

Speech Given by Joel W. Johnson, Chief Executive Officer, at the 2001 Annual Meeting of the Stockholders.

Remarks also made by Jerry K. Jerome, Chairman and CEO of the Jennie-O Turkey Store, and Jeffrey M. Ettinger, President and Chief Operating Officer of the Jennie-O Turkey Store.

[Joel W. Johnson speaks]

I now have the privilege of reporting to you regarding management's stewardship of your business this past year.

This chart shows our results for fiscal 2000 and 2001. The first thing I would like to point out is that our sales have exceeded \$4 billion for the first time. The \$4.1 billion sales for the year was an increase of 12 percent. As you can see, our net earnings increased 10 cents per share, or 8 percent.

In 2001, the Company increased its dividend to 37 cents from 35 cents per share. And, as you may be aware, Hormel Foods recently announced the intent to raise the dividend to 39 cents per share in 2002, or an increase of 5.4 percent. This is the company's 36th consecutive annual increase. Hormel Foods has never missed a dividend payment since becoming a public company in 1928.

Our company continues to enjoy a very strong balance sheet. The current ratio, which is current assets divided by current liabilities, was 2.1. This is a strong ratio and is unchanged versus last year. After-tax return on equity was 19.5 percent in 2001 compared to 19.9 percent in 2000. After-tax return on assets for the year was 9.6 percent compared to 10.2 percent in 2000. Long-term debt to equity increased from 21.1 percent to 50.4 percent. The increase is from the additional \$350 million of debt that was issued to finance The Turkey Store acquisition.

In 2001, through our share repurchase program, the company acquired approximately 400 thousand shares versus 4.3 million shares in 2000. This program returned \$9.2 million in 2001 and \$75.3 million in 2000 to our shareholders.

Before presenting our business activities from this past year, I want to take this time to recognize two groups of people who distinguished themselves in 2001.

First, I want to recognize all those employees and retirees who were so generous in their response to the victims of the September 11 attack. Immediately after the attacks, Hormel Foods announced that it would match contributions to four major disaster relief organizations. We kept the contribution period open a long time, through December 31, to allow those who felt so inclined to use the proceeds of joint earnings and other bonus plans. Including the matching contribution of the company, over \$267,000 was collected for victims and families affected by these attacks. I feel these contributors deserve a round of applause.

I might add that the company also donated five full truckloads of DINTY MOORE Stew, approximately 200,000 pounds, for the workers at Ground Zero. We were proud to learn that when the recovery teams learned the contents of our trucks, they waived us to the head of a long line.

The next group comes with distinction from the Quality Improvement Process, or QIP, which is our system for assuring continuous improvement in our work processes. During the normal course of business, teams work together to uncover ways to improve what they are already doing. Significant improvements are submitted as entries into our Annual "Best of the Best" QIP competition. This is the second year for this contest and the reward is corporate-wide recognition and shares of Hormel Foods stock. The competition is intense. Of course, the real winner in all this is the company and you as a stockholder. These improvements keep Hormel Foods on the cutting edge in every aspect of our business. The finalists have been selected for this year and there are six teams from all around the country. Three representatives from each team will present a summary of their initiatives here in Austin tomorrow. I don't intend to set a precedent, but when I learned that these teams were all in Austin this week, I invited them to attend our annual meeting. If you are in the QIP "Best of the Best" competition tomorrow, please stand. These are the folks who are really helping to move our great company forward.

Thank you.

As usual, our Legal Department must interject their cautionary note in our proceedings. We will review tonight some of the plans that we hope will lead us to continued success. But, we have no promise or guarantee. Any "forward looking" statements are clearly exposed to the risks and uncertainties of the marketplace.

Hormel Foods was quite active in acquisitions during 2001. We added major strategic components to Hormel HealthLabs and our turkey business.

One of the company's major initiatives is to align our portfolio with emerging trends. Hormel HealthLabs, organized within our Foodservice business unit, fits in that category. This is a medical foods subsidiary with disease and condition specific healthcare products. The primary target is seniors over 65, a segment of the U.S. population that will nearly double over the next 30 years. Within ten years, the demand for nursing home beds is projected to outstrip supply. The demand for medical foods for the specific dietary needs of seniors will also grow rapidly. Hormel HealthLabs is positioned to fill that need with a full line of products. We are selling throughout the United States and expanding internationally into 22 countries.

In fiscal 2001, Hormel Foods significantly increased the size of Hormel HealthLabs with the acquisition of Diamond Crystal Brands Nutritional Products and Cliffdale Farms. With these acquisitions, we achieved scale and industry leadership in a category that has outstanding prospects.

A second major initiative is to build our presence and our competence in the turkey business. Last year, at this meeting, I announced our definitive agreement to acquire The Turkey Store Company, headquartered in Barron, Wisconsin. The turkey business is now a critically important component of Hormel Foods, accounting for approximately 20% of sales and 22% of profits in 2001. Since we have invested so significantly in the turkey business and because it is now so large, we have included a review of The Jennie-O Turkey Store in the agenda tonight. Jerry Jerome is Chairman and CEO of the combined Jennie-O Turkey Store Company and Jeff Ettinger is president and COO. Earl B. Olsen remains chairman emeritus.

I am pleased to report that this acquisition has been successful to-date and met all our goals in fiscal 2001. For an explanation of the Jennie-O Turkey Store, I have asked Jerry Jerome and Jeff Ettinger to present their story to you. Jeff will start their discussion.

[Jeffrey M. Ettinger speaks]

On January 23rd, 2001, just a week prior to last year's Annual Shareholder's Meeting, Hormel Foods announced the biggest acquisition in our history – the purchase of The Turkey Store out of Barron, Wisconsin.

Prior to this deal, Jennie-O was already the largest company in the turkey industry, processing nearly 860 million pounds of turkey each year.

The acquisition upped that total to over 1.2 billion pounds, giving us a market share of over 18 percent.

Later in the year, one of our competitors, Cargill, merged with Rocco to solidify its position as the second largest company in the industry.

Although it is nice to be #1 in size, the focus of the Turkey Store transaction was on becoming better, not just bigger.

First, there was the potential for synergy between the brands in the marketplace. The Turkey Store's hallmark line of fresh turkey products is the perfect complement to Jennie-O's line of processed and frozen products.

The geographic location of the two companies was an excellent match as well. The close proximity creates savings from combined ingredient purchasing and from better utilization of raw materials. Our plants, farms, feed mills and hatcheries are all located within a 4-hour radius of Willmar, giving us easy access to all of our facilities.

Tonight, Jerry Jerome and I are pleased to have the opportunity to tell you about our progress since the merger. After the close of the transaction in late February, we focused our efforts on combining the two companies.

Our watchwords for this process were “Fast, Fair and Frugal”. “Fast” in the sense that all personnel decisions were made within 28 days after the deal was closed. “Fair”, meaning that we wanted to select the right managerial talent from each organization.

To this end, of our top 37 positions, 19 were filled by former Jennie-O managers, and 18 came from The Turkey Store. And “Frugal”, meaning that we were able to save several million dollars a year on administrative and other expenses by combining the two companies into one.

We were proud of the performance of our Jennie-O Turkey Store team in fiscal 2001. In addition to completing this complex merger process, our team exceeded its profit plan, grew both the Jennie-O and The Turkey Store brands in all segments of our business, sold over \$15 million worth of new products, and finished #1 in the turkey industry in Agrimetrix, which is an outside service that measures the efficiency of all of the companies in the industry. In short, we ended 2001 with a solid foundation for growth, and with exciting prospects for the future.

[Jerry Jerome speaks]

2001 was an excellent first year for Jennie-O Turkey Store. Our focus was on running two great companies under one roof. For 2002 and beyond we are focused on moving the new Jennie-O Turkey Store company up to the next level of performance and results.

The resources and activities are in place to get this done.

7,500 team members focused on being the best in the turkey industry.

9 plants for processing, boning and value added processing.

1,300 different products produced and sold.

Over 170,000 turkeys processed daily.

Jennie-O Turkey Store directly operates 140 growing and breeder farms, 8 feed mills and 4 hatcheries.

Over 50 million turkey poult are hatched for growing operations.

28 million bushels of corn and 240,000 ton of soybean meal are purchased from the production of over 500,000 acres of cropland.

These resources and activities are focused on two major objectives: sales and marketing leadership to provide consumers' great tasting food AND operations that generate world-class performance.

Our Jennie-O Turkey Store Mission and Vision reflect these priorities. Jennie-O Turkey Store is in the food business. We market great-tasting food products made primarily from turkey. We work to delight consumers and customers with our products and service.

Our team is the leader in the turkey industry because we are the best at managing all segments of our supply chain from the consumers' eating experience back to the egg.

Our Vision, world-class performance and leadership in new product innovation, has enabled Jennie-O Turkey Store to grow consumer preference for turkey to levels which meet or exceed other major proteins.

This will be a major challenge because turkey consumption has been stuck on about 18 pounds per person over the past 10 years. We will change this and because we have a leading market share - we will capture the major benefit of increasing consumer turkey consumption.

Let's take a tour of our supply chain and talk about optimizing overall Jennie-O Turkey Store performance.

Jennie-O Turkey Store is involved in all aspects of the turkey business, starting with a focus on providing the consumer great tasting turkey products and selling our customers successful products, moving back through sales, marketing and distribution, to processing, and then growing and feeding turkeys and hatching turkey poults.

The beginning of our operation starts with the hatchery breeder area. I have been in this business all my life and I still don't know whether the turkey or the egg comes first so I will start with both – the turkey breeder operation and eggs.

Eggs are produced on company and contract breeder farms. The eggs are collected with automatic nests, sanitized and placed in egg carts for shipment to our hatcheries.

The cost of producing one turkey egg is 55 cents. If you compare this to a dozen chicken eggs costing 80 cents at the store, you can understand that achieving the maximum number of fertile turkey eggs through excellent barn conditions and nutrition is very important. We also run research trials to make sure we are using the correct strain or breed of turkey to produce the maximum breast meat at the best cost.

At the hatchery, eggs hatch after 28 days of incubation in special cabinets to environmentally control temperatures and humidity. Turkey poults are prepared for shipment to an independent grower or company farm by being separated by sex. Hen and tom turkeys are grown in separate flocks. The hens are primarily used for whole turkey products and the toms are raised for deboned meat.

Because feed cost and formulas are so critical to world-class performance we have a research farm where we test different feed ingredients and feed formulas. We use Agrimetrix, an outside cost measurement service, to compare our costs to competitors. Our feed cost is the best in the industry and we intend to do the research to keep it there.

We manufacture and deliver 225 semi loads of feed per day from our 8 feed mills in Wisconsin and Minnesota.

Baby turkeys are raised in specialized brood facilities until they are big enough to move to larger growing barns. A comfortable building environment is maintained to grow quality turkeys.

Hen turkeys are raised for 13 to 18 weeks and Tom turkeys for 20 to 22 weeks and then transported to the processing plants.

Our Melrose, Minnesota plant is dedicated to whole bird products and most of the hen turkeys are processed at this plant. We pack and sell 15,000,000 whole turkeys and bone-in breasts that are consumed mostly at Thanksgiving and Christmas. Having specialized facilities for hen and tom processing improves the efficiency of our processing plants.

Toms are processed and deboned in Willmar, Faribault and Pelican Rapids, Minnesota and Barron, Wisconsin. We use the most complete automated deboning processes of anyone in the industry. This is both important for making our jobs safer and easier as well as getting the maximum amount of meat off the turkey carcass. Breast meat is the most valuable muscle on the turkey so achieving the maximum yields possible through turkey growing and efficient processing is critical to world-class performance.

The value added cooking and packaging of products is done at these tom processing plants as well as our Montevideo plant.

The Jennie-O Turkey Store fresh turkey meat line is the most extensive in the turkey industry. The packaging lines in Barron are fully automated and need to be since we sell 50% of the fresh ground turkey that the industry produces.

In Montevideo we specialize in cooking and slicing product. One of our major customers for these products is Subway. Jennie-O Turkey Store is a leading supplier of turkey breast product to Subway.

Our new Thanksgiving tonight product is cooked in a special continuous flow impingement oven in Pelican Rapids. This oven gives the product natural browning and a natural at home oven roasted taste.

From the value added processing operations product is palletized and moves to the warehouses for shipping nationally across all the United States and also to more than 10 countries internationally. We ship 500 semi-loads of turkey products to customers on a weekly basis.

All of the supply chain activity that I have talked about assumes that we have products that customers and consumers want to buy from Jennie-O Turkey Store. Jeff will cover this critical part of our Supply Chain.

[Jeff M. Ettinger speaks]

Jerry and I both know it's neither the turkey nor the egg that comes first - it's the consumer.

And we need to inspire this consumer to go beyond the turkey sandwich and Thanksgiving dinner when thinking about meal options made from turkey.

We need to jump start consumption by building awareness of our brand and creating excitement about our products.

We believe that the best way to accomplish this goal is to focus our resources against a single, combined brand: Jennie-O Turkey Store.

Instead of seeing The Turkey Store brand in the fresh meat case and Jennie-O in the processed section, consumers will ultimately be exposed to the same brand and look throughout the store. Our advertising and marketing dollars will be pooled and targeted to allow us to compete against other proteins on an equal footing.

In addition, research results show that consumers will react favorably to the new brand, with "Jennie-O Turkey Store" outranking either of the original brands for purchase intent. We intend to support our new brand with a category-leading advertising campaign, which will hit the airwaves and magazines later this spring.

Our goal is to redefine the consumer's perception of turkey, to make it a mainstream protein for every day use. We will do this by marketing turkey as a great choice for all eating occasions.

The first area where our new Jennie-O Turkey Store brand will be unveiled is in what we are calling our "Signature Line". These premium products will be sold primarily in the fresh meat case, and are intended to deliver the great taste of turkey in a flavorful and convenient to use form.

Turkey in new but familiar formats, such as ground turkey or marinated tenderloins provide consumers with exciting dinner options that are easily understood and easy to use.

The processed and frozen sections of the store are home to the "Convenience" part of our portfolio. You will continue to see the traditional orange-label on these products until we gradually make a transition to the new look and name.

Our line of hams, franks, burgers, and other convenience items are great tasting products that lead their respective categories.

Finally, consumers still enjoy the heritage and quality of traditional products such as whole turkeys and bone-in breasts.

Holidays and other important occasions will continue to be a great time for people to celebrate with Jennie-O Turkey Store products.

Ultimately, our message to consumers is that Jennie-O Turkey Store is turkey for the way you live today. We want today's time-pressed contemporary families to know that we can solve their dinner problem with quick, convenient meals made with turkey.

I spoke earlier about the need to "jump start" consumption in the turkey category. To do this, we must show leadership in new product innovation. During the past 12-to-18 months, we have designed and marketed a bumper crop of new products that we believe deliver "turkey for the way you live today." Let's take a look at some of them.

[Jerry K. Jerome speaks]

Jennie-O Turkey Store has come a long way since Earl Olson, pictured on the left, purchased his first turkey in 1940 and Wallace Jerome won the North Dakota Turkey show in 1932.

These individuals pioneered the growth of our business, which will exceed one billion dollars of sales in 2002. We are excited about Jennie-O Turkey Store continuing this excellent growth and being a significant contributor to Hormel's future success.

[Joel W. Johnson speaks]

Thank you, Jerry, and thank you, Jeff. Keep up the good work!

The meeting is adjourned.

Thank you for coming!