financial reporting. Their report appears in Part II, Item 8.

ITEM 9B. OTHER INFORMATION

Not applicable.



Table of Contents

## PART III

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

See information set forth under the captions “Election of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the Company’s definitive Proxy Statement for the Company’s Annual Meeting of Shareholders to be held February 1, 2013 (the “Proxy Statement”), which information is incorporated herein by reference. Pursuant to general instruction G(3) of Annual Report on Form 10-K, certain information concerning our executive officers is included under the caption “Executive Officers of the Company” in Part I of this Report.

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

## ITEM 11. EXECUTIVE COMPENSATION

See the information set forth under the captions “Executive Compensation,” “Director Compensation For Fiscal 2012,” “Compensation Discussion and Analysis,” “Report of the Compensation Committee,” and “Compensation Committee Interlocks and Insider Participation” in the Proxy Statement, which information is incorporated herein by reference. However, pursuant to instructions to Item 407(e)(5) of the Securities and Exchange Commission Regulation S-K, the material appearing under the sub-heading “Report of the Compensation Committee” shall not be deemed to be “filed” with the Commission, other than as provided in this Item 11.

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

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

## Securities Authorized for Issuance Under Equity Compensation Plans

The following information reflects certain information about our equity compensation plans as of September 29, 2012:

	Equity Compensation Plan Information		
	(a)	(b)	(c)
	Number of Securities to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	Number of Securities remaining available for future issuance under equity compensation plans (excluding Securities reflected in column (a))
Equity compensation plans approved by security holders	19,067,360	\$ 14.82	22,187,165
Equity compensation plans not approved by security holders	—	—	—
Total	19,067,360	\$ 14.82	22,187,165
(a) Outstanding options granted by the Company			
(b) Weighted average price of outstanding options			
(c) Shares available for future issuance as of September 29, 2012, under the Stock Incentive Plan (10,795,188), the Employee Stock Purchase Plan (3,744,369) and the Retirement Savings Plan (7,647,608)			

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

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

## ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

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



Table of Contents

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

Consolidated Statements of Income

for the three years ended September 29, 2012

Consolidated Balance Sheets at

September 29, 2012, and October 1, 2011

Consolidated Statements of Shareholders' Equity

for the three years ended September 29, 2012

Consolidated Statements of Cash Flows

for the three years ended September 29, 2012

Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

Financial Statement Schedule - Schedule II Valuation and Qualifying

Accounts for the three years ended September 29, 2012

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

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

Table of Contents

EXHIBIT INDEX

Exhibit No.

- 3.1 Restated Certificate of Incorporation of the Company (previously filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 1998, Commission File No. 001-14704, and incorporated herein by reference).
- 3.2 Fourth Amended and Restated By-laws of the Company (previously filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed September 28, 2007, Commission File No. 001-14704, and incorporated herein by reference).
- 4.1 Indenture dated June 1, 1995 between the Company and The Chase Manhattan Bank, N.A., as Trustee (the "Company Indenture") (previously filed as Exhibit 4 to Registration Statement on Form S-3, filed with the Commission on December 18, 1997, Registration No. 333-42525, and incorporated herein by reference).
- 4.2 Form of 7.0% Note due January 15, 2028 issued under the Company Indenture (previously filed as Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the period ended December 27, 1997, Commission File No. 001-14704, and incorporated herein by reference).
- 4.3 Form of 7.0% Note due May 1, 2018 issued under the Company Indenture (previously filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 28, 1998, Commission File No. 001-14704, and incorporated herein by reference).
- 4.4 Form of 6.60% Senior Notes due April 1, 2016 issued under the Company Indenture (previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed March 22, 2006, Commission File No. 001-14704, and incorporated herein by reference).
- 4.5 Supplemental Indenture among the Company, Tyson Fresh Meats, Inc. and JPMorgan Chase Bank, National Association, dated as of September 18, 2006, supplementing the Company Indenture (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 19, 2006, Commission File No. 001-14704, and incorporated herein by reference).
- 4.6 Supplemental Indenture dated as of September 15, 2008, between the Company and The Bank of New York Mellon Trust Company, National Association (as successor to JPMorgan Chase Bank, N.A. (formerly The Chase Manhattan Bank, N.A.)), as Trustee (including the form of 3.25% Convertible Senior Notes due 2013), supplementing the Company Indenture (previously filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed September 15, 2008, Commission File No. 001-14704, and incorporated herein by reference).
- 4.7 Indenture, dated March 9, 2009, among the Company, the Subsidiary Guarantors (as defined therein) and The Bank of New York Mellon Trust Company, N.A., as Trustee (previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed March 10, 2009, Commission File No. 001-14704, and incorporated herein by reference).
- 4.8 Form of 10.50% Senior Note due 2014 (previously filed as Exhibit 4.2 and included in Exhibit 4.1 to the Company's Current Report on Form 8-K filed March 10, 2009, Commission File No. 001-14704, and incorporated herein by reference).

Edgar Filing: TYSON FOODS INC - Form 10-K

- 4.9 Supplemental Indenture dated as of June 13, 2012, between the Company and The Bank of New York Mellon Trust Company, National Association (as successor to JPMorgan Chase Bank, N.A. (formerly The Chase Manhattan Bank, N.A.)), as Trustee, supplementing the Company Indenture (previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed June 13, 2012, Commission File No. 001-14704, and incorporated herein by reference).
- 4.10 Form of 4.50% Senior Note due 2022 (Previously filed as Exhibit 4.2 and included in Exhibit 4.1 to the Company's Current Report on Form 8 K filed June 13, 2012. Commission File No. 001 14700, and incorporated herein by reference).
- 10.1 Amended and Restated Credit Agreement, dated as of March 9, 2009, as amended and restated as of February 23, 2011, among the Company, JPMorgan Chase Bank, N.A., as the Administrative Agent, and certain other lenders party thereto (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed February 28, 2011, Commission File No. 001-14704, and incorporated herein by reference).
- 10.2 Second Amendment, dated June 4, 2012, to the Amended and Restated Credit Agreement dated as of March 9, 2009, as amended and restated as of February 23, 2011, among the Company, JPMorgan Chase Bank, N.A., as the Administrative Agent, and certain other lenders party thereto (previously filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed August 6, 2012, Commission File No. 001-14704, and incorporated herein).

Table of Contents

- 10.3 Credit Agreement, dated as of August 9, 2012, among the Company, JPMorgan Chase Bank, N.A., as the Administrative Agent, and certain other lenders party thereto (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed August 13, 2012, Commission File No. 001-14704, and incorporated herein by reference).
- 10.4 Convertible note hedge transaction confirmation, dated as of September 9, 2008, by and between JPMorgan Chase Bank, National Association and the Company (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 15, 2008, Commission File No. 001-14704, and incorporated herein by reference).
- 10.5 Warrant transaction confirmation, dated as of September 9, 2008, by and between JPMorgan Chase Bank, National Association and the Company (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed September 15, 2008, Commission File No. 001-14704, and incorporated herein by reference).
- 10.6 Letter Agreement, dated as of September 9, 2008, by and between JPMorgan Chase Bank, National Association and the Company (previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed September 15, 2008, Commission File No. 001-14704, and incorporated herein by reference).
- 10.7 Convertible note hedge transaction confirmation, dated as of September 9, 2008, by and between Merrill Lynch Financial Markets, Inc. and the Company (previously filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed September 15, 2008, Commission File No. 001-14704, and incorporated herein by reference).
- 10.8 Warrant transaction confirmation, dated as of September 9, 2008, by and between Merrill Lynch Financial Markets, Inc. and the Company (previously filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed September 15, 2008, Commission File No. 001-14704, and incorporated herein by reference).
- 10.9 Letter Agreement, dated as September 9, 2008, by and between Merrill Lynch Financial Markets, Inc. and the Company (previously filed as Exhibit 10.6 to the Company's Current Report on Form 8-K filed September 15, 2008, Commission File No. 001-14704, and incorporated herein by reference).
- 10.10 Agreement, dated as of October 3, 2010, between the Company and John Tyson (previously filed as Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended October 2, 2010, Commission File No. 001-14704, and incorporated herein by reference).
- 10.11 Employment Agreement, dated August 27, 2012, by and between the Company and Curt T. Calaway.
- 10.12 Employment Agreement, dated November 14, 2012, by and between the Company and Donald J. Smith.
- 10.13 Employment Agreement, dated November 14, 2012, by and between the Company and James V. Lochner.
- 10.14 Employment Agreement, dated November 14, 2012, by and between the Company and David Van Bebber.

Edgar Filing: TYSON FOODS INC - Form 10-K

- 10.15 Employment Agreement, dated November 14, 2012, by and between the Company and Dennis Leatherby.
- 10.16 Employment Agreement, dated November 14, 2012, by and between the Company and Kenneth J. Kimbro.
- 10.17 Employment Agreement, dated November 14, 2012, by and between the Company and Donnie D. King.
- 10.18 Employment Agreement, dated November 14, 2012, by and between the Company and Noel W. White.
- 10.19 Indemnity Agreement, dated as of September 28, 2007, between the Company and John Tyson (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed September 28, 2007, Commission File No. 001-14704, and incorporated herein by reference).
- 10.20 Form of Indemnity Agreement between Tyson Foods, Inc. and its directors and certain executive officers (previously filed as Exhibit 10(t) to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1995, Commission File No. 0-3400, and incorporated herein by reference).
- 10.21 Tyson Foods, Inc. Annual Incentive Compensation Plan for Senior Executives adopted February 4, 2005, and reapproved February 5, 2010 (previously filed as Exhibit 10.34 to the Company's Annual Report on Form 10-K for the fiscal year ended October 1, 2005, Commission File No. 001-14704, and incorporated herein by reference).
- 10.22 Amended and Restated Tyson Foods, Inc. Employee Stock Purchase Plan, effective as of October 1, 2008 (previously filed as Exhibit 10.41 to the Company's Annual Report on Form 10-K for the fiscal year ended September 27, 2008, Commission File No. 001-14704, and incorporated herein by reference).
- 10.23 First Amendment to the Tyson Foods, Inc. Employee Stock Purchase Plan, effective December 27, 2009 (previously filed as Exhibit 10.30 to the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 2009, Commission File No. 001-14704, and incorporated herein by reference).

Table of Contents

- 10.24 Restated Executive Savings Plan of Tyson Foods, Inc. effective January 1, 2009 (previously filed as Exhibit 10.42 to the Company's Annual Report on Form 10-K for the fiscal year ended September 27, 2008, Commission File No. 001-14704, and incorporated herein by reference).
- 10.25 First Amendment to Executive Savings Plan of Tyson Foods, Inc. effective January 1, 2009 (previously filed as Exhibit 10.32 to the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 2009, Commission File No. 001-14704, and incorporated herein by reference).
- 10.26 Second Amendment to Executive Savings Plan of Tyson Foods, Inc. effective May 1, 2010 (previously filed as Exhibit 10.31 to the Company's Annual Report on Form 10-K for the fiscal year ended October 2, 2010, Commission File No. 001-14704, and incorporated herein by reference).
- 10.27 Third Amendment to the Executive Savings Plan of Tyson Foods, Inc. effective December 21, 2010 (previously filed as Exhibit 10.27 to the Company's Annual Report on Form 10-K for the fiscal year ended October 1, 2011, Commission File No. 001-14704, and incorporated herein by reference).
- 10.28 Amended and Restated Tyson Foods, Inc. 2000 Stock Incentive Plan effective November 19, 2004, First Amendment to the Amended and Restated Tyson Foods, Inc. 2000 Stock Incentive Plan effective February 2, 2007, and Second Amendment to the Amended and Restated Tyson Foods, Inc. 2000 Stock Incentive Plan effective August 13, 2007 (previously filed as Exhibit 10.43 to the Company's Annual Report on Form 10-K for the fiscal year ended September 27, 2008, Commission File No. 001-14704, and incorporated herein by reference).
- 10.29 Third Amendment to the Tyson Foods, Inc. 2000 Stock Incentive Plan effective November 20, 2009 (previously filed as Exhibit 10.34 to the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 2009, Commission File No. 001-14704, and incorporated herein by reference).
- 10.30 Amended and Restated Retirement Income Plan of IBP, inc. effective August 1, 2000, and Amendment to Freeze the Retirement Income Plan of IBP, inc. effective December 31, 2002 (previously filed as Exhibit 10.46 to the Company's Annual Report on Form 10-K for the fiscal year ended September 27, 2008, Commission File No. 001-14704, and incorporated herein by reference).
- 10.31 Amended and Restated Tyson Foods, Inc. Supplemental Executive Retirement and Life Insurance Premium Plan effective March 1, 2007, First Amendment to the Amended and Restated Tyson Foods, Inc. Supplemental Executive Retirement and Life Insurance Premium Plan effective September 24, 2007, and Second Amendment to the Amended and Restated Tyson Foods, Inc. Supplemental Executive Retirement and Life Insurance Premium Plan effective January 1, 2008 (previously filed as Exhibit 10.47 to the Company's Annual Report on Form 10-K for the fiscal year ended September 27, 2008, Commission File No. 001-14704, and incorporated herein by reference).
- 10.32 Third Amendment to the Amended and Restated Tyson Foods, Inc. Supplemental Executive Retirement and Life Insurance Premium Plan effective November 17, 2011 (previously filed as Exhibit 10.32 to the Company's Annual Report on Form 10-K for the fiscal year ended October 1, 2011, Commission File No. 001-14704, and incorporated herein by reference).
- 10.33 Fourth Amendment to the Amended and Restated Tyson Foods, Inc. Supplemental Executive Retirement and Life Insurance Premium Plan effective November 15, 2012.
- 10.34



Edgar Filing: TYSON FOODS INC - Form 10-K

Retirement Savings Plan of Tyson Foods, Inc. effective January 1, 2011 (previously filed as Exhibit 10.33 to the Company's Annual Report on Form 10-K for the fiscal year ended October 1, 2011, Commission File No. 001-14704, and incorporated herein by reference).

10.35 Form of Restricted Stock Agreement pursuant to which restricted stock awards were granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan prior to July 31, 2009 (previously filed as Exhibit 10.48 to the Company's Annual Report on Form 10-K for the fiscal year ended October 2, 2004, Commission File No. 001-14704, and incorporated herein by reference).

10.36 Form of Restricted Stock Agreement pursuant to which restricted stock awards are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective July 31, 2009 (previously filed as Exhibit 10.41 to the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 2009, Commission File No. 001-14704, and incorporated herein by reference).

10.37 Form of Restricted Stock Agreement pursuant to which restricted stock awards are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective January 1, 2010 (previously filed as Exhibit 10.41 to the Company's Annual Report on Form 10-K for the fiscal year ended October 2, 2010, Commission File No. 001-14704, and incorporated herein by reference).

10.38 Form of Stock Incentive Agreement with key employees and contracted employees at band level 3-9 pursuant to which restricted stock awards are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective October 26, 2012.

Table of Contents

- 10.39 Form of Stock Incentive Agreement with the remaining contracted employees pursuant to which restricted stock awards are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective October 26, 2012.
- 10.40 Form of Stock Option Grant Agreement pursuant to which stock option awards were granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan prior to July 31, 2009 (previously filed as Exhibit 10.49 to the Company's Annual Report on Form 10-K for the fiscal year ended October 2, 2004, Commission File No. 001-14704, and incorporated herein by reference).
- 10.41 Form of Stock Option Grant Agreement pursuant to which stock option awards are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective July 31, 2009 through February 3, 2010 (previously filed as Exhibit 10.43 to the Company's Annual Report on Form 10-K for the fiscal year ended October 2, 2010, Commission File No. 001-14704, and incorporated herein by reference).
- 10.42 Form of Stock Option Grant Agreement pursuant to which stock option awards are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective February 4, 2010 (previously filed as Exhibit 10.44 to the Company's Annual Report on Form 10-K for the fiscal year ended October 2, 2010, Commission File No. 001-14704, and incorporated herein by reference).
- 10.43 Form of Stock Option Grant Agreement with non-contracted employees pursuant to which stock option awards are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective November 29, 2010 (previously filed as Exhibit 10.40 to the Company's Annual Report on Form 10-K for the fiscal year ended October 1, 2011, Commission File No. 001-14704, and incorporated herein by reference).
- 10.44 Form of Stock Option Grant Agreement with contracted employees at band level 1-5 pursuant to which stock option awards are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective November 29, 2010 (previously filed as Exhibit 10.41 to the Company's Annual Report on Form 10-K for the fiscal year ended October 1, 2011, Commission File No. 001-14704, and incorporated herein by reference).
- 10.45 Form of Stock Option Grant Agreement with key employees and contracted employees at band level 6-9 pursuant to which stock option awards are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective November 29, 2010 (previously filed as Exhibit 10.42 to the Company's Annual Report on Form 10-K for the fiscal year ended October 1, 2011, Commission File No. 001-14704, and incorporated herein by reference).
- 10.46 Form of Stock Option Grant Agreement with non-contracted employees pursuant to which stock option awards are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective November 28, 2011.
- 10.47 Form of Stock Option Grant Agreement with contracted employees at band level 1-5 pursuant to which stock option awards are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective November 28, 2011.
- 10.48 Form of Stock Option Grant Agreement with key employees and contracted employees at band level 6-9 pursuant to which stock option awards are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective November 28, 2011.

Edgar Filing: TYSON FOODS INC - Form 10-K

- 10.49 Form of Stock Incentive Agreement pursuant to which stock options are granted to contracted employees under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective October 26, 2012.
- 10.50 Form of Stock Incentive Agreement pursuant to which stock options are granted to non-contracted employees under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective October 26, 2012.
- 10.51 Form of Performance Stock Award Agreement pursuant to which performance stock awards are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective October 4, 2010 (previously filed as Exhibit 10.44 to the Company's Annual Report on Form 10-K for the fiscal year ended October 1, 2011, Commission File No. 001-14704, and incorporated herein by reference).
- 10.52 Form of Performance Stock Award Agreement pursuant to which performance stock awards are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective October 3, 2011.
- 10.53 Form of Stock Incentive Agreement pursuant to which performance stock awards are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective October 26, 2012.
- 10.54 Tyson Foods, Inc. Severance Pay Plan for Contracted Employees, effective October 31, 2012.
- 12.1 Calculation of Ratio of Earnings to Fixed Charges
- 14.1 Code of Conduct of the Company (previously filed as Exhibit 14.1 to the Company's Annual Report on Form 10-K for the fiscal year ended October 1, 2011, Commission File No. 001-14704, and incorporated herein by reference).
- 21 Subsidiaries of the Company
- 23 Consent of PricewaterhouseCoopers, LLP

87

---

Table of Contents

31.1	Certification of Chief Executive Officer pursuant to SEC Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to SEC Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from our Annual Report on Form 10-K for the year ended September 29, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Income, (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Shareholders' Equity, (iv) Consolidated Statements of Cash Flows, (v) the Notes to Consolidated Financial Statements, and (vi) Financial Statement Schedule.

88

---

Table of Contents

SIGNATURES

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

TYSON FOODS, INC.

By: /s/ Dennis Leatherby  
Dennis Leatherby  
Executive Vice President and Chief  
Financial Officer

November 19, 2012

Table of Contents

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

/s/ Kathleen M. Bader Kathleen M. Bader	Director	November 19, 2012
/s/ Guardie E. Banister Jr. Gaurdie E. Banister Jr.	Director	November 19, 2012
/s/ Curt T. Calaway Curt T. Calaway	Senior Vice President, Controller and Chief Accounting Officer	November 19, 2012
/s/ Jim Kever Jim Kever	Director	November 19, 2012
/s/ Dennis Leatherby Dennis Leatherby	Executive Vice President and Chief Financial Officer	November 19, 2012
/s/ Kevin M. McNamara Kevin M. McNamara	Director	November 19, 2012
/s/ Brad T. Sauer Brad T. Sauer	Director	November 19, 2012
/s/ Donnie Smith Donnie Smith	President and Chief Executive Officer	November 19, 2012
/s/ Robert C. Thurber Robert C. Thurber	Director	November 19, 2012
/s/ Barbara A. Tyson Barbara A. Tyson	Director	November 19, 2012
/s/ John Tyson John Tyson	Chairman of the Board of Directors	November 19, 2012
/s/ Albert C. Zapanta Albert C. Zapanta	Director	November 19, 2012

Table of Contents

FINANCIAL STATEMENT SCHEDULE  
 TYSON FOODS, INC.  
 SCHEDULE II  
 VALUATION AND QUALIFYING ACCOUNTS  
 Three Years Ended September 29, 2012

					in millions
	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Charged to Other Accounts	(Deductions)	Balance at End of Period
Allowance for Doubtful Accounts:					
2012	\$31	\$7	\$—	\$(5	) \$33
2011	32	3	—	(4	) 31
2010	33	—	—	(1	) 32
Inventory Lower of Cost or Market Allowance:					
2012	\$6	\$52	\$—	\$(34	) \$24
2011	2	12	—	(8	) 6
2010	22	7	—	(27	) 2
Valuation Allowance on Deferred Tax Assets:					
2012	\$92	\$16	\$—	\$(30	) \$78
2011	96	16	—	(20	) 92
2010	75	27	—	(6	) 96

91