Event Brief of Q4 2013 Hormel Foods Corporation Earnings Conference Call - Final

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Body

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OVERVIEW

Co. reported FY13 dollar sales of $8.8b and net earnings of $526.2m or $1.95 per share. 4Q13 dollar sales of $2.3b and net earnings of $157.3m or $0.58 per diluted share. Expects FY14 EPS to be $2.17-2.27.

FINANCIAL DATA

1. FY13 dollar sales = $8.8b. 2. 4Q13 dollar sales = $2.3b. 3. FY13 net earnings = $526.2m. 4. 4Q13 net earnings = $157.3m. 5. FY13 net EPS = $1.95. 6. 4Q13 net diluted EPS = $0.58. 7. FY13 dollar sales growth = 6%. 8. 4Q13 YoverY dollar sales growth = 3%. 9. FY13 CapEx= $107m. 10. 4Q13 CapEx= $38m. 11. 4Q13-end total debt = $250m. 12. FY13 share repurchase = 1.7m shares, spending $70.8m. 13. 4Q13 share repurchase = 592,000 shares of common stock, spending $25.2m. 14. FY14 EPS guidance = $2.17-2.27.

PRESENTATION SUMMARY -

4Q13 Business Review (J.E.) 1. Highlights: 1. EPS $0.58. 1. Up 18% from year-ago. 2. Sales $2.3b. 1. Up 7% over last year. 3. Generated segment profit and sales growth in four out of five segments. 4. Full-year: 1. EPS $1.95; record. 1. Up 5%. 2. In June, Co. provided adjusted EPS guidance of $1.88-1.96 for year. 1. Finished at upper end of that range. 3. Sales $8.8b. 1. Up 6%. 2. Grocery Products: 1. Contributed significantly to 4Q results with: 1. Profit up 17%. 2. Sales up 23%. 1. Excluding SKIPPY products, sales grew 1%. 2. Full-year: 1. Profit up 18%. 2. Sales up 30%. 1. Excluding sales of SKIPPY peanut butter and Don Miguel products, sales up 2%. 3. Hormel Compleats microwave meals sales grew nicely, enhanced by introduction of new Compleats breakfast meal items. 4. Pleased with SKIPPY peanut butter sales. 1. Direct sales force generated distribution gains of SKIPPY peanut butter products domestically. 5. MegaMex Foods business, sales gains were led by Herdez sauces, tortillas and snacks. 3. Refrigerated Foods: 1. Operating profit up 30%. 2. Sales up 4%. 3. Full-year: 1. Operating profit up 2%. 2. Sales up 1%. 4. Solid sales in Hormel pepperoni, Hormel Natural Choice lunchmeat and LLOYDS ribs in retail channel. 5. HORMEL REV snack wraps are enjoying broad consumer acceptance, driven in part by national advertising campaign started in late July. 6. Excited about recent reformulation and packaging updates of Hormel Country Crock side dishes, introduced just in time for holiday season. 7. Food service group provided nice contributions with its value-added products, led by sales of: 1. Hormel Natural Choice deli meats. 2. Hormel Fire Braised meats. 8. Hog costs were unseasonably high. 1. Pork operating margins improved vs. last year's challenging operating environment. 9. Retail bacon pricing actions taken last qtr. helped drive improved Refrigerated Foods margins during 4Q. 4. Jennie-O Turkey Store: 1. Building favorable momentum. 1. Segment profit increased 25%. 2. Sales increased 7%. 2. Full-year: 1. Operating profit down 7%. 2. Sales up 3%. 3. Results were driven by continued growth in value-added sales along with performance gains and expense reductions in live production supply chain. 1. These gains more than made up for YoverY higher grain costs and lower commodity turkey meat prices. 4. Robust sales in retail fresh turkey chubs, turkey breakfast sausage chubs and turkey bacon. 1. Fresh turkey tray pack sales down. 5. Specialty Foods: 1. Operating profit decreased 34%. 2. Sales decreased 14%. 1. Driven by expiration of agreement allowing Diamond Crystal Brands to sell certain sugar substitutes in foodservice trade channels. 3. Full-year: 1. Operating profit up 7% on 1% higher sales. 6. International & Others: 1. Operating profit up 82%. 2. Sales up 38%. 1. Strong export sales of SPAM products along with addition of SKIPPY export business drove positive results. 2. China operations continue to augment segment sales growth. 3. Full-year: 1. Operating profit up 43% and sales up 23% for International team. 7. Other Details: 1. [On 11/26/13], completed acquisition of SKIPPY peanut butter business in China and welcomes Weifang team to HRL. 1. Team in China has prepared to integrate this business into current sales and distribution operations within China, leveraging all available synergies in short order. 8. FY14 Expectations: 1. Intends to grow sales and earnings. 1. Expects Grocery Products, Refrigerated Foods, Jennie-O Turkey Store and International & Other segments to contribute to earnings growth. 2. Specialty Foods segment will likely register earnings decline as Co. rebuild after expiration of contract representing significant portion of sugar substitute business. 2. Expects more favorable grain and turkey commodity costs heading into 2014 and more normalized pork operating margins. 1. Will benefit from full-year of SKIPPY peanut butter brand in hands of Grocery Products and International teams. 3. Plans to continue building REV brand with advertising support in 2014. 1. Will focus advertising dollars on Jennie-O Turkey Store Make the Switch campaign. 4. Intends to launch first national advertising campaign in over ten years to support SKIPPY brand in later half of 2014. 5. FY14 outlook headwinds include high beef input costs and potentially volatile hog cost due to concerns in marketplace about PED virus affecting supply. 1. Impact of virus on industry overall remains to be seen. 2. Plans to maintain hog harvest levels flat to year-ago. 1. Will closely monitor hog prices as year progresses. 6. Balanced model continues to smooth out volatility in earnings stream as evidenced by track record of increased earnings in 27 of last 30 years. 7. Strong brands in niche categories and Co.'s focus on innovation to deliver products valued by consumers put it in position to deliver strong results for years to come. 8. After taking into account all aforementioned significant factors, established FY14 EPS guidance range $2.17-2.27.

4Q13 Financial Review (J.F.) 1. Highlights: 1. Net Earnings: 1. 4Q13 $157.3m or $0.58 per diluted share vs. 4Q12's $132.6m or $0.49 per share. 2. Full-year: 1. $526.2m or $1.95 per share vs. $500.1m or $1.86 per share year-ago. 2. Dollar Sales: 1. 4Q13 $2.3b vs. 4Q12's $2.2b; 7% increase. 2. Full-year $8.8b; 6% increase from last year. 3. Volume: 1. 4Q13 1.3b pounds. 1. Up 3% from FY12. 2. YTD, 5b pounds. 1. Up 3% over last year. 4. SG&A Expenses: 1. 4Q13 6.3% of sales vs. 4Q12's 7.4% of sales. 2. YTD, 7.2% of sales vs. 7.4% last year. 3. FY14 expectation 7.3-7.6% of sales. 5. Equity in earnings of affiliates: 1. 4Q13 $2.1m vs. 4Q12's $10m. 1. Decreased due to lower earnings at MegaMex Foods JV, which experienced higher incentive expense on the Fresherized Foods acquisition, unfavorable exchange rates, and higher input costs. 2. Incentive expense will be completed in 2014. 6. Interest and investment income: 1. 4Q13 $2.5m vs. 4Q12's $1.7m. 2. YTD, $5m vs. $6.5m year-ago. 7. Interest expense: 1. 4Q13 $3.1m vs. 4Q12's $3.2m. 2. YTD, $12.5m; down from $12.9m last year. 3. FY14 expectation about $12-14m. 8. Effective tax rate: 1. 4Q13 33.9% vs. FY12's 33.1%. 2. YTD, 33.6% vs. 33.4% last year. 3. FY14 expectation 34-35%. 9. Basic weighted avg. number of shares outstanding for 4Q13 and full-year, 263.9m and 264.3m shares respectively. 10. Diluted weighted avg. number of shares outstanding for both 4Q13 and full-year, 270.2m shares. 11. Share repurchase: 1. Repurchased 592,000 shares of common stock during 4Q13, spending $25.2m. 2. For full-year, purchased 1.7m shares, spending $70.8m. 3. Has 9.4m shares remaining to be purchased from current authorization in place. 12. 4Q13-end total debt $250m; even with last year. 13. CapEx: 1. 4Q13 $38m; even with last year. 2. FY13 $107m vs. $132m last year. 3. FY14 expectation approx. $140m. 14. Announced $0.12

per share increase to annual dividend making new dividend $0.80. 1. 18% increase over 13% increase last year. 2. 48th consecutive year in which Co. has increased dividend. 15. Depreciation and amortization: 1. 4Q13 $31.9m vs. 4Q12's $30.9m. 2. Full-year, $125m vs. $119m last year. 3. FY14 expectation approx. $125-128m.

QUESTIONS AND ANSWERS

OPERATOR: (Operator Instructions). Robert Moskow, Credit Suisse.

ROBERT MOSKOW, ANALYST, CREDIT SUISSE: (technical difficulty).

JEFF ETTINGER, CHAIRMAN, PRES AND CEO, HORMEL FOODS CORPORATION: Robert, you are cutting in and out on us, I'm afraid.

OPERATOR: I'm sorry, Robert did leave the queue. I am going to ask him to please reenter the queue. And in the meantime, our next question is from Diane Geissler with CLSA.

DIANE GEISSLER, ANALYST, CLSA LIMITED: Good morning. Congratulations on your quarter.

JEFF ETTINGER: Thank you.

DIANE GEISSLER: I wanted to ask about the role of innovation in your product portfolio. So, you have done a lot of work on jobs over the last couple of years, COMPLEATS, the breakfast launch, REV. I think you mentioned some work that you are doing on SKIPPY and, also, just in terms of your advertising budget.

Can you give us an idea about some of the innovations, the things you've launched into the marketplace over the last three years. What percentage of sales are they at this point and what is your goal there?

And then if you could talk a little bit about your advertising plan. You did mention them, but just in terms of as a percentage of sales or year-over-year increase.

I am just trying to get a feeling for the role of innovation in your topline generation and also just the product portfolio in total. Thanks.

JEFF ETTINGER: Sure. So, we track our innovative items on a little bit longer timeframe than the three years. We still count items that we have created since the year 2000 as being innovative in that we feel, in the food industry, the longer tracking, given how long it takes consumers to change preference, makes sense and we still see significant increases on items we've introduced seven, eight, nine years ago.

So that being said, that figure, we hit our $2 billion challenge last year. We complete this year north now of $2 billion. So it is about a quarter of our total sales come from these items that were new to the market since the year 2000.

In terms of our philosophy of what we advertise, it kind of varies. Clearly, in the area of new product innovation we have strongly gotten behind the REV launch with the significant campaign this summer and with plans to reinitiate advertising as we head into the new calendar year next year. We are excited about that product line.

It is off to a great start. Sell through to consumers through the retail channel for REV thus far this year are nearly $30 million and it has only been in national distribution for four months. So we think that item is building some very nice momentum.

But we also do advertise some of our traditional products. We will have a SPAM campaign in the upcoming year. It will be more digital and print-oriented.

We did talk about that we want to initiate advertising for SKIPPY. And so in the second half of the year you should see something for the SKIPPY products and then Jennie-O Turkey Store will be back on air having a stronger campaign. They expect to be featuring turkey tacos using their lean ground product and that is anticipated to be on air starting in January.

DIANE GEISSLER: Okay and what's -- how many questions? I am just trying to get a feeling for if you think that the innovation is accelerating and is the advertising responding to that. Are you accelerating your advertising?

JEFF ETTINGER: Well, I will use REV as the example for that and we are still in the scheme of food in the early days of REV. But it was a launch that took us several years of consumer research to prepare for. We put a big effort against it in terms of gaining distribution quickly and then a strong ad campaign.

That, frankly, had not been the norm for a lot of our other innovative items. They had tended to be may be more niche items or simpler line extensions. Maybe one other exception to that would be NATURAL CHOICE, we built from nothing and did put advertising against.

So we are certainly hopeful that the strong campaign for REV within a couple of years here is going to turn it into a solid profit contributor for the Refrigerated Foods group. And is that a model going forward? If we have another exciting big idea item like REV, then we would be prepared to support it.

DIANE GEISSLER: Okay, thank you.

OPERATOR: Robert Moskow, Credit Suisse.

ROBERT MOSKOW: Far be it from me to question a big quarter beat like this, but I have to ask about the SG&A being down $12 million from a year ago. Jody, you didn't mention it in the opening remarks and I am curious why would it be down and why not spend more in fourth quarter if there is anything to pull forward to set yourself up for a much stronger fiscal 2014?

JODY FERAGEN, CFO AND EVP, HORMEL FOODS CORPORATION: Sure. Great question. The primary driver of lower SG&A this quarter was advertising expense.

And as much as we would like to think you could turn that on a dime is it takes a little more planning than that and the primary cuts were at Jennie-O and we had talked about them facing a difficult year all year. They had more muted advertising. We, as Jeff indicated in a previous answer, expect that to get back to more normalized levels. But that would be the SG&A explanation.

JEFF ETTINGER: The other piece, Robert, I mean -- what the item we are going to feature next year for Jennie-O, the lean ground franchise, always takes off during diet season. So the January through March, April time frame. So we wanted to coincide the next big push on advertising with that launch.

ROBERT MOSKOW: So is it fair to say that you pushed back the advertising for Jennie-O? Maybe you are spending more in fiscal 2014 than you normally would or you just use always had a plan to spend heavily on Jennie-O in 2014?

JEFF ETTINGER: So, Jennie-O -- years ago we really didn't advertising with a lot of muscle at all and then in the last maybe five to six years we have really seen the benefit as we have built out that franchise and branded set of items to be really, frankly, the only turkey brand on air. So, we had very significant campaigns in 2011 and 2012.

Heading into 2013, we knew we were going to be confronted with some macro challenges in that unit and so we had planned the year to be a little bit quieter year on the advertising front. With the thought that, yes, even a month ago that 2014 should be the year we get back on strongly and that is the plan now we intend to execute.

ROBERT MOSKOW: Okay, last question, follow-up. I am a little confused on what I should be rooting for in terms of commodity turkey prices.

If commodity turkey prices are lower, I guess it is a benefit to your value-add in Jennie-O, but then I kind of wanted turkey prices to go higher in 2014 because I thought that would help the commodity part of your business that's leveraged to that. So what would be the best scenario for turkey prices next year?

JEFF ETTINGER: So Jennie-O Turkey Store is primarily a vertically integrated operation. So, it is pure cost-based. We are less concerned about what the market price of any given turkey component is in terms of our inputs.

So in terms of rooting for anything in particular, the dark meat portion of the bird is still the portion that would be most susceptible to going export or going in a commodity form. So the breast meat market really kind of doesn't matter in that regard.

We tend to value-add almost all that product. So all else being equal, higher commodity turkey prices will get us better returns in the export and commodity markets for those dark meat components and that would be a benefit to Jennie-O and that is part of why we are expecting a good strong year out of Jennie-O in 2014 versus what they were confronted with early in 2013.

ROBERT MOSKOW: Got it. Thank you very much.

OPERATOR: Jonathan Feeney, Janney.

JONATHAN FEENEY, ANALYST, JANNEY MONTGOMERY SCOTT: Good morning. I wanted to ask about the contribution from SKIPPY on the quarter and looking forward to next year.

So it looks like the disclosure you have given us is a percentage of volume, a percentage of sales that was just down a couple of points in contribution versus the last two quarters. And I am wondering, is that a stronger performance sequentially at least revenue wise in the Grocery Products business? Or is that a change in the contribution from SKIPPY or maybe some seasonality?

And looking forward, what --? I know to the -- I guess, maybe the easiest way to ask it is, can you give us a sense how much profit SKIPPY is going to contribute in 2014 to the --? Or has contributed this year to the Grocery Products line for modeling purposes going forward?

JEFF ETTINGER: So the SKIPPY change in terms of sales momentum, we are very pleased with where it is both on a domestic and the international markets that we were controlling at this point in the year. And we are dealing with year-over-year comparisons that we didn't own it a year ago so a little apples to oranges there, but we --. Our sales team has done a nice job of gaining additional distribution of SKIPPY, of getting better features.

So where really the mission in 2014 frankly on a domestic side is, rejuvenating the brand with the SKIPPY consumer. So it is those sales execution elements and it will be the advertising element.

And we think -- our expectation is that should be strong. And then when coupled with what we are looking at now that we own the China facility and overseas, our overall expectation for SKIPPY returns in 2014 are consistent with the guidance we provided when we bought the business.

So kind of around a $0.15 contribution is a midpoint there. And that is inclusive of the ad campaign that we referenced for the second half of 2014.

JONATHAN FEENEY: And no sense on how much operating profit? I mean, let me ask, is it above or below average operating profit for the Grocery Products business margin?

JEFF ETTINGER: I think now it is -- I mean, Grocery Products, we have gone through some changes and now with the MegaMex business getting bigger and that (multiple speakers) down the percentage if you look at the old Grocery Products of those 16%, 17% returns, SKIPPY is right in there with the advertising we are looking to do.

JONATHAN FEENEY: Very helpful. Thank you very much, Jeff.

OPERATOR: Tim Ramey, Davidson.

TIM RAMEY, ANALYST, D.A. DAVIDSON & CO.: Good morning. I wanted to ask a little bit more about the big surge in international SPAM and whether there is an opportunity to enter China with SPAM on the heels of the SKIPPY product line there?

JEFF ETTINGER: Very much so, Tim. So our strength in international from a sheer volume standpoint still is more the traditional market. So the Philippines and Okinawa and Guam and many of the other territories.

Two real opportunity markets for us for SPAM going forward are mainland Japan and China. We introduced SPAM to China.

It has been -- it has been about four years ago, but then we had a hiatus for 12 to 18 months when there was some trade issues that kept us from shipping the product in there. But we are back building distribution there.

We do think it is leveragable with SKIPPY. They are both shelf stable items sold into that retail channel.

That makes us a bigger player with the retailers in those areas, and SKIPPY is already in a lot more markets than SPAM is in China. So we do intend to work to try to piggyback those two together going forward in that market.

TIM RAMEY: Does SPAM enjoy the kind of the positive cult status that it does in, say, Korea in China? Or how is the product regarded or are people even aware of what it is?

JEFF ETTINGER: Yes, it has pretty low awareness, candidly, Tim. I mean it is -- you get more of that in Japan.

So even though on mainland Japan we have not pushed the item, a lot of Japanese have traveled either to their own southern island of Okinawa or to Hawaii or many places. So the familiarity with SPAM in Japan is quite a bit higher. In China it was pretty much a new brand and a new product, and so it is one of those that will take gradual building.

TIM RAMEY: I plan to be having SPAM sometime in the next week. I am heading to Hawaii later today.

JEFF ETTINGER: Very good. Excellent.

TIM RAMEY: Thanks.

OPERATOR: Ken Zaslow, BMO Capital Markets.

ANDREW STRELZIK, ANALYST, BMO CAPITAL MARKETS: Good morning. This is Andrew Strelzik for Ken.

You had a nice step up in Refrigerated Foods margins this quarter. Obviously you have introduced and had success with some of the higher margin new products and pork margins have only gotten better since the end of the quarter. So I am wondering if you think we are entering -- understanding there can be volatility around the pork margins, but if you think we are entering a period where there is a step-up in the base Refrigerated Foods margins from some of the new products and some of the other initiatives?

JEFF ETTINGER: Well, back in 2010, 2011 we did enjoy operating margins more in the low 7% range. The last two years have been more in the 5%.

So we -- our game plan is certainly to start migrating back to where we were and hopefully go beyond that at some point. And you have identified some of the drivers definitely the new product innovation, the REVs and the FIRE BRAISED in the Food Service group, over time, we hope we will migrate those margins upward.

ANDREW STRELZIK: And you highlighted potential volatility in hog and pork prices for 2014. Would you anticipate needing to take more pricing or do you think that you pretty much covered what you would expect in terms of volatility there?

JODY FERAGEN: Andrew, this is Jody. I think we are pretty comfortable with the pricing we have to date, given the market conditions to date. Obviously there's a lot of uncertainty as it relates to the hog markets and we will have to reassess as we go.

Some of our contracts are based on -- more tightly linked to input costs. So those kind of have automatic adjustments that go with them.

So we will continue to monitor it. Like Jeff had indicated we continue to have the opportunity to improve the margins in the Refrigerated Foods area.

ANDREW STRELZIK: Great. Thank you very much.

OPERATOR: Farha Aslam, Stephens.

ERIC GOTTLIEB, ANALYST, STEPHENS INC.: This is Eric Gottlieb for Farha. I have a question on turkey and then a follow-up on chili.

So last year you took down your harvest levels 1% to 2% because of the grain costs. I just want to know what kind of plans you have for the coming year given that grains are down?

JEFF ETTINGER: We do intend to increase production modestly in 2014 to support our value-added needs. After cutting production for the past two years, even the small increase will still leave us below our 2011 harvest levels.

ERIC GOTTLIEB: Got it, okay. Then, the other question on turkey is I have read reports of a shortage of heavier turkeys at one of your competitors.

Is there anything at Hormel that would -- are you experiencing that as well? And what would bring that on?

JEFF ETTINGER: We are really not. I guess we don't know what transpired within that organization, but we were able to fill all of our fresh whole turkey orders and, really, from what we have read in terms of other industry players, they seem to be also in a position of filling orders. So I think that was limited to one operation.

ERIC GOTTLIEB: Got it. And then moving on to chili.

I noticed you faced a little bit tougher competition from some of your competitors. Are you planning to support and advertise that brand and how's the competitive dynamic working there? And then I will pass it on.

JEFF ETTINGER: Sure. It definitely has been more competitive in the latter half of the year and chili may be one of the brands that we are seeing that is seeing some slowdown in terms of the center of the store sales that you are hearing about from some of the other players.

We don't have any television or traditional media ad planned for chili for this next year, but we will have strong promotional support in store, major push against the Super Bowl season and also following up with that, some of the other major drivers of kind of gatherings. Our Hormel chili is a particularly strong usage sort of out of the bowl dip and other types of items. So it lends itself to March madness and grad parties and you name it. And so we definitely will have strong efforts to promote it on that basis.

ERIC GOTTLIEB: Great. Thank you.

OPERATOR: Eric Larson, CL King.

ERIC LARSON, ANALYST, CL KING & ASSOCIATES: Happy Thanksgiving to all.

JEFF ETTINGER: Thank you, Eric.

ERIC LARSON: Just some clarification on the SKIPPY contribution, Jeff. You mentioned, I think, $0.15 for fiscal 2014.

Is that the incremental contribution or would that be the total contribution? And obviously if it is incremental, what was the contribution in fiscal 2013 for SKIPPY?

JEFF ETTINGER: So, $0.15 is the total contribution. When we made the acquisition we described our expectations for 2013 as being a modest accretion.

It probably came in a little better than what we had initially anticipated, but we haven't given a precise number and we really don't want to get into product line by product line profit numbers. So -- and we gave the $0.15 initially and we are standing by at but that's probably the last time we are going to give a specific number on cents per share for one line item in the franchise.

ERIC LARSON: Okay, yes. I was just -- it just looked confusing. I wasn't sure if it was an incremental or a total contribution. So --.

JEFF ETTINGER: Very valid question.

ERIC LARSON: That helped. The outlook -- if you look at your hog -- your cutout margins, obviously we -- they're improving, you have gotten better. They are pretty volatile as well.

But you should -- how are you looking at how it unfolds really kind of -- first half should have relatively easy comparisons for the year and then it gets a little bit more difficult. Would that be the proper way to, from a 30,000 foot level, look at your earnings stream for refrigerated on the cutoff margins next year, Jeff?

JODY FERAGEN: I couldn't have said it better myself. Certainly right now we are experiencing favorable -- more favorable cutout margins. It will all depend on the volatility in the marketplace.

So that -- we are not looking for that to be a big win or driver for us next year. So for the full year, kind of flattish.

ERIC LARSON: Okay. Thank you very much.

OPERATOR: Akshay Jagdale, KeyBanc.

AKSHAY JAGDALE, ANALYST, KEYBANC CAPITAL MARKETS: Good morning and congratulations on a good quarter.

JEFF ETTINGER: Thank you, Akshay.

AKSHAY JAGDALE: First question is on innovation. Can you just give us a little bit more color on the REV launch? You mentioned some numbers, but just give us some color on what you are seeing -- hearing from consumers on that that might make you feel good or bad about it.

And also on the COMPLEATS breakfast launch. That is under the radar I'd say.

And more importantly, how do we track that in your results? Because it's the REV numbers are in the Refrigerated Foods segment, I believe, and the volume numbers are negative because you have been cutting some SKUs or some business there that is noncore.

So how do we track that? What are your expectations for these two product lines?

And if you can just give me -- give us some color on how things are going on those two particular product lines, that would be great. And I have a follow-up.

JEFF ETTINGER: Okay. We feel very good about the REV launch thus far. Our retail team did a great job gaining distribution in store in time for our July ad campaign.

We then saw a great lift from the campaign itself, enhanced trial. Our repeat numbers are strong and so it is off to a great start.

The initial line had eight items. We've added four more already and probably a few more to come in the upcoming year. So it seems like it is well-placed to be a great contributor for us.

Now that being said, I think we talked about it at Investor Day. I mean this kind of a launch is an investment.

So, in terms of any sort of bottom-line return coming from REV, I mean we are -- that is probably 2015. I mean, we are in a mode that where we think this warrants making this investment, but it is not driving bottom-line results right now.

Our COMPLEATS breakfast, since that is more of a kind of a line extension to an existing line, there is more of an expectation that that should be able to contribute right away. It is off to a decent start.

It is not as robust maybe as what we are seeing on REV, but it has gained good distribution and the consumers seem to be enjoying the product and so between those and some of the newer pasta items we rolled out during -- earlier part of last year, both of which are available by the new technology that we have in place in our Dubuque plant, we feel good about the COMPLEATS franchise. We have had some nice results the last couple of quarters.

And then your question about the kind of how it tied into refrigerated and why is refrigerated down. Jody has a good answer for you on that piece.

JODY FERAGEN: So, actually you will remember I think we talked about it in the third-quarter call, we exited some low/no margin feed business in the Refrigerated Foods and that is a huge driver of those volume decreases. So we'll start seeing some more normalized levels and comparisons when we enter the back half of 2014. So follow up with Jana on any additional questions regarding that.

AKSHAY JAGDALE: Just to wrap up on that, so I understand that on the REV the profit will come in 2015. But we should start to see some positive volume trends as you report them in Refrigerated Foods as a result of that launch, correct?

JEFF ETTINGER: Yes. You really will need to look at net sales because REV is not a particularly heavy item. So it doesn't drive nearly as much volume as it does unit in dollar sales.

AKSHAY JAGDALE: Okay, great. And then just a follow-up on -- follow-up questions on turkey can you update us on grain costs now that we have some visibility on the harvest? What is your expectation on grain costs? And more importantly where should we think about modeling turkey, genuine turkey margins for next year?

You have an 11% to 15% I believe normalized range. And I think on the last call you said 15% is not really a ceiling per se.

I would expect that, given where grain cost are, you should be at or above the 15%. But any color on that relative to grain cost would be helpful. Thanks.

JEFF ETTINGER: Well, we certainly do expect that grain costs will become increasingly more favorable as the year goes on. I mean, even in the most current quarter, it actually we are slightly higher year over year, but as we blend in some more of the corn that is now in the $4.00 and $5.00 range, we are certainly in a better position with that.

In terms of our expectations for the unit, clearly would add up to somewhere in the upper end of that range. We are looking at a low double-digit increase for Jennie-O for the year. Now that is inclusive of advertising.

So we want to make sure that momentum of that product line continues going forward. And so we arguably will be reinvesting a little bit of the benefit we are gaining on the grain picture into making sure we maintain that momentum with the new item.

AKSHAY JAGDALE: Great. I'll get back in queue. Thank you.

OPERATOR: Tim Ramey, Davidson.

TIM RAMEY: Thanks. Jody, I wonder if you could give us a little bit of windage at least on the top line segment numbers.

Because, for instance, it would be tempting to model Jennie-O sales flat to down given input costs, but I think that is probably long. And would love to be righter than wronger. Any thoughts there?

JODY FERAGEN: We all want to be righter than wronger. Tim, we challenge all of our business units to deliver at a minimum 5% topline growth.

Jennie-O does have the added complexity with the commodity sales, but as Jeff had indicated, we are increasing our harvest slightly to accommodate some more value-added sales. So, I think if you model the 4% to 6% range, you would be right in there.

TIM RAMEY: And any thoughts on Grocery Products given -- is the SKIPPY China going to go in there? I assume it was an international, I guess.

JODY FERAGEN: Right.

JEFF ETTINGER: Right. China is an international, but our -- your expectations for grocery should be in the higher 5% to 10% range for two reasons. One is a full year of SKIPPY so they had three quarters of it this year.

And, frankly, the quarters we lap we expect to have some growth. We have made some nice distribution gain.

On top of that we have some nice momentum in the MegaMex side of the business. We are introducing a lot of new items under the HERDEZ brand and so we expect some solid results on top line from that group as well.

TIM RAMEY: And since I am on a roll, I assume specialty down because of the contract.

JEFF ETTINGER: Yes. Yes, that is the expectation. They will improve as the year goes on.

The team is working hard to find new areas of business to grow in the future, but you saw the quarter they just had. That is what they are confronted with at least early in the year and they will gradually improve from there.

TIM RAMEY: Perfect. Thanks so much.

OPERATOR: Akshay Jagdale, KeyBanc.

AKSHAY JAGDALE: Thank you. Thanks for taking the follow-up. These are, I think, going to be for Jody first.

Equity earnings, can you just update us on what the expectations are for next year? Is that a down year now? Significantly down? But can you help us understand what you are expecting for 2014 and why?

JODY FERAGEN: So for -- 2013 really was impacted by the required accounting for an incentive/earnout type payment on the Fresherized Foods acquisition and as that business has had spectacular performance, partially aided by some favorable avocado costs, we needed to really do some catch-up on making sure that we were accruing. For 2014 it will still -- we will still have expense related to that incentive payment. But it should be somewhat less.

And I think the rest of the business should perform to cover that down. So, I would not expect to see year-over-year decreases in the round that you have seen the last couple of quarters.

AKSHAY JAGDALE: So it is just sort of flattish operating -- the contribution on the P&L should be similar -- yes?

JODY FERAGEN: I would expect improvement.

AKSHAY JAGDALE: And as far as modeling goes, you gave us an expectation for interest expense in the income line which obviously is mark-to-market for the rabbi trust mainly. Is that -- you just assume no change from where we are currently, right?

JODY FERAGEN: I would not move it too much either way. Most of the rabbi trust is invested in more fixed type returned items to take out that volatility that we saw back in the late 2000s.

AKSHAY JAGDALE: Okay and just one more on D&A, the guidance that you gave $125 million to $128 million, that includes how much in deal-related amortization for SKIPPY?

JODY FERAGEN: You know, Akshay, why don't you follow up with Jana on that? That is a little more granular than I am prepared to address right now. Thank you.

AKSHAY JAGDALE: Okay. Just one last one on SKIPPY. Can you -- you mentioned you are doing this advertising campaign which was you had mentioned it on the last call, but relative to your initial guidance, have you -- can you give us an update on how does that domestic SKIPPY business perform relative to expectation and how has that played into your view on advertising and how much you support it and when you support it?

JEFF ETTINGER: It is performing well. It is performing well on a topline basis because we are getting distribution and doing a better job with sales features. It has performed well on a bottom-line basis so that was my comment earlier where it did a little better than the modest accretion we had expected for 2013.

In terms of advertising, I mean, when you make an acquisition you only have so much information. Our thought process going into it was we thought it was a wonderful brand that had been communicated in quite a while and that we thought that was going to be a leverage point for the business and our team still thinks that. They are in the process right now of really landing on the right messaging.

You should be looking for that campaign in the second half of the year so that that is when they feel they will be ready to go with it. But otherwise it is consistent with what our expectations have been for the brand.

AKSHAY JAGDALE: Thank you.

OPERATOR: Robert Moskow, Credit Suisse.

ROBERT MOSKOW: My model for fiscal 2014, I am assuming 40% profit growth in Jennie-O and I think, Jody, if you said something in the low double digits is more appropriate. So there is a big gap between what I think is possible just based on the grain costs, right?

Because I thought grain costs would be down like $100 million based on how much corn you buy. Am I assuming the benefits coming too early or am I just overestimating the size of the gain benefit for turkey?

JEFF ETTINGER: Let me give -- I will give you a few reasons at least that would come to me. One is we won't see a full year of the kind of grain costs that you are seeing reflected in the current cash market. I mean, one, because of timing of bringing turkeys to market and, two, because of a continual hedge program that, in some cases, locks you in a little bit higher than what the current market is.

Another reason would be we do have some sales within the Jennie-O organization, particularly on the food service sides that are on formula-based contracts. So that if a grain goes down, then the price does go down in some cases there so that is not all just falling to the bottom line.

And then the last reason I would cite would be the enhanced advertising campaign. So we are kicking back into a level more like what we had done in our stronger years of 2011, 2012 and so we are investing some of the expected grain benefit into advertising.

ROBERT MOSKOW: That makes sense. And in the all Other segment, when you add the Chinese SKIPPY business, how much contribution should we expect for fiscal 2014 from that? Is it material?

JEFF ETTINGER: Yes, it is material. I mean -- International, we have had wonderful growth in that group.

We have said that boy against our 5 and 10 algorithm of companywide of 10%, Companywide segment profit growth that we expect the International group is going to be able to do better than that. And I would expect that again in the upcoming year both with the momentum they already had on their business and the fact that they now have control over the SKIPPY China piece.

ROBERT MOSKOW: Okay, thanks a lot.

JODY FERAGEN: And, Rob, International did benefit from SKIPPY in 2013 as well because of the North American part of that portfolio as well as exports into some of the Asia countries, but not China.

ROBERT MOSKOW: Right because you had exports in 2013, but I am just wondering now that you are running the domestic business in China, is that --? Is there a significant amount of profit in that business to take into account when we model it for 2014?

JEFF ETTINGER: It will help International's results.

ROBERT MOSKOW: Okay, thanks.

OPERATOR: And it appears there are no further quest -- excuse me, there is a question from Eric Gottlieb with Stephens.

ERIC GOTTLIEB: One follow-up. The guidance you provided, did that include the closing of the Chinese SKIPPY business or no?

JEFF ETTINGER: Yes.

ERIC GOTTLIEB: It did.

JEFF ETTINGER: Yes.

ERIC GOTTLIEB: Thanks.

OPERATOR: And there are no further questions at this time. So I will turn it back to management for any closing remarks.

JANA HAYNES, IR, HORMEL FOODS CORPORATION: Thank you all for joining us today and have a wonderful Thanksgiving.

OPERATOR: And that does conclude your call for today. Thank you for your participation. You may now disconnect.

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