



*Tradition.*

*Responsibility.*

*Innovation.*



## Hormel Foods Snapshot:

- Founded in 1891 in Austin, Minn.
- Maker of household favorites and brands: *Hormel*<sup>®</sup>, *Dinty Moore*<sup>®</sup>, *Jennie-O Turkey Store*<sup>®</sup>, *Stagg*<sup>®</sup>, *Chi-Chi's*<sup>®</sup> *Mexican* and *SPAM*<sup>®</sup>
- \$5.4 billion in sales in FY2005—ranked 401 in FORTUNE 500 2006
- Goods sold in 50 states and exported to more than 40 countries
- Operates 12 major plants in the United States and two in China with joint ventures in the U.S., Philippines, Mexico and Australia

# Hormel Foods Corporation: Making a Difference

Hormel Foods means many things to many people.

To consumers, we are a trusted partner in putting food on the table.

To Wall Street, we are a solid long-term investment.

To the communities in which we operate, we are a provider of jobs  
and an important source of tax revenue.

And to employees, we represent a stable and rewarding career.

## VISION:

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



## MISSION:

Hormel Foods is a leading branded food company with a focus on profitable growth. Inspired by our founder's charge to "originate, don't imitate," we market a balanced portfolio of highly differentiated quality products. We engage our employees by creating an environment where careers are fostered, people make a difference and integrity is absolute.



To be a great corporation, Hormel Foods must be more than the sum of its parts. We must do more than provide good jobs, strong shareholder returns and products consumers love.

We must make the lives of those we touch in some way better. Workers should be safer, communities should be enriched, consumers should be healthier, livestock should be treated humanely, our environmental impact should be lessened.

These and other aspirations are perhaps never fully attained, but must always be pursued. It's a journey that will never end. That is why we at Hormel Foods are committed to doing what is right, even if it means doing something more. More than is required. More than is expected. This commitment existed when George A. Hormel founded the company in 1891, and it will continue to be fundamental to the enduring values of the company, regardless of changing political priorities or market conditions. We recognize different stakeholders have different priorities. Our goal is to balance these needs while seeking to make a difference with all stakeholders.

I believe Hormel Foods is a great corporation, and I believe we always have been and always will be. Our values have endured as we have grown from our small-town roots to one of the United States' leading consumer products companies. Throughout our history we have pioneered better ways to treat our employees, our environment, our livestock, our communities, our consumers and our investors.

Regardless of the term you use – corporate responsibility (SCR), corporate citizenship, sustainability – to us, it is just business as usual. While we believe we have acted with integrity throughout our history, this is our first real effort to catalogue our actions. We believe our employees, shareholders, consumers and other important stakeholders deserve to know more about our initiatives. While this is not a comprehensive “CSR Report” as it is technically understood—with extensive metrics against international standards—it is an honest self-reflection on our positions and performance against the key issues facing our industry. We discuss what we are doing well and where we plan to improve; and we are committed to sharing information as we improve in all areas. Being a good corporate citizen is embedded within our company's practices.

Inside this document you will find highlights of our efforts to benefit those we touch. You will find a 115-year history of doing what is right. You will find a great multinational corporation.

– Jeffrey M. Ettinger  
*President and Chief Executive Officer*  
*Hormel Foods Corporation*

# Hormel Foods is Committed to Making a Difference



## For our consumers

We provide flavorful, nutritious and safe food products through well-known and trusted brands such as *Jennie-O Turkey Store*®, *Hormel*®, *Hormel*® *Always Tender*®, *SPAM*® and many more.

Our consumers' well-being is a top priority and always has been. Through innovative technology and strict adherence to proven procedures, Hormel Foods has established itself as a trusted source in the industry and a leader in food safety.

## For our employees

Hormel Foods employs more than 17,600 employees in 12 primary facilities with multiple support and subsidiary facilities. We consider it a sacred trust to provide our employees with a safe and rewarding work environment.

Our employees have access to outstanding equipment, training and day-to-day safety support in the plants. This dedicated effort has paid off with exceptional safety records across our company and an added benefit of increased productivity.

We are also innovators in providing employees with industry-leading benefits and equal-opportunity career paths.

## With our livestock

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

## In our communities

For decades, more than a century in some cases, we have operated in many of our communities. We consider ourselves more than a local employer—we consider ourselves a good neighbor. We founded The Hormel Foundation in 1941 to serve the residents of the small town where we began and the surrounding area, Mower County, Minn. Founded in 1942, the Hormel Institute's mission is to research food technology and health-related fields to "better mankind." A joint venture with the University of Minnesota and the Mayo Clinic, the Hormel Institute has contributed to international recognition for the discovery of essential nutrients, such as omega 3 and omega 6 fatty acids. These nutrients have been shown to lessen the growth of prostate cancer and reduce the risk of heart disease among other health benefits.

We are addressing hunger through a national protein partnership with America's Second Harvest, the nation's largest charitable hunger-relief organization.

In addition, through the Hormel Foods Charitable Trust, we have donated millions of dollars in cash and product to various organizations and projects that support education, further the fight against hunger and contribute to our local communities.

## For the environment

Hormel Foods' legacy and future are inextricably linked to our natural resources. We take pride in our stewardship and responsible use of our soil, air and water by implementing programs to protect these resources where we operate both for today and the future. We strive to limit packaging waste, use energy-efficient lighting in our plants and execute a waste management system to ensure we minimize our impact on the environment as we conduct our day-to-day operations.

## In our business

Integrity is more than a word at Hormel Foods – it is the measure of how our organization operates from top to bottom.

Long before scandals shook corporate America, Hormel Foods had governance policies and procedures in place to ensure we operate in an ethical manner. The majority of our Board of Directors is independent, playing an active role in safeguarding our commitment to shareholders.

Most of all, our business practices are built on a heritage of trust. Trust that we will act honorably with all stakeholders, trust that our financial reporting is accurate, trust that we will deliver a wholesome product, trust that we will honor our contracts.

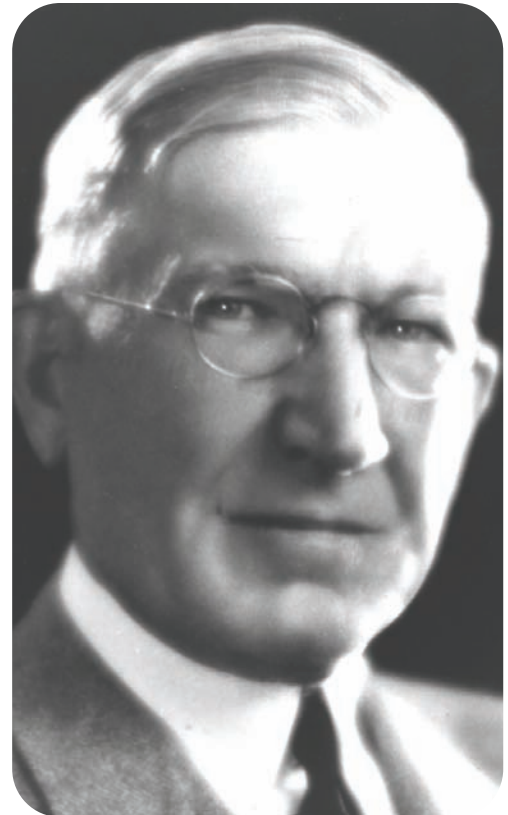
## Hormel's Legacy: More than 100 Years of Quality

George A. Hormel's attitude toward waste, his unerring eye for detail and his unflinching stand on cleanliness were attitudes that became part of the company's culture.

Hormel grew up working in his uncle's meat market and, in his spare time, learned his way around the butcher shop's chopping block. In the meatpacking industry environment in the late 1800s, he understood the value of cleanliness and limiting waste and he wasn't afraid to remind or reprimand employees about it.

For example, one day Hormel entered the plant and found the lights on while the sun shone outside and asked his foreman, "What are the windows for? Why do we keep them clean? Why waste electricity?"

Above all, he learned to innovate—both in products and processes. His concept was uniformity of excellence—all products should be perfect. Committed to these ideals, his company prospered financially and provided decent working conditions for his employees. When the Meat Inspection Act became law in 1906, we were already well ahead of the curve. At Hormel Foods, George A. Hormel's standard for quality is reflected in our products and in our relationships with employees, business partners, investors, non-profit organizations, regulatory agencies and, of course, our customers.





To showcase our commitment to understanding sustainability and sharing learnings from our own journey, we have begun to share some lessons learned with others. One example was Hormel Foods' co-sponsorship of the Conference Board's 2006 Business and Sustainable Development Conference. Our Vice President of Communications, Julie Craven, participated in a panel discussion on documenting corporate social responsibility efforts.

## Making a Difference for Consumers

Hormel Foods is built on a heritage of bringing quality safe foods to consumers since 1891. We offer nutritious alternatives for a variety of consumer needs and produce a large array of wholesome products.

### Food safety

As the maker of hams, bacon, sausages, franks, canned luncheon meats, stews, chilis, hash, meat spreads, shelf-stable microwaveable entrees, salsas and frozen foods, we want retailers, foodservice customers and consumers to trust that the products we deliver are of the highest quality.

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

Hormel Foods also uses technology to naturally treat meat products in the cut-to-order deli case to keep them fresh and safe longer.

For many years, Hormel Foods has aggressively developed formal Hazard Analysis of Critical Control Points (HACCP) plans to assure the safety of every product we produce. Based on seven HACCP principles outlined by the U.S. Department of Agriculture (USDA), the system includes detailed sanitation procedures and practices and involves routine audits of our HACCP and sanitation systems.



## TrueTaste™ technology

High pressure pasteurization, or HPP, is a process that uses high-pressure, water-based technology to kill bacteria without losing any of the taste of the meat or adding any artificial flavors, colors or preservatives.

The process is simple: After the *Hormel® Natural Choice®* deli sandwich meats have been sliced and packaged, the product is placed in a TrueTaste™ technology chamber where 87,000 pounds of water pressure per square inch kill harmful bacteria with no changes to the meat. It is USDA-approved and 100 percent natural.

In 2006, the National Sanitation Foundation (NSF) International recognized Hormel Foods' food safety commitment at the Third Annual Food Safety Leadership Awards for being the first national manufacturer in the sliced meat category to successfully commercialize high-pressure processing.



## Antibiotics

On our company-owned farms, we practice the judicious use of antibiotics. Licensed veterinarians prescribe approved medications and dosage levels to properly treat, control and prevent illness in the animals. As part of our agreements with independent family pork producers, they must agree to comply with all state and federal guidelines. Also, it is our hog procurement policy for producers to be certified in the National Pork Board's Pork Quality Assurance (PQA) Level III program – a comprehensive management program to help American pork producers meet today's consumer demands for quality and safety.





stock image

*“We found that there is an extremely low risk of a person eating beef, poultry or pork and acquiring a resistant infection that is untreatable with a human macrolide antibiotic.”*

– H. Scott Hurd, D.V.M., Ph.D.  
*Hurd-Health Consulting, Roland, Iowa,  
Quoted in a published study in the Journal of Food Protection that  
examined two animal antibiotics, tylosin and tilmicosin.*

According to a study published in the Journal of Food Protection, the probability of acquiring a resistant infection from pork is less than one out of between 21 million and 51 million people per year depending on the bacteria. As with all food safety concerns, Hormel Foods monitors new research and will continue to evaluate its position on this important issue.

## Health, Wellness and Nutrition

Hormel Foods believes in healthy living; we believe we are not only a food company but a resource for consumers, providing them with alternatives as they decide what to eat every day and work to make sound nutrition choices.

## "Better for you" products brought to market by Hormel Foods include:

- *Jennie-O Turkey Store*® brand features numerous high-protein, low-fat options, such as fat-free turkey bacon
- Time-honored favorites, such as traditional *SPAM*®, are available with lower sodium and lower fat
- *Hormel*® chunk meats product varieties are nearly fat free
- *Valley Fresh*®, Inc. products, such as ready-to-eat chicken, are low in fat and free of artificial ingredients
- *Carapelli*® olive oil and *Peloponnese*® olives, peppers and other cooking ingredients are rich in heart-healthy monounsaturated fats
- *Herdez*® salsas, *Marakesh Express*® Indian spices, *Chi-Chi's*® products and *Pataks*® products are a source of lycopene, an antioxidant associated with a reduced risk of cardiovascular disease, cancer (especially prostate cancer), diabetes and osteoporosis, and bring new and vibrant flavors to meals without significant saturated fat or calories
- *Natural Choice*® deli sandwich meats are 100 percent natural with no preservatives

As a manufacturer of many pork products, we were pleased to hear that a USDA study released in July 2006 found pork actually contains less fat than chicken breast. Conducted by the USDA, the University of Wisconsin-Madison and the University of Maryland, test results found a typical pork tenderloin today contains only 2.98 grams of fat per 3-ounce serving, compared with 3.03 grams of fat in a 3-ounce serving of skinless chicken breast. We also provide extensive information on our Web site — [www.hormel.com](http://www.hormel.com) — about all-around nutrition and health-conscious food options and lifestyle, and we explore recipes that substitute usual ingredients with alternative ones that are lower in fat.

## Making a Difference for Our Employees

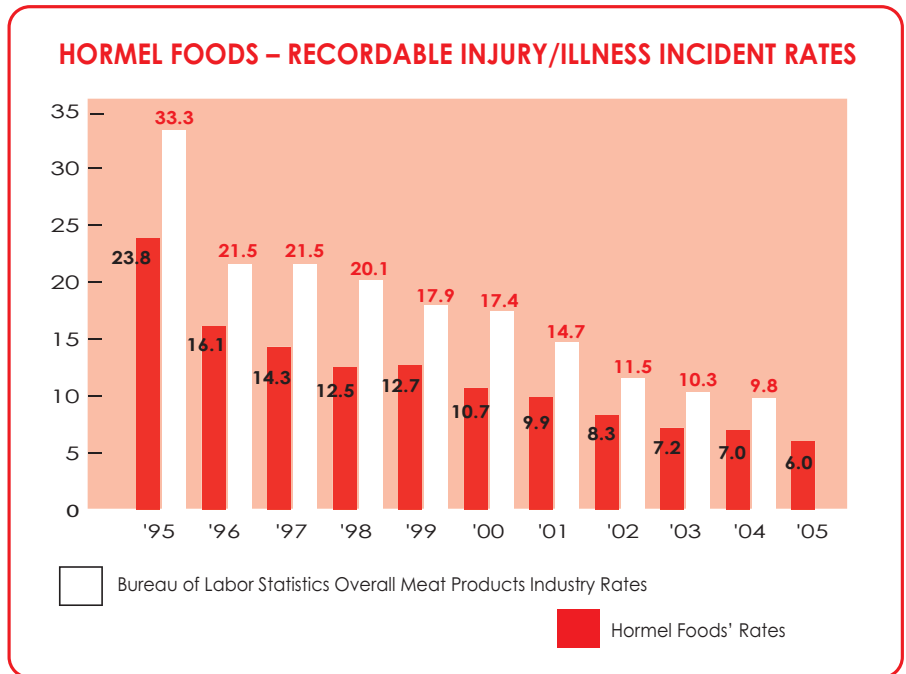
Hormel Foods' tradition of innovation is not limited to our products. We have a long and proud tradition of protecting the welfare of our employees in new and progressive ways. George A. Hormel coined the phrase, "originate, don't imitate." His son, Jay C. Hormel, took that to heart, bringing innovation not only to new products but also in how he treated employees. He introduced several employee benefits, including a profit sharing program called Joint Earnings, which continues to benefit many Hormel Foods employees today.

What began as a family-owned business has grown into a publicly traded company with more than 17,600 employees. We work hard to maintain a strong sense of family in our offices and plants. At Hormel Foods, we consider our employees to be more than workers. We consider them to be family. In our darkest days, during the mid-1980s, we were at odds with our union and our family was divided during a difficult strike. We learned important lessons from that experience, and today our relationship with our union is solid.



## Worker Safety

Hormel Foods' safety record is consistently better than the industry average. We believe this is a result of our steadfast emphasis on responsible procedures, training and innovative technology. Safety is a strong team effort between all levels of employees throughout Hormel Foods.



Figures represent the percentage of employees who were involved in one incident per year

## Elements of our safety efforts include:

- Investment in machinery to provide a safer work environment
- Strong Safety & Ergonomic Committees that lead workplace safety efforts and implement the corporate safety and ergonomic program at plant offices and locations
- A tight-knit group of safety managers who hold meetings to ensure best practices are being shared and followed
- A Safety Excellence Program, in which each plant is judged and rewarded based on a set of pre-established goals that are moved each year closer to our target of zero injuries
- Termination of employees who do not follow safety policies
- Compensation tied to safety performance

Having a longtime history with the Minnesota Safety Council - Jay C. Hormel served on the council's Board of Officers in 1944 - Hormel Foods received the organization's Award of Honor – the top award given for efforts in workplace safety – for both its corporate office and the Austin plant in 2005. From 2001 to 2004, we received the organization's Outstanding Achievement Award in Occupational Safety.

Also, our meat-based plants received 11 awards from the American Meat Institute in 2005. The previous year, Hormel Foods received seven awards of honor.

One important example of our innovative efforts to prevent worker injury is the loin palletizer in our Austin, Minn. plant. The palletizer, which loads pork loins onto pallets, was introduced in 2005 to improve efficiency and eliminate most heavy lifting done by our employees.



## Compensation and Benefits

Hormel Foods provides competitive compensation and innovative benefits to our employees. Some of our benefits include:

- **Education Assistance and Wellness Programs:** Our educational assistance program reimburses approved undergraduate tuition 100 percent up to \$2,000 per year and approved graduate tuition 80 percent up to \$5,250 per year. Our career development program features training and coaching that facilitate and encourage career enhancement and advancement.
- **Health Care Program:** Hormel Foods is proud of the healthcare benefits we provide all employees. Affordable and comprehensive, our healthcare program offers medical, dental, vision and prescription drug coverage.
- **Incentive-based Wellness Program:** We encourage our employees to maintain a healthy lifestyle by offering wellness points at our corporate offices, redeemable for merchandise, earned by exercising and maintaining good safety and health practices. We also offer free workout facilities in our corporate offices and activities to promote employee wellness, such as health fairs, healthy dining options and group walks.
- **Retirement Savings Plans:** Substantially all Hormel Foods employees are eligible for a retirement plan with company contributions. In fiscal year 2005, we contributed \$20 million to our defined contribution plans which are both fully funded, with a funding ratio of over 100 percent.
- **Profit Sharing:** We established our profit sharing plan as a method to return a portion of the company's profit back to employees either as a payment in cash or as a contribution to the Joint Earnings Profit Trust Plan. In 2005, we shared more than \$14.5 million with our employees.



## Training

Because employees are responsible for producing wholesome products, reducing environmental impact and ensuring their own safety, training is essential. To ensure our employees have sufficient training, we provide both professional and safety training. For example, in order to comply with many of the environmental laws, our environmental professionals are required to attend annual trainings about changes related to these regulations. In order for our employees to grow professionally, we offer educational assistance, professional development programs and internal recruitment support for employees to advance within Hormel Foods nationally and globally.

## Diversity

Hormel Foods is fully committed to expanding the diversity of its workforce. We are an equal opportunity employer and do not discriminate based on race, religion, sexual orientation, national origin, sex, age, disability or status as a veteran. Expanding the diversity of our workforce is a key objective. By establishing relationships with organizations at 40 universities and colleges, and focusing outreach to historically diverse national organizations, we strive to attract talented graduates who will have a successful career at Hormel Foods. Yearly goals are evaluated to ensure we are recruiting and retaining talent effectively, and improving where necessary.

In 2006, we increased flexibility in work schedules, expanded part-time work arrangements and implemented job sharing as part of a focused effort targeted toward employee retention.

## Minority Organizations Working with Hormel Foods

### Targeted Organizations:

- Hispanic Association of Colleges and Universities (HACU)
- Minorities in Agriculture, Natural Resources and Related Sciences (MANRRS)
- National Society of Black Engineers (NSBE)
- National Hispanic Business Association (NHBA)
- Society of Women Engineers (SWE)
- National Association of Black Accountants (NABA)
- Historically Black Colleges and Universities (HBCU Connect)
- Big 12 Black Student Alliance
- Network of Executive Women (NEW)



Employees enjoy a break from their day as they sample a new Hormel Foods product. Our employees are some of our biggest food critics, so events like these help raise awareness of our product offerings and show our appreciation for our employees' dedication.

## Employee Satisfaction

Employees' opinions matter and when they talk, we listen. In August 2005, we administered a survey to exempt employees with the objective of gathering candid feedback, addressing areas where we needed improvement and identifying our areas of strength. We had a phenomenal response rate of 89 percent. Of these respondents, 83 percent of employees said they believed Hormel Foods has an outstanding future and 95 percent think Hormel Foods is a safe place to work. Not all feedback was positive, however. Of those surveyed, 58 percent said they believed we could do better recognizing a job well done while 43 percent said we could improve on how we communicate to employees what needs to be done to do their job effectively. We want to improve on these areas and more, so each division developed plans to address the issues identified by our employees. We will conduct surveys annually to benchmark our progress and to identify new opportunities for improvement.

## Making a Difference With Our Livestock

Hormel Foods has always recognized, since our founding in 1891, the importance of being committed to animal welfare and handling. Today, we are proud to have a zero tolerance policy for the inhumane treatment of animals. Raising, shipping and harvesting animals in a humane fashion is not only the right thing to do, it is good business. We insist on this at our own farms and facilities and require our suppliers to do the same.

## Pork Production and Handling

Hormel Foods sources the majority of its hog supply through independent family farms, but we also have a number of company and subsidiary-owned farms. Hormel Foods requires all producers to complete the National Pork Quality Assurance Program and all transporters to complete the National Trucker Quality Assurance Program. These programs train producers and transporters on proper animal welfare and the best handling procedures for swine movement. In addition, we train, test and audit all employees involved in receiving hogs to ensure the animals we receive at our facilities have been handled humanely. Impromptu daily internal animal welfare and handling audits as well as periodic third-party audits help us measure progress and confirm our policies are being followed.



### *Spotlight on Making a Difference:*

Glee Goodner, assistant pork procurement manager of the Central region, joined Hormel Foods in 1976. Three years ago, Goodner spearheaded the development of a Hormel Foods program to ensure truckers handle hogs in a humane and ethical fashion from the time they board the trucks at the farm to the time they are delivered to the plants for processing.

The National Pork Board adopted Hormel Foods' program as the industry standard, and today the National Trucker Quality Assurance Program provides guidelines, training and auditing to make sure animals are humanely treated and uninjured during transportation and delivery.



The training program focuses on:

- Reducing the stress of pigs
- Loading in extreme weather conditions
- Techniques to handle animals who are more prone to stress
- Proper bio-security procedures
- Proper equipment cleaning and truck washes

## Pork Harvesting

All animals harvested at Hormel Foods' facilities are done so under the standards of the USDA Food Safety Inspection Service Humane Slaughter Act, which requires handling and harvesting of hogs be done using humane practices that are rapid and effective.

We have also consulted international experts in the field, including Dr. Temple Grandin, a highly regarded animal welfare advocate, and Dr. Clyde Daly of CarneTech. Based on their counsel, we restructured our chutes so that animals would feel less stress prior to harvest and instituted an electrical stunning system to better desensitize them.

*“Hormel Foods’ commitment to animal care can be demonstrated through their participation in the National Trucker Quality Assurance Program. Their leadership in the development of industry practices and implementation of TQA through training speaks volumes of their commitment to the pork industry. Without the commitment like that of Hormel Foods, the TQA program would not be what it is today.”*

– Erik Risa

Manager of Certification Programs, National Pork Board

## Turkey Handling and Transportation

The company’s efforts are fully consistent with policies set forth by the National Turkey Federation and the American Veterinary Medical Association; however, efforts by Jennie-O Turkey Store far predate the establishment of industry standards and are based on a simple philosophy—these animals deserve humane treatment.

As one of the largest turkey producers in the industry, Jennie-O Turkey Store is fully committed to the humane treatment of its fowl throughout the production process. The company’s approach is straightforward—establish clear, simple guidelines and closely monitor adherence to those guidelines every step of the way. We minimize the risk of actual damage to the bird and minimize the stress placed on it as part of our standard operating procedures for animal handling.

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

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

One area where Jennie-O Turkey Store has shown exceptional leadership is in turkey handling. The company has a unique process that allows turkeys to be placed onto trucks and into specifically designed pens with minimal handling. This not only reduces risk of injury and stress for the birds but also benefits workers who are no longer being asked to lift turkeys that can range up to 60 pounds.

## Turkey Harvesting

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





New royalty free stock image-  
Getty Images/Photodisc  
#WL001400

*“Hormel Foods’ continual commitment to animal handling is exemplified through the allocation of resources—equipment, facilities and training of dedicated personnel—that has resulted in a world-class program. In the four plus years I have observed Hormel Foods’ animal management, their focus has always been on doing things right [from the start]. If the suitable processes or equipment weren’t available, they have always been willing to invest in creating them. A great case-in-point of this is their ongoing leadership in the refinement and development of best-in-class hog handling procedures, which have been adopted by the National Pork Board to the betterment of the entire industry.”*

– Bill Grande  
Principal

*FoodThink, a specialized advisory group providing strategic enterprise solutions to clients across the agriculture and food sectors*

### *Hormel Foods’ Animal Welfare Statement*

We are committed to the stewardship of animals raised for consumption. To this end, the corporation uses state-of-the-art facilities in conjunction with cost-effective systems and science-based methods to ensure and enhance humane animal welfare throughout the entire protein supply chain. In addition, working with the industry and leading experts, Hormel Foods continues to explore and develop procedures for improving the treatment of animals raised for consumption.

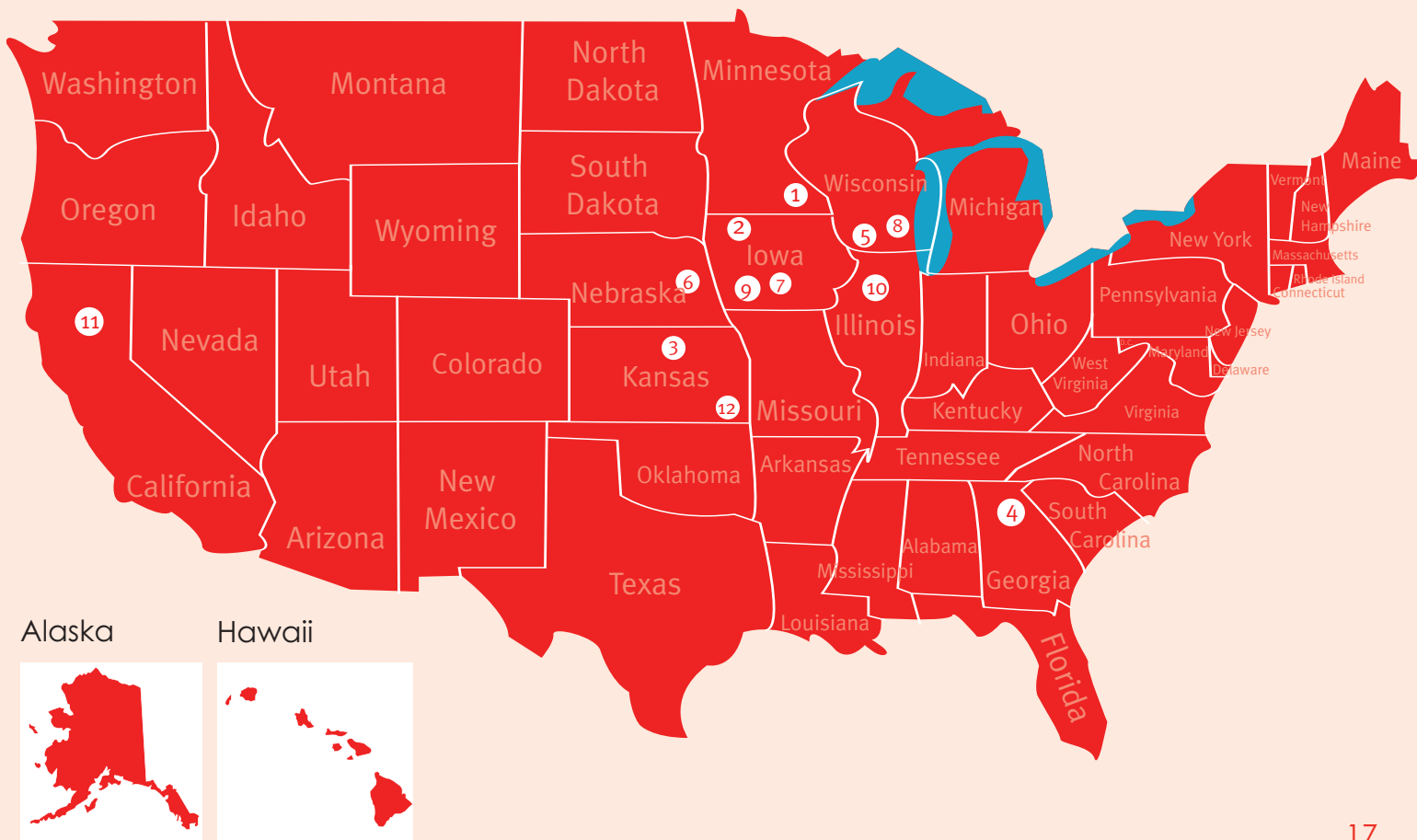
# Making a Difference in Our Communities

A company cannot function without a supportive community, and at Hormel Foods, we have established ways to express our gratitude to the communities in which we live and work. This is true not only in our headquarters of Austin, Minn., but everywhere we have a significant presence.

Our support includes cash and in-kind donations, national philanthropic partnerships, scholarships and the creation and funding of significant initiatives with The Hormel Foundation and the Hormel Institute.

## MAIN PLANT COMMUNITIES

1. Austin, Minn.
2. Algona, Iowa
3. Alma, Kan.
4. Atlanta, Ga.
5. Beloit, Wis.
6. Fremont, Neb.
7. Knoxville, Iowa
8. New Berlin, Wis.
9. Osceola, Iowa
10. Rochelle, Ill.
11. Stockton, Calif.
12. Wichita, Kan.





## The Hormel Foundation

In 1941, The Hormel Foundation was established by company founder George A. Hormel and his son, Jay C. Hormel. At their wishes, contributions from the foundation continue to directly benefit Mower County, Minn., the location of our headquarters and home to many of our employees.

Annually, the Foundation distributes about \$3.2 million to organizations and programs including local schools, fire department and medical center, Habitat for Humanity, the YMCA and the American Red Cross. As a non-profit, 501(c)(3) organization, The Hormel Foundation is chaired by former Hormel Foods CEO Richard L. Knowlton. Individuals from the YMCA, Salvation Army, local attorneys and executives sit on the foundation's board. More than 60 years after its creation, the foundation still holds a very significant interest – 47 percent – in the company.

## The Hormel Institute

In addition to community donations, the Hormel Foundation supports research by contributing significantly to the Hormel Institute. Created in 1942 as part of the graduate school at the University of Minnesota, the Hormel Institute employs some of the world's leading scientists. A significant piece of their current cutting-edge research focuses on discovering safe, food-based compounds that can be used to prevent cancer. Located in Austin, Minn., next to our corporate headquarters, the Hormel Institute collaborates with partners including:

- University of Minnesota Cancer Center
- Mayo Clinic
- Rutgers University
- University of Arizona (researching skin cancer)



Artist rendition:



RSP ARCHITECTS

Staffed by University of Minnesota faculty and scientists from around the world, the Hormel Institute's research includes the discovery of anti-cancer benefits of compounds found in ginger and green tea. Other milestones include the discovery of omega 3 and omega 6 fatty acids, which have been shown to lessen prostate cancer growth in addition to other benefits. Hormel Foods hopes such research points us in the direction of finding more ways to better the health and quality of life for all humanity. We value the work of Hormel Institute researchers; we believe it is an important part of making a difference and will continue to support it.

### *A Growing Institute*

The Hormel Institute broke ground on its new facility on Aug. 21, 2006 with a \$10 million contribution from The Hormel Foundation and \$5 million from Hormel Foods Corporation. A \$20 million facility, the new building will welcome more than 100 new staff members to its labs and will expand its collaboration with the world-renowned Mayo Clinic in Minnesota.

The existing Institute, which is located next to our corporate offices in Austin, Minn., was completed in 1960 with the mission of conducting research and providing education in biological sciences with applications in medicine and agriculture. Now staff from the Mayo Clinic will work with Institute researchers to continue their collaborative research.



## Charitable Trust

The broader Hormel Foods community extends well beyond Minnesota, and includes our 12 major plant communities and our subsidiary locations. Established in 2003, the Hormel Foods Corporation Charitable Trust, benefits these communities by extending grants to a variety of programs and organizations that focus ideally on hunger and education.

These grants lend an extra hand to our neighbors, employees and retirees. The Charitable Trust also features a matching gift program that provides employees additional support for the causes that are close to their hearts. Employees submit an application that is reviewed by the Charitable Trust Committee to ensure, as with all grants given through the Trust, that the organization or program fits certain criteria and is aligned with our giving goals.

In 2005, we supported more than 300 organizations, including:

- **Austin Public Schools**
- **Fremont Area United Way**
- **Greater New Orleans**
- **Oregon Food Bank**
- **Austin Medical Center Foundation**
- **Vail Valley Foundation**
- **Mayo Foundation**
- **Salvation Army**
- **The Minnesota Zoo**
- **The Ordway Center for the Performing Arts**
- **YMCAs in a variety of our main plant communities**
- **Boys & Girls Clubs as part of the Wal-Mart partnership program and in other plant communities**

Hormel Foods also supports the American Red Cross on a national level as well as individual local chapters. Our employees volunteer across the country, sit on local chapter boards, and donate time, money and even blood during company-sponsored blood drives. Specifically, Hormel Foods' contributes through financial and in-kind gifts.

*“Hormel Foods is just a great partner. When we had the national hurricane disaster, Hormel Foods really encouraged and supported its employees and retirees to get involved. Their donations of food and money were so significant that we presented them with the Humanitarians Circle Award—the highest financial support honor given to companies by the American Red Cross.”*

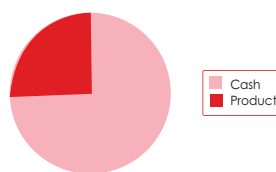


– Elaine Hansen  
Executive Director of the Mower County Chapter  
of the American Red Cross

### CHARITABLE TRUST CORPORATE GIVING

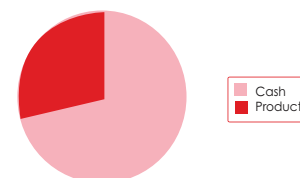
2004

- Cash: \$1,342,322
- Product: \$ 469,799



2005

- Cash: \$1,917,923
- Product: \$ 767,248



All figures are in \$USD



### *Volunteering to Build a Foundation*

Allison Cobb has a passion for volunteering that is contagious. A product manager of meat products at Hormel Foods in Austin, Minn., Cobb is also a board member and a committed Habitat for Humanity volunteer.

Habitat for Humanity is an international organization that seeks to eliminate poverty housing and homelessness from the world.

*“There’s nothing like being able to build alongside the family who is working to fulfill a dream of owning a home and feeling that sense of hope and safety,”* Cobb said.

Cobb’s enthusiasm and support from fellow employees led her to help organize a group of Hormel Foods Habitat for Humanity volunteers each summer since 2004. Departments from around the Hormel Foods’ corporate office participate, including our law, meat products and grocery products divisions. In 2006, Cobb and Erich Heneke, general accounting manager for Hormel Foods International, organized seven departments in Austin, Minn., to volunteer on seven Friday afternoons and two Saturday afternoons in the summer.

*“Whenever you meet someone who volunteers with Habitat, you can hear the passion in their voice”,* Cobb said. *“There is an understanding among our employees that to be able to give someone a home is to give them hope. Volunteering with Habitat is really about providing hope to people who may have lost it along the way.”*



Louis Anthonisen, Nicole Alexander Lindsey Francis, Mike Kloster, and Amy Neuendorf and Allison Cobb, Jim Boroughs, Ellen Kohl, Harold Burden and Erich Heneke take a break in front of the 2006 house during one of the Friday builds.

### *America's Second Harvest Partnership*

Millions of Americans go hungry every day—a fact that we cannot ignore as a leading U.S. food manufacturer. We have long partnered with America’s Second Harvest (A2H), the nation's largest charitable hunger-relief organization, through the donation of product and funds. Starting in 2006, we expanded the partnership with A2H, whose mission is “to create a hunger-free America,” and we are now a vital protein partner.

*“We are proud to formalize our already productive working relationship with Hormel Foods Corporation. In addition to providing critically needed food products, Hormel Foods is providing a significant cash donation through this agreement. They are also bringing a high level of thought leadership that will increase awareness of the prevalence of hunger in our nation.”*

– Vicki Escarra  
President and Chief Executive Officer of America’s Second Harvest



With 278 acres and 10 miles of walking trails, the Jay C. Hormel Nature Center is a natural history area of woods and prairie located in Austin, Minn. Visitors can take advantage of hands-on area-wildlife exhibits, venture off on trails for cross-country skiing and hiking, and explore the natural beauty of native Minnesota animals and plants.

*“The Hormel Foods Corporation is outstanding in their support of Austin Public School students. Our students enjoy quality facilities, wonderful sporting venues and state of the art technology equipment. Austin students are provided opportunities to attend quality cultural events, educational trips to the zoo and have regular access to the Hormel Nature Center for hands-on science instruction in an outdoor learning environment. All of these opportunities are made possible by the generous support from the Hormel Foods Corporation. They sincerely care about supporting quality education.”*

– Dr. Candace F. Raskin  
*Superintendent Austin Public Schools*



Students from Austin High School are recognized for their outstanding performance in school for the year. Some students received the Hormel Foods Charitable Trust scholarship based on their strong applications. They were eligible as children of Hormel Foods employees.

## Making a Difference for the Environment

Hormel Foods has operated successfully for more than 115 years by understanding that clean air, land and water are vital to our continued success. We live where we work, which is all the more incentive to make sure our impact on the surrounding environment is minimized, and we have tried to do so in the most responsible way.

We strive to ensure we safeguard these critical natural resources through regular environmental audits, appropriate management of hazardous materials, conservation of energy and responsible wastewater practices. To make certain we are following the rules on local, state and federal levels, we consistently train our employees through annual and semi-annual training sessions for engineers and operating staff. To stay in compliance, we recognize the importance of careful record keeping and emphasize thorough documentation of hazardous materials, air emissions, chemical storage and completion of permits in our training.

The Austin Public Library overlooks Mill Pond – a historic and scenic piece of the Austin, Minn., community that we work to treat in an environmentally responsible manner.



A large part of what makes us successful is our willingness to reinvest in our facilities. Hormel Foods spends more than \$25 million to ensure its facilities are as environmentally friendly as possible. Our proactive approach benefits Hormel Foods by minimizing accidents, preventing fines, and creating goodwill in the industry, with government officials and in our communities. Our efforts were recognized by the American Meat Institute, who awarded 14 of Hormel Foods' locations with Environmental Recognition Awards, which recognize a company's dedication to Environmental Management Systems development and implementation as a member of the meat and poultry industry.

We expect our business partners to comply with our standards and actively manage all environmental concerns. Through compliance audits, we work to ensure all facilities are compliant with local, state and national environmental laws, in addition to our company-specific standards. We expect our livestock partners, including those operating Concentrated Animal Feeding Operation (CAFOs), to meet these same high standards. We also evaluate suppliers through our purchasing organization's Supplier Quality Management program. This examines how well they follow environmental policies as well as how proactive they are in source reduction. In addition, suppliers are evaluated on the comprehensiveness of their recycling program.

## Environmental Policy Statement

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

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

## *A Collaborative Effort*

Hormel Foods has made a number of acquisitions in recent years and ensuring that new members of the Hormel Foods family are in compliance with government regulations as well as Hormel Foods standards is critical. In fact, before we finalize any acquisition, we make multiple visits to conduct interviews and thoroughly inspect the operations to determine the level of environmental responsibility. If it does not have the potential to be a sustainable operation, we will not move forward with the business deal. Our standards are high but necessary, and we are proud of that.

To ensure new acquisitions remain in compliance following initial audits and upgrades, Hormel Foods often puts an engineer on-site to serve as local environmental control and as a liaison with the corporate engineering staff.

At Farmer John, which Hormel Foods acquired in 2005, the company hired Kanija Sanford, who came on board in October of that year as an environmental engineer, to ensure the Los Angeles facility is in compliance with Hormel Foods' standards. *"There's a great deal of support from the environmental management team at Hormel Foods,"* Sanford said. *"They collaborate with you to make the necessary changes and are willing to work with you to finish the task."*

Part of Sanford's routine is making sure air, water and waste regulations are in compliance on federal, state and local levels through permit reviewing, diligent record keeping and daily, weekly and monthly inspections. Her routine as an environmental engineer is part of the overall concept Hormel Foods works to achieve—compliance, record-keeping and commitment to acting responsibly. Hormel Foods couldn't achieve excellence in its products without people like Sanford and other experienced environmental professionals.

## Complete Environmental Audits

At the center of Hormel Foods' efforts to protect the environment is an exhaustive auditing process. The Hormel Foods Environmental Excellence program requires our engineering team to audit nearly 40 facilities using a strict 15-page checklist that monitors numerous items, including:

- **Air emissions**
- **Wastewater**
- **Energy use**
- **Storm water**
- **Animal waste**
- **Hazardous substances**
- **Solid waste and recycling**
- **Liquid storage tanks**







The team comprised of trained, knowledgeable environmental professionals ensures that all permits are in place and all regulations are being followed. These thorough inspections are conducted on a regular basis.



Distributed generators at Austin Utilities

## Energy Program

Hormel Foods spends \$80 million a year on electricity, natural gas and propane to run our operations. Our reliance on such a large amount of energy means it is not simply a choice to conserve and use energy responsibly—it's good business. Every \$100 of energy saved equals \$63 of additional net earnings.

We have had an active energy program for decades with the goal to control utility rates and conserve energy. Our program begins with understanding our energy use throughout each of our facilities. With that baseline analysis, Hormel Foods works to reduce energy consumption wherever possible, including using heat-recovered water for sanitation. We also use natural gas as primary fuel, widely recognized as a cleaner burning alternative.

As part of our effort to control utility rates, we installed 14 megawatts of distributed generation in our largest plant in Austin, Minn. through an agreement with Austin Utilities. This means that during peak periods of energy consumption, our Austin plant—through the use of onsite generators—will supply the majority of its own electricity. This cooperative effort with Austin Utilities benefits the community and Hormel Foods by reducing electric demand changes.

## Our contributions to conserving energy

- Partnering with utilities: develop programs, rebates on energy-efficient equipment, real-time demand monitoring
- Purchasing energy efficient equipment on new installations and retrofit existing equipment when feasible
- Conducting energy audits: assess energy efficiency at all our plants and look for ways to make improvements
- Forming energy committees: to enact steps to conserve energy and efficiency

## Helping to Lessen our Footprint

Problem solving is Dennis Boik's specialty. As the corporate manager of mechanical and environmental engineering at Hormel Foods, Boik is responsible for coordinating the activities of corporate and plant operations to ensure environmental compliance at all locations—giving him plenty of opportunity to put those problem-solving skills to the test. Boik manages countless amounts of regulations, programs and environmental initiatives in order to keep up with strict guidelines and continue the company's strong, consistent environmental record. His team includes four people at corporate headquarters in Austin, Minn., and professionals at each plant.

*"The highlight is establishing a group of competent environmental professionals who help keep Hormel Foods in compliance," he said. "I am proud of the integrity of our people, our careful reporting and our consistency."*

Boik led the formation and implementation of the Environmental Management System—a formal database program containing audits, permits and other information about regulations for air, water, wastewater and hazardous substances, among other things.

*"The system tells people we are committed to doing it the right way, and we set the expectation that we require full compliance all the time—not just when it's convenient or when you feel like it, but all the time."*

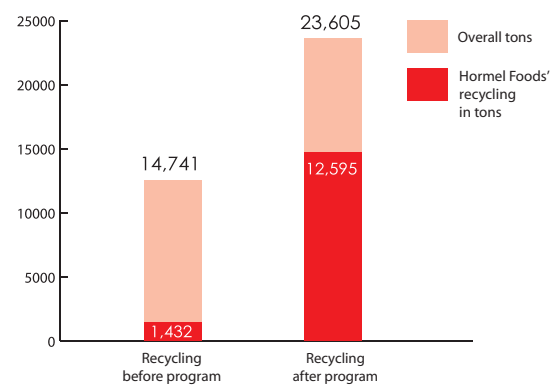


## Solid Waste Program

Hormel Foods works diligently to reduce waste from its facility through its pollution prevention program, which includes using efficient shipping procedures and, whenever possible, using recyclable packaging, such as our *Hormel® Natural Choice® Deli Meats*. As early as 1990, we examined packages for each of our products and brainstormed ways the company could eliminate packing materials through innovation. Whether we eliminate a plastic cover, cut down the amount of cardboard or use recycled materials, we work diligently to find ways to make reductions in our packaging. A recent example is the reduction made in 2001 in our *Dinty Moore American Classic® Microwave Meals* packages. This change reduced the packaging by about 1 million pounds per year. We also faithfully recycle our packaging and publish an internal report annually about our progress. When the program first began, we recycled approximately 10 percent of corrugated and waxed cardboard packaging. We increased the amount recycled by nearly ten-fold in the past 15 years (see chart).

### HORMEL FOODS' RECYCLING PROGRAM

Figures represent landfill in tons over 15 year time period





## Wastewater

Hormel Foods works closely with each city in which our plants are located. Wastewater is pre-treated to meet city standards and discharged to publicly owned treatment facilities for final treatment that meets all state and federal requirements. Through a partnership with the city of Austin, we formed an agreement in 1959 to construct a separate industrial portion of the facility. Our facility processes 19,000 hogs daily, resulting in 2.2 million gallons of wastewater that flows to a dedicated wastewater treatment plant.

## Making a Difference in the Way We Run Our Business

Financial responsibility is not only important to Hormel Foods' business, it's essential and expected. Through this report, we hope it has been clear that we are defined by integrity. Our approach to how we govern and financially conduct our business is no different.

## Corporate Governance

At Hormel Foods, we always act in the best interest of our shareholders. An independent corporate governance agency, Institutional Shareholders Services (ISS), ranks Hormel Foods in the top 10 percent of the food, beverage and tobacco industry. Our longstanding Code of Ethical Business Conduct is one example of how we are driven by transparent, ethical policies that drive shareholder value.

Divided into committees—Audit, Compensation, Governance and Contingency—our Board of Directors determines executive compensation and modifies corporate governance guidelines among other responsibilities. Of our 13 board members, nine are independent and elected by the company's stockholders. We recognize our evolving company may lend itself to changes in this structure, and we are prepared to do so as it becomes appropriate.

Annual evaluations help us measure the effectiveness of the committees and the performance of the CEO as well as provide us the opportunity to improve our business when necessary. We follow all relevant laws and New York Stock Exchange (NYSE) listing rules in everything we do. Central to a transparent and ethical company, our Code of Ethical Business Conduct guides decisions and company policies.

## Financial Performance/Obligation to Shareholders

Our shareholders trust us to make great business decisions and be financially responsible. Valuing this trust, we strive to be a business that leverages its strong financial position for further growth, whether it's through strengthening existing brands or building new ones.



In 2005, we posted record net sales and earnings; net earnings grew by 9.4 percent from 2004 and consolidated net sales increased 13.3 percent. Hormel Foods believes in sharing a portion of our financial success with our shareholders through dividends and share repurchase. We purchased \$23 million of stock through our share repurchase program, and for the 39th consecutive year, we increased our dividend.

We value our shareholders and their generous support throughout the years, which is why we conduct our financial measurement policies and procedures according to U.S. Generally Accepted Accounting Principles and we maintain a careful cash and debt management structure.

## Executive Compensation: A Culture of Accountability and Mutual Respect

At Hormel Foods, we feel it is important to reward success, and our compensation practices reflect that. Using an incentive-based system, we base executive compensation on the performance of the company. Executives are paid a lower base salary, but receive a higher opportunity for bonuses reflective of performance—if Hormel Foods does well, executives receive a monetary reward. Specifically, the CEO's compensation is evaluated based on three things: feedback from the board of directors, goals set at the beginning of the year and a review by the compensation committee. We fully cooperate with any disclosure laws from federal agencies and are happy to do so.

## Relationship with Retailers

Our sharp focus on integrity extends to how we manage relationships with our retailers, and we view our retail grocers and foodservice customers as an integral piece of our business. We are pleased to be recognized with awards from some of the nation's major retailers for leadership, execution and quality in our relationships.



Always  
Tender®



HERDEZ.

Today's Flavors Made Simple™



SPAM®



1 Hormel Place  
Austin, MN 55912-3680