Risk Factors Comparison 2023-12-06 to 2022-12-06 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Deterioration of economic conditions could harm the Company' s business. The Company' s business may be adversely affected by changes in national or global economic conditions, including inflation, interest rates, tax rates, availability of capital, energy availability and costs (including fuel surcharges), political developments, civil unrest, and the effects of governmental initiatives to manage economic conditions. Decreases in consumer spending rates and shifts in consumer product preferences could also negatively impact the Company. Volatility in financial markets and the deterioration of national and global economic conditions could impact the Company' s operations as follows: ▪ The financial stability of the Company' s customers and suppliers may be compromised, which could result in ~~additional bad debts~~ **challenges in collecting accounts receivable** or non- performance by suppliers. ▪ **Unfavorable economic conditions may lead customers and consumers to delay or reduce purchases of the Company' s products. ▪ Customer demand for products may not materialize to levels required to achieve the Company' s anticipated financial results or may decline as distributors and retailers seek to reduce inventory positions if there is an economic downturn or economic uncertainty in key markets. ▪** The value of the Company' s investments in debt and equity securities may decline, including most significantly the trading securities held as part of a rabbi trust to fund supplemental executive retirement plans and deferred income plans ~~,~~ and the Company' s assets held in pension plans. ▪ Future volatility or disruption in the capital and credit markets could impair the Company' s liquidity or increase costs of borrowing. ▪ The Company may be required to redirect cash flow from operations or explore alternative strategies, such as disposing of assets, to fulfill the payment of principal and interest on its indebtedness. The Company has no operations in Russia or Ukraine, yet it has experienced inflated fuel costs and supply chain shortages and delays due to the impact of the military conflict on the global economy. **If this** ~~Further escalation related to the~~ conflict, ~~including increased trade barriers~~ or ~~restrictions on global trade~~ **others such as the Israel- Hamas war** , **escalates further, it** could result in, among other things, additional supply chain disruptions, rising prices for oil and other commodities, volatility in capital markets and foreign exchange rates, rising interest rates **,** or heightened cybersecurity risks, any of which may adversely affect the Company' s business. In addition, the effects of the ongoing conflict could heighten many of the other risk factors included in Item 1A. The Company utilizes hedging programs to manage its exposure to various market risks, such as commodity prices and interest rates, which qualify for hedge accounting for financial reporting purposes. Volatile fluctuations in market conditions could cause these instruments to become ineffective, which could require any gains or losses associated with these instruments to be reported in the Company' s earnings each period. These instruments may limit the Company' s ability to benefit from market gains if commodity prices and / or interest rates become more favorable than those secured under the Company' s hedging programs. The Company' s goodwill and indefinite **-** lived intangible assets are initially recorded at fair value and are not amortized, but are reviewed for impairment annually or more frequently if impairment indicators arise. Impairment testing requires judgment around estimates and assumptions and is impacted by factors such as revenue growth rates, operating margins, tax rates, royalty rates, and discount rates. An unfavorable change in these factors may lead to the impairment of goodwill and / or intangible assets. **During fiscal 2023, an impairment was indicated for the Justin' s ® trade name, resulting in an impairment charge of $ 28. 4 million.** Additionally, if ~~another~~ **a** highly pathogenic human disease outbreak developed, **such as COVID- 19,** it may negatively impact the global economy, demand for Company products, **the supply chain, the Company' s co- manufacturers,** and / or the Company' s workforce availability **including leadership** , and the Company' s financial results could suffer. The Company has developed contingency plans to address infectious disease scenarios and the potential impact on its operations, and will continue to update these plans as necessary. There can be no assurance given, however, that these plans will be effective in eliminating the negative effects of any such diseases on the Company' s operating results. The ~~COVID- 19 pandemic could adversely affect the Company' s business, financial condition and results of operations. The COVID- 19 global pandemic has had, and may continue to have, negative impacts across many of the Company' s business units and facilities. The near- and long- term impacts of COVID- 19 are unknown and impossible to predict with any level of certainty. The following potential risk factors arising from the COVID- 19 pandemic have had and / or may continue to have one or more of the following impacts on the Company' s operations: ▪ One or more of the Company' s manufacturing facilities may be shut down or have their operations significantly impacted due to employee illnesses, increased absenteeism, and / or actions by government agencies. Capital projects may be delayed as additional capacity is no longer currently needed or materials are unavailable. The Company' s co- manufacturers and material suppliers may face similar impacts. ▪ Operating costs may increase as measures are put in place to prevent or slow down the spread of COVID- 19, such as compliance with regulatory restrictions, vaccine mandates, facility improvements, employee testing, short- term disability policies, and manufacturing employee bonus payments. ▪ Operations may be negatively impacted if members of the Company' s leadership team, or other key employees, become ill with COVID- 19 or otherwise terminate their employment as a result of COVID- 19. Further, the Company may face challenges with labor availability, relations, labor costs, hiring, onboarding, and training new employees, including leadership, which may impact results. The Company also may face operational challenges if government quarantine orders restrict movement of employees. ▪ Supply chain disruptions of various types arising from COVID- 19 may impact the Company' s ability to make products, the cost for such products, and the ability to deliver products to customers. Closure or reduced operations of material suppliers could result in shortages of key raw materials, as well as impact prices for those materials. The volatility in the market for raw material and supplies could impact the Company' s profitability. ▪ National, state, and local government orders closing or limiting operation of borders and ports, or imposing quarantine, could impact the Company' s ability to obtain raw materials and to deliver finished goods to customers. ▪~~

~~Closures or reduced operations at foodservice establishments may impact results for the Company' s foodservice business. Bankruptcy filings and / or delinquent payments from the foodservice industry or other customers may negatively impact cash flow. ▪ A national and / or global economic downturn may impact consumer purchase behavior, such as reduced volume for foodservice products and premium brands. ▪ If the Company' s public relations efforts related to the pandemic are not effective or if consumers perceive them to be irresponsible, the Company' s competitive position, reputation, and market share may suffer. The extent of the impact on the Company' s business, financial condition, and results of operations is dependent on the length and severity of the pandemic. The COVID- 19 pandemic may adversely impact the Company' s operations in one or more ways not identified to date. The~~ Company' s operations are subject to the general risks associated with acquisitions **, joint ventures, equity investments,** and divestitures **. The Company regularly reviews opportunities to support the Company' s strategic initiative of delivering long- term value to shareholders through acquisitions, joint ventures, and equity investments and to divest non- strategic assets** . The Company has made several acquisitions **, joint ventures, equity investments,** and divestitures in recent years, including the acquisition of the Planters ® snack nuts business in ~~June~~ **fiscal** 2021 ~~, that align with the Company' s strategic initiative of delivering long- term value to shareholders. The Company regularly reviews strategic opportunities to grow through acquisitions~~ and ~~to divest non- strategic assets~~ **purchase of a minority interest in Garudafood in fiscal 2023** . Potential risks associated with these transactions include the inability to consummate a transaction timely or on favorable terms, diversion of management' s attention from other business concerns, ~~potential~~ loss of key employees and customers of current or acquired companies, inability to integrate or divest operations successfully, ~~possible~~ assumption of unknown liabilities, ~~potential~~ disputes with buyers ~~or~~ **,** sellers **, or partners** , inability to obtain favorable financing terms, ~~potential~~ impairment charges if purchase assumptions are not achieved, and the inherent risks in entering markets or lines of business in which the Company has limited or no prior experience. ~~Any or all~~ **Due to the nature** of these **arrangements, joint ventures and equity investments involve further** risks ~~could impact~~ **, including** the **possibility that the** Company **is unable to execute** ~~' s financial results and~~ business ~~reputation~~ **strategies and manage operations given limitations of the Company' s control** . **Additionally** ~~In addition~~ , **partners may become bankrupt, make business decisions that are inconsistent with the Company' s goals, or block or delay necessary decisions.** ~~acquisitions~~ **Acquisitions , joint ventures, or equity investments** outside the U. S. may **also** present unique challenges and increase the Company' s exposure to the risks associated with foreign operations. **Any or all of these risks could impact the Company' s financial results and business reputation.** The Company' s level of indebtedness increased significantly to fund the purchase of the Planters ® snack nuts business and may continue to increase to fund future acquisitions **, joint ventures, or equity investments** . Higher levels of debt may, among other things, impact the Company' s liquidity and increase the Company' s exposure to negative fluctuations in interest rates **. During fiscal 2023, an impairment was indicated for the Justin' s ® trade name, resulting in an impairment charge of $ 28. 4 million and the Company recorded a $ 7. 0 million impairment charge related to a corporate venturing investment to recognize a decline in fair value not believed to be temporary** . The Company is subject to disruption of operations at co- manufacturers, suppliers, logistics providers, customers, or other third- party service providers. ▪ Disruption of operations at co - manufacturers, suppliers, or logistics providers have and may continue to impact the Company' s product and input supplies as well as the ability to distribute products. ▪ Disruptions related to significant customers or sales channels has and could continue to result in a reduction in sales or change in the mix of products sold. ▪ Disruption in services from partners such as third- party service providers used to support various business functions such as benefit plan administration, payroll processing, information technology and cloud computing services could have an adverse effect on the Company' s business. ~~Any of these disruptions~~ **Disruptions** ~~could~~ **of third- party providers have had and may continue to** have an adverse effect on the Company ~~'~~ **'** s financial results. Actions taken to mitigate the impact of any potential disruption, including increasing inventory in anticipation of a potential production or supply interruption, may adversely affect the Company' s financial results. Additionally, labor- related challenges have caused disruptions for many of these providers and may continue to impact the Company' s ability to receive inputs or distribute products **. The Company may not realize the anticipated cost savings or operating efficiencies associated with strategic initiatives. The Company operates in the highly competitive food industry and is subject to volatile cost inputs. Strategic initiatives are implemented to achieve a profitable cost structure, operate efficiently, better serve customers, and optimize cash flow. These initiatives may focus on opportunities to improve the procurement, manufacturing, and logistics within the Company' s supply chain as well as general and administrative processes. A failure or delay in implementing the improvements associated with these strategic initiatives could adversely impact the Company' s results, ability to meet its long- term growth expectations, and ability to fund future initiatives. The Company began an enterprise transformation and modernization initiative in the second half of fiscal 2023 to provide cost savings and operating efficiencies by fiscal 2026. If this initiative does not achieve the expected financial impact or is not completed in a timely manner, the Company' s financial results and ability to meet its long- term growth expectations could be adversely impacted** . The Company is subject to the loss of a material contract. The Company is a party to several supply, distribution, contract packaging and other material contracts. The loss of a material contract or failure to obtain new material contracts could adversely affect the Company' s financial results. The Company may be adversely impacted if the Company is unable to protect information technology systems against, or effectively respond to, cyber attacks or security breaches. Information technology systems are an important part of the Company' s business operations. In addition, the Company increasingly relies upon third- party service providers for a variety of business functions, including cloud- based services. Cyber incidents are occurring more frequently **across U. S. industries** and are being made by groups and individuals with a wide range of motives and expertise **. Continued high- profile data security incidents at other companies evidence an external environment that is becoming increasingly hostile** . From time to time, the Company has experienced, and may experience in the future, breaches of its security measures due to human error, malfeasance, insider threats, system errors or vulnerabilities or other irregularities, none of which have been material to date. Remote work arrangements may bring additional information technology and data security risks. **Although the Company has programs in place related to business continuity, disaster recovery, and information security initiatives to maintain the confidentiality, integrity, and availability of systems, business applications, and customer information, the Company may not be able to anticipate or implement effective preventive measures against all potential cybersecurity threats, especially because the techniques used change frequently and because attacks can originate from a wide variety of sources, both domestic and foreign. Cybersecurity risk is increasingly difficult to identify and quantify and cannot be fully mitigated because of the rapidly evolving nature of the threats, targets, and consequences.** In addition, the Company is in the midst of ~~a~~ multi- year **data and technology** transformation ~~project~~ **projects** ~~(Project Orion)~~ to achieve better analytics, customer service, and process efficiencies ~~through the use of Oracle Cloud Solutions~~. ~~This~~ **The** ~~project~~ **projects** ~~is~~ **, including modernizing the order- to- cash process, are** expected to improve the efficiency and effectiveness of certain financial and business transaction processes and the underlying systems environment. **Multiple phases of** ~~During fiscal 2020, the~~ **these** ~~Company~~ **projects have already been** implemented ~~the human resource, payroll,~~ and ~~finance~~ **additional** phases ~~of the project. Additional integrations~~ are expected to ~~take place over~~ **be implemented in** the **upcoming** ~~next few~~ years. **These** ~~Such an implementation~~ **implementations** ~~is~~ **are** a major undertaking from a financial, management, and personnel perspective **and** ~~. The implementation of the enterprise resource planning system~~ may prove to be more difficult, costly, or time consuming than expected, and there can be no assurance that ~~this system~~ **these projects** will be beneficial to the extent anticipated ~~. In an attempt to mitigate these risks, the Company has implemented and continues to evaluate security initiatives and business continuity plans~~. Deterioration of labor relations, labor availability or increases in labor costs could harm the Company' s business. As of October ~~30~~ **29**, ~~2022~~ **2023**, the Company employed **approximately** ~~more than~~ 20, 000 people worldwide, of which approximately 20 percent were represented by labor unions, principally the United Food and Commercial Workers Union. Union contracts at ~~four~~ **two** of the Company' s manufacturing facilities, covering approximately **250** ~~2, 400~~ employees, will expire during fiscal ~~2023~~ **2024** ~~. Negotiations have not yet been initiated~~. A significant increase in labor costs or a deterioration of labor relations at any of the Company' s facilities or co- manufacturing facilities resulting in work slowdowns or stoppages could harm the Company' s financial results. Labor and skilled labor availability challenges could continue to have an adverse effect on the Company' s business. Industry Risks The Company' s operations are subject to the general risks of the food industry. The food products manufacturing industry is subject to the risks posed by: ▪ food spoilage; ▪ food contamination caused by disease- producing organisms or pathogens, such as Listeria monocytogenes, Salmonella, and pathogenic E coli.; ▪ food allergens; ▪ nutritional and health- related concerns; ▪ federal, state, and local food processing controls; ▪ consumer product liability claims; ▪ product tampering; and ▪ the possible unavailability and / or expense of liability insurance. The pathogens that may cause food contamination are found generally in livestock and in the environment and thus may be present in the Company' s products. These pathogens can also be introduced to products as a result of improper handling by customers or consumers. The Company does not have control over handling procedures once products have been shipped for distribution. If one or more of these risks were to materialize, the Company' s brand and business reputation could be negatively impacted. In addition, revenues could decrease, costs of doing business could increase, and the Company' s operating results could be adversely affected. Outbreaks of disease among livestock and poultry flocks could harm the Company' s revenues and operating margins. The Company is subject to risks associated with the outbreak of disease in pork and beef livestock, and poultry flocks, including African swine fever (ASF), Bovine Spongiform Encephalopathy (BSE), pneumo- virus, Porcine Circovirus 2 (PCV2), Porcine Reproduction & Respiratory Syndrome (PRRS), Foot- and- Mouth Disease (FMD), Porcine Epidemic Diarrhea Virus (PEDv), and Highly Pathogenic Avian Influenza (HPAI). The outbreak of such diseases could adversely affect the Company' s supply of raw materials, increase the cost of production, reduce utilization of the Company' s harvest facilities, and reduce operating margins. **The impact of global climate change may increase these risks due to changes in weather or migratory patterns which may result in certain types of diseases occurring more frequently or with more intense effects.** Additionally, the outbreak of disease may hinder the Company' s ability to market and sell products both domestically and internationally. In recent years, the outbreak of ASF has impacted hog herds in China, Asia, Europe, and the Caribbean. If an outbreak of ASF were to occur in the U. S., the Company' s supply of hogs and pork could be materially impacted. HPAI was detected within the ~~U. S. in 2022 and was confirmed within the~~ Company' s ~~Jennie- O Turkey~~ **turkey** ~~Store~~ supply chain **during the fourth quarter of fiscal 2023 and first quarter of fiscal 2024**. The impact of HPAI has reduced and will continue to reduce production volume in the Company' s turkey facilities **into** ~~at least through the first half of~~ fiscal ~~2023~~ **2024**. The Company is continuing to monitor the situation and will take the appropriate actions to protect the health of the turkeys across the supply chain. The Company has developed business continuity plans for various disease scenarios and will continue to update these plans as necessary. There can be no assurance given, however, that these plans will be effective in eliminating the negative effects of any such diseases on the Company' s operating results. Fluctuations in commodity prices and availability of raw materials and other inputs could harm the Company' s earnings. The Company' s results of operations and financial condition are largely dependent upon the cost and supply of pork, poultry, beef, feed grains, and nuts as well as supplies, energy and other inputs and the selling prices for many of the Company' s products, which are determined by constantly changing market forces of supply and demand. The Company takes a balanced approach to sourcing pork raw materials, including hogs purchased for the Austin, Minnesota processing facility, long- term supply agreements for pork, and spot market purchases of pork. This approach ensures a more stable supply of raw materials while minimizing extreme fluctuations in costs over the long- term. This may result, in the short- term, in higher or lower live hog costs compared to the cash spot market. Market- based pricing on certain product lines, and lead time required to implement pricing adjustments, may prevent all or part of these cost increases from being recovered, and these higher costs could adversely affect the Company' s short- term financial results. **The Company** ~~Jennie- O Turkey Store~~ raises turkeys and contracts with turkey growers to meet its raw material requirements for whole birds and processed turkey products. Results in these operations are affected by the cost and supply of feed grains, which fluctuate due to climate conditions, production forecasts, and supply and demand conditions at local, regional, national, and worldwide markets. The Company attempts to manage some of its short- term exposure to fluctuations in feed prices by forward buying, using futures contracts, and pursuing pricing advances. However, these strategies may not be adequate to overcome sustained increases in market prices due to alternate uses for feed grains or other changes in these market conditions. The Company may be subject to decreased availability or less favorable pricing for nuts, tomatoes, avocados, or other produce if poor growing conditions have a negative effect on agricultural productivity. Reductions in crop size or quality due to unfavorable growing conditions may have an adverse effect on the Company' s results. The supplies of natural and organic proteins may impact the Company' s ability to ensure a continuing supply of these products. To mitigate this risk, the Company partners with multiple long- term suppliers. International trade barriers and other restrictions or disruptions could result in decreased foreign demand and increased domestic supply of proteins, thereby potentially lowering prices. The Company occasionally utilizes in- country production to limit this exposure. Market demand for the Company' s products may fluctuate. The Company faces competition from producers of alternative meats and protein sources, including pork, beef, turkey, chicken, fish, nuts, nut butters, whey, and plant- based proteins. The factors on which the Company competes include: ▪ price; ▪ product quality and attributes; ▪ brand identification; ▪ breadth of product line; and ▪ customer service. Demand for the Company' s products is also affected by competitors' promotional spending, the effectiveness of the Company' s advertising and marketing programs, and consumer perceptions. Failure to identify and react to changes in food trends such as sustainability of product sources and animal welfare could lead to, among other things, reduced demand for the Company' s brands and products. The Company may be unable to compete successfully on any or all of these factors in the future. Damage to the Company' s reputation or brand image can adversely affect its business. Maintaining and continually enhancing the perception of the Company' s reputation and brands is critical to business success. The Company' s reputation and brands have been in the past and could in the future be adversely impacted by a number of factors, including unfavorable consumer perception related to events or rumors, adverse publicity, and negative information disseminated through social and digital media. Failure to maintain, extend, and expand the Company' s reputation or brand image could adversely impact operating results. Climate change, or legal, regulatory or market measures to address climate change, could have an adverse impact on the Company' s business and results of operations. There is growing concern that carbon dioxide and other greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather patterns, and the frequency and severity of extreme weather and natural disasters. If such climate change has a negative impact on agricultural productivity, the Company may have decreased availability or less favorable pricing for the raw materials necessary for its operations. Climate change may also cause decreased availability or less favorable pricing for water, which could have an adverse effect on the Company' s operations and supply chain. In addition, natural disasters and extreme weather, including those caused by climate change, could cause disruptions in the Company' s operations and supply chain. The increasing concern over climate change may also result in greater local, state, federal, and foreign legal requirements, including requirements to limit greenhouse gas emissions or conserve water usage. If such requirements are enacted, the Company could experience significant cost increases in its operations and supply chain. ~~Further~~ **The Company has developed and publicly announced goals to reduce its impact on the environment such as the 20 by 30 Challenge and the recently announced validation of its greenhouse gas reduction targets by the Science Based Targets initiative. The Company' s ability to achieve these goals is subject to numerous factors and conditions** , **many of which are outside of its control. Examples include, among others, evolving regulatory requirements, disclosure frameworks, and methodologies for reporting data.** ~~failure~~ **Failure** to accomplish goals set by the Company related to climate change or meet expectations of various Company stakeholders may cause decreased demand for the Company' s products and have an adverse effect on results of operations. Legal and Regulatory Risks The Company' s operations are subject to the general risks of litigation. The Company is involved on an ongoing basis in litigation arising in the ordinary course of business. Trends in litigation may include class actions involving employees, consumers, competitors, suppliers, shareholders, or others, and claims relating to product liability, contract disputes, antitrust regulations, intellectual property, advertising, labeling, wage and hour laws, employment practices or environmental matters. Neither litigation trends nor the outcomes of litigation can be predicted with certainty and adverse litigation trends and outcomes could negatively affect the Company' s financial results. Government regulation, present and future, exposes the Company to potential sanctions and compliance costs that could adversely affect the Company' s business. The Company' s operations are subject to extensive regulation by the U. S. Department of Homeland Security, the U. S. Department of Agriculture, the U. S. Food and Drug Administration, federal and state taxing authorities and other federal, state, and local authorities which oversee workforce immigration, taxation, animal welfare, food safety, and the processing, packaging, storage, distribution, advertising, and labeling of the Company' s products. The Company' s manufacturing facilities and products are subject to ongoing inspection by federal, state and local authorities. Claims or enforcement proceedings could be brought against the Company in the future. The availability of government inspectors due to a government furlough could also cause disruption to the Company' s manufacturing facilities. Additionally, the Company is subject to new or modified laws, regulations, and accounting standards. The Company' s failure or inability to comply with such requirements could subject the Company to civil remedies, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions. A ~~recent~~ federal district court ruling has had a negative impact on harvest capacity and labor costs. Harvest facilities the Company uses are negotiating to resolve the situation and expect to reach a solution, but harvest capacity and labor costs ~~will~~ **may** continue to be negatively impacted until a solution is reached. There can be no assurance a solution will be reached, in which case the negative impacts of the ruling would continue. The Company is subject to stringent environmental regulations and potentially subject to environmental litigation, proceedings, and investigations. The Company' s past and present business operations and ownership and operation of real property are subject to stringent federal, state, and local environmental laws and regulations pertaining to the discharge of materials into the environment and the handling and disposition of wastes (including solid and hazardous wastes) or otherwise relating to protection of the environment. Compliance with these laws and regulations, as well as any modifications, is material to the Company’ s business. Some of the Company’ s facilities have been in operation for many years and, over time, the Company and other prior operators of these facilities may have generated and disposed of wastes that now may be considered hazardous. Future discovery of contamination of property underlying or in the vicinity of the Company’ s present or former properties or manufacturing facilities and / or waste disposal sites could require the Company to incur additional expenses related to additional investigation, assessment or other requirements. The occurrence of any of these events, the implementation of new laws and regulations or stricter interpretation of existing laws or regulations could adversely affect the Company’ s financial results. The Company’ s foreign operations pose additional risks to the Company’ s business. The Company operates its business and markets its products internationally. The Company’ s foreign operations are subject to the risks described above, as well as risks related to fluctuations in currency values, foreign currency exchange controls, compliance with foreign laws, compliance with applicable U. S. laws, including the Foreign Corrupt Practices Act, and other economic or political uncertainties. International sales are subject to risks related to general economic conditions, imposition of tariffs, quotas, trade barriers and other restrictions, enforcement of remedies in foreign jurisdictions and compliance with applicable foreign laws, and other economic and political uncertainties. All of these risks could result in increased costs or decreased revenues, which could adversely affect the Company’ s financial results.