TYSON FOODS INC
Form 10-Q
February 06, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended December 31, 2016
or
¨Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to
001-14704
(Commission File Number)

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

Delaware	71-0225165
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2200 West Don Tyson Parkway, Springdale, Arkansas	72762-6999
(Address of principal executive offices)	(Zip Code)

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

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

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

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

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of December 31, 2016.

Class	Outstanding Shares
Class A Common Stock, $0.10 Par Value (Class A stock)	286,947,904
Class B Common Stock, $0.10 Par Value (Class B stock)	70,010,755

TYSON FOODS, INC.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements
TYSON FOODS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(In millions, except per share data)
(Unaudited)

	Three Months Ended December 31, 2016	January 2, 2016
Sales	$9,182	$ 9,152
Cost of Sales	7,699	7,951
Gross Profit	1,483	1,201
Selling, General and Administrative	501	425
Operating Income	982	776
Other (Income) Expense:		
Interest income	(2)	(2)
Interest expense	58	67
Other, net	14	(1)
Total Other (Income) Expense	70	64
Income before Income Taxes	912	712
Income Tax Expense	318	251
Net Income	594	461
Less: Net Income Attributable to Noncontrolling Interests	1	—
Net Income Attributable to Tyson	$593	$ 461
Weighted Average Shares Outstanding:		
Class A Basic	297	325
Class B Basic	70	70
Diluted	373	400
Net Income Per Share Attributable to Tyson:		
Class A Basic	$1.64	$ 1.18
Class B Basic	$1.49	$ 1.09
Diluted	$1.59	$ 1.15
Dividends Declared Per Share:		
Class A	$0.300	$ 0.200
Class B	$0.270	$ 0.180

See accompanying Notes to Consolidated Condensed Financial Statements.

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TYSON FOODS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

	Three Months Ended	
	December 31, 2016	January 2, 2016
Net Income	$594	$ 461
Other Comprehensive Income (Loss), Net of Taxes:		
Derivatives accounted for as cash flow hedges	3	—
Investments	(1)	(1)
Currency translation	(14)	(5)
Postretirement benefits	(3)	(2)
Total Other Comprehensive Income (Loss), Net of Taxes	(15)	(8)
Comprehensive Income	579	453
Less: Comprehensive Income Attributable to Noncontrolling Interests	1	—
Comprehensive Income Attributable to Tyson	$578	$ 453

See accompanying Notes to Consolidated Condensed Financial Statements.

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TYSON FOODS, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(In millions, except share and per share data)
(Unaudited)

	December 31, 2016	October 1, 2016
Assets		
Current Assets:		
Cash and cash equivalents	$ 307	$ 349
Accounts receivable, net	1,512	1,542
Inventories	2,767	2,732
Other current assets	156	265
Total Current Assets	4,742	4,888
Net Property, Plant and Equipment	5,206	5,170
Goodwill	6,669	6,669
Intangible Assets, net	5,064	5,084
Other Assets	576	562
Total Assets	$ 22,257	$ 22,373
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current debt	$ 66	$ 79
Accounts payable	1,591	1,511
Other current liabilities	1,315	1,172
Total Current Liabilities	2,972	2,762
Long-Term Debt	5,901	6,200
Deferred Income Taxes	2,538	2,545
Other Liabilities	1,279	1,242
Commitments and Contingencies (Note 16)		
Shareholders' Equity:		
Common stock ($0.10 par value):		
Class A-authorized 900 million shares, issued 367 million shares	37	36
Convertible Class B-authorized 900 million shares, issued 70 million shares	7	7
Capital in excess of par value	4,342	4,355
Retained earnings	8,837	8,348
Accumulated other comprehensive loss	(60)	(45)
Treasury stock, at cost – 80 million shares at December 31, 2016, and 73 million shares at October 1, 2016	(3,613)	(3,093)
Total Tyson Shareholders' Equity	9,550	9,608
Noncontrolling Interests	17	16
Total Shareholders' Equity	9,567	9,624
Total Liabilities and Shareholders' Equity	$ 22,257	$ 22,373

See accompanying Notes to Consolidated Condensed Financial Statements.

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TYSON FOODS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Three Months Ended	
	December 31, 2016	January 2, 2016
Cash Flows From Operating Activities:		
Net income	$594	$461
Depreciation and amortization	177	172
Deferred income taxes	(4)	69
Other, net	7	(1)
Net changes in operating assets and liabilities	360	394
Cash Provided by Operating Activities	1,134	1,095
Cash Flows From Investing Activities:		
Additions to property, plant and equipment	(200)	(188)
Purchases of marketable securities	(15)	(12)
Proceeds from sale of marketable securities	13	10
Other, net	(12)	(1)
Cash Used for Investing Activities	(214)	(191)
Cash Flows From Financing Activities:		
Payments on debt	(20)	(20)
Borrowings on revolving credit facility	435	—
Payments on revolving credit facility	(735)	—
Purchases of Tyson Class A common stock	(576)	(387)
Dividends	(79)	(54)
Stock options exercised	6	34
Other, net	12	23
Cash Used for Financing Activities	(957)	(404)
Effect of Exchange Rate Changes on Cash	(5)	(1)
Increase (Decrease) in Cash and Cash Equivalents	(42)	499
Cash and Cash Equivalents at Beginning of Year	349	688
Cash and Cash Equivalents at End of Period	$307	$1,187

See accompanying Notes to Consolidated Condensed Financial Statements.

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TYSON FOODS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1: ACCOUNTING POLICIES

Basis of Presentation

The consolidated condensed financial statements are unaudited and have been prepared by Tyson Foods, Inc. (“Tyson,” “the Company,” “we,” “us” or “our”). Certain information and accounting policies and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations of the United States Securities and Exchange Commission. Although we believe the disclosures contained herein are adequate to make the information presented not misleading, these consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our annual report on Form 10-K for the fiscal year ended October 1, 2016. Preparation of consolidated condensed financial statements requires us to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated condensed financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

We believe the accompanying consolidated condensed financial statements contain all adjustments, which are of a normal recurring nature, necessary to state fairly our financial position as of December 31, 2016, and the results of operations for the three months ended December 31, 2016, and January 2, 2016. Results of operations and cash flows for the periods presented are not necessarily indicative of results to be expected for the full year.

Consolidation

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

Recently Issued Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board ("FASB") issued guidance which removes step 2 from the goodwill impairment test. As a result, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting units' fair value. The guidance is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019, our fiscal 2021. Early adoption is permitted for annual or interim goodwill impairment tests performed on testing dates after January 1, 2017, and the prospective transition method should be applied. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

In November 2016, the FASB issued guidance which requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. The guidance is effective for annual reporting periods and interim periods within those annual reporting periods beginning after December 15, 2017, our fiscal 2019. Early adoption is permitted and the retrospective transition method should be applied. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

In October 2016, the FASB issued guidance which requires companies to recognize the income tax effects of intercompany sales and transfers of assets, other than inventory, in the period in which the transfer occurs. The guidance is effective for annual reporting periods and interim periods within those annual reporting periods beginning after December 15, 2017, our fiscal 2019. Early adoption is permitted and the modified retrospective transition method should be applied. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

In August 2016, the FASB issued guidance which aims to eliminate diversity in the practice of how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The guidance is effective for annual reporting periods and interim periods within those annual reporting periods beginning after December 15, 2017, our fiscal 2019. Early adoption is permitted and the retrospective transition method should be applied. We are

currently evaluating the impact this guidance will have on our consolidated financial statements.

In June 2016, the FASB issued guidance that provides more decision-useful information about the expected credit losses on financial instruments and changes the loss impairment methodology. The guidance is effective for annual reporting periods and interim periods within those annual reporting periods beginning after December 15, 2019, our fiscal 2021. Early adoption is permitted for annual reporting periods and interim periods within those annual reporting periods beginning after December 15, 2018, our fiscal 2020. The application of the guidance requires various transition methods depending on the specific amendment. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

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In March 2016, the FASB issued guidance which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification of related amounts within the statement of cash flows and impact on earnings per share. The guidance is effective for annual reporting periods and interim periods within those annual reporting periods beginning after December 15, 2016, our fiscal 2018. Early adoption is permitted and the application of the guidance requires various transition methods depending on the specific amendment. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

In February 2016, the FASB issued guidance which created new accounting and reporting guidelines for leasing arrangements. The guidance requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement and presentation of expenses and cash flows arising from a lease will depend on classification as a finance or operating lease. The guidance also requires qualitative and quantitative disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. The guidance is effective for annual reporting periods and interim periods within those annual reporting periods beginning after December 15, 2018, our fiscal 2020. Early adoption is permitted and the modified retrospective method should be applied. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

In January 2016, the FASB issued guidance that requires most equity investments be measured at fair value, with subsequent changes in fair value recognized in net income. The guidance also impacts financial liabilities under the fair value option and the presentation and disclosure requirements on the classification and measurement of financial instruments. The guidance is effective for annual reporting periods and interim periods within those annual reporting periods beginning after December 15, 2017, our fiscal 2019. It should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption, unless, equity securities do not have readily determinable fair values, in which case, the amendments should be applied prospectively. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

In July 2015, the FASB issued guidance which requires management to evaluate inventory at the lower of cost and net realizable value. The guidance is effective for annual reporting periods and interim periods within those annual reporting periods beginning after December 15, 2016, our fiscal 2018. Early adoption is permitted and the prospective transition method should be applied. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

In May 2014, the FASB issued guidance changing the criteria for recognizing revenue. The guidance provides for a single five-step model to be applied to all revenue contracts with customers. The standard also requires additional financial statement disclosures that will enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows relating to customer contracts. Companies have an option to use either a retrospective approach or cumulative effect adjustment approach to implement the standard. This guidance is effective for annual reporting periods and interim periods within those annual reporting periods beginning after December 15, 2017, our fiscal 2019. Early adoption is permitted for fiscal years beginning after December 15, 2016, our fiscal 2018. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

NOTE 2: CHANGES IN ACCOUNTING PRINCIPLES

In October 2016, the FASB issued guidance on how a reporting entity, that is the single decision maker of a variable interest entity ("VIE"), should treat indirect interests in the entity held through related parties that are under common control with the reporting entity, when determining whether it is the primary beneficiary of that VIE. This guidance is effective for annual reporting periods and interim periods within those annual reporting periods, beginning after December 15, 2016, our fiscal 2018. We were required to adopt this guidance at the same time that we adopted the amendments in ASU 2015-02; therefore, we early adopted this guidance, retrospectively, in the first quarter of fiscal 2017. The adoption did not have a material impact on our consolidated financial statements.

In April 2015, the FASB issued guidance on the recognition of fees paid by a customer for cloud computing arrangements. The guidance clarifies that if a cloud computing arrangement includes a software license, the customer should account for the software license consistent with the acquisition of other software licenses. If the arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance is effective for annual reporting periods and interim periods within those annual reporting periods beginning

after December 15, 2015, our fiscal 2017, and should be applied prospectively or retrospectively. We adopted this guidance, prospectively, in the first quarter of fiscal 2017. As a result, prior period balances were not retrospectively adjusted. The adoption did not have a material impact on our consolidated financial statements.

In February 2015, the FASB issued guidance (ASU 2015-02) changing the analysis procedures that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. All legal entities are subject to reevaluation under the revised consolidation model. The new guidance affects the following areas: (1) limited partnerships and similar legal entities, (2) evaluating fees paid to a decision maker or a service provider as a variable interest, (3) the effect of fee arrangements on the primary beneficiary determination, (4) the effect of related parties on the primary beneficiary determination, and (5) certain investment funds. This guidance is effective for annual reporting periods and interim periods within those annual reporting periods, beginning after December 15, 2015, our fiscal 2017. We adopted this guidance, retrospectively, in the first quarter of fiscal 2017. The adoption did not have a material impact on our consolidated financial statements.

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NOTE 3: INVENTORIES

Processed products, livestock and supplies and other are valued at the lower of cost or market. Cost includes purchased raw materials, live purchase costs, growout costs (primarily feed, grower pay and catch and haul costs), labor and manufacturing and production overhead, which are related to the purchase and production of inventories. At both December 31, 2016, and October 1, 2016, 61% of the cost of inventories was determined by the first-in, first-out ("FIFO") method. The remaining cost of inventories for both periods is determined by the weighted-average method.

The following table reflects the major components of inventory (in millions):

	December 31, 2016	October 1, 2016
Processed products	$ 1,517	$ 1,530
Livestock	851	772
Supplies and other	399	430
Total inventory	$ 2,767	$ 2,732

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

The major categories of property, plant and equipment and accumulated depreciation are as follows (in millions):

	December 31, 2016	October 1, 2016
Land	$ 128	$ 126
Buildings and leasehold improvements	3,671	3,662
Machinery and equipment	6,815	6,789
Land improvements and other	301	300
Buildings and equipment under construction	405	290
	11,320	11,167
Less accumulated depreciation	6,114	5,997
Net property, plant and equipment	$ 5,206	$ 5,170

NOTE 5: OTHER CURRENT LIABILITIES

Other current liabilities are as follows (in millions):

	December 31, 2016	October 1, 2016
Accrued salaries, wages and benefits	$ 417	$ 563
Income taxes payable	263	7
Accrued marketing, advertising and promotion expense	193	212
Other	442	390
Total other current liabilities	$ 1,315	$ 1,172

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NOTE 6: DEBT

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

	December 31, 2016	October 1, 2016
Revolving credit facility	$ —	$ 300
Senior notes:		
7.00% Notes due May 2018	120	120
2.65% Notes due August 2019	1,000	1,000
4.10% Notes due September 2020	284	284
4.50% Senior notes due June 2022	1,000	1,000
3.95% Notes due August 2024	1,250	1,250
7.00% Notes due January 2028	18	18
6.13% Notes due November 2032	163	163
4.88% Notes due August 2034	500	500
5.15% Notes due August 2044	500	500
Discount on senior notes	(8)	(8)
Term loans:		
Tranche B due April 2019 (1.94% at 12/31/16)	500	500
Tranche B due August 2019 (2.31% at 12/31/16)	552	552
Amortizing notes - tangible equity units (see Note 7: Equity)	53	71
Other	62	58
Unamortized debt issuance costs	(27)	(29)
Total debt	5,967	6,279
Less current debt	66	79
Total long-term debt	$ 5,901	$ 6,200

Revolving Credit Facility

We have a $1.25 billion revolving credit facility that supports short-term funding needs and letters of credit. The facility will mature and the commitments thereunder will terminate in September 2019. After reducing for the amount borrowed and outstanding letters of credit issued under this facility, the amount available for borrowing at December 31, 2016, was $1,243 million. At December 31, 2016, we had outstanding letters of credit issued under this facility totaling $7 million, none of which were drawn upon. We had an additional $90 million of bilateral letters of credit issued separately from the revolving credit facility, none of which were drawn upon. Our letters of credit are issued primarily in support of leasing obligations and workers' compensation insurance programs.

If in the future any of our subsidiaries shall guarantee any of our material indebtedness, such subsidiary shall be required to guarantee the indebtedness, obligations and liabilities under this facility.

Debt Covenants

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

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

We were in compliance with all debt covenants at December 31, 2016.

NOTE 7: EQUITY

Share Repurchases

As of December 31, 2016, 31.7 million shares remained available for repurchase under our share repurchase program. The share repurchase program has no fixed or scheduled termination date and the timing and extent to which we repurchase shares will depend upon, among other things, our working capital needs, markets, industry conditions, liquidity targets, limitations under our debt obligations and regulatory requirements. In addition to the share repurchase program, we purchase shares on the open market to fund certain obligations under our equity compensation plans.

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A summary of share repurchases of our Class A stock for the three months ended December 31, 2016, and January 2, 2016, is as follows (in millions):

	Three Months Ended			
	December 31, 2016		January 2, 2016	
	Shares	Dollars	Shares	Dollars
Shares repurchased:				
Under share repurchase program	8.6	$ 550	7.6	$ 357
To fund certain obligations under equity compensation plans	0.4	26	0.7	30
Total share repurchases	9.0	$ 576	8.3	$ 387

Tangible Equity Units

In fiscal 2014, we completed the public issuance of 30 million 4.75% tangible equity units (TEUs). Total proceeds, net of underwriting discounts and other expenses, were $1,454 million. Each TEU, which has a stated amount of $50, is comprised of a prepaid stock purchase contract and a senior amortizing note due July 15, 2017. We allocated the proceeds from the issuance of the TEUs to equity and debt based on the relative fair values of the respective components of each TEU. The fair value of the prepaid stock purchase contracts, which was $1,295 million, is recorded in Capital in Excess of Par Value, net of issuance costs. The fair value of the senior amortizing notes, which was $205 million, was recorded in debt. Issuance costs associated with the TEU debt were recorded as deferred debt issuance cost and is amortized over the term of the instrument to July 15, 2017.

The aggregate values assigned upon issuance of each component of the TEUs, based on the relative fair value of the respective components of each TEU, were as follows (in millions, except price per TEU):

	Equity Component	Debt Component	Total
Price per TEU	$ 43.17	$ 6.83	$50.00
Gross proceeds	1,295	205	1,500
Issuance cost	(40)	(6)	(46)
Net proceeds	$ 1,255	$ 199	$1,454

Each senior amortizing note has an initial principal amount of $6.83 and bears interest at 1.5% per annum. On each January 15, April 15, July 15 and October 15, we will pay equal quarterly cash installments of $0.59 per amortizing note, which cash payment in the aggregate (principal and interest) is equivalent to 4.75% per year with respect to the $50 stated amount per TEU. Each installment constitutes a payment of interest and partial repayment of principal.

As of December 31, 2016, holders have settled 20.4 million purchase contracts and, in exchange, the Company has issued 21.7 million shares of its Class A stock. Upon early settlement of these purchase contracts, the corresponding amortizing notes remain outstanding and beneficially owned by the holders that settled purchase contracts early. As of December 31, 2016, 9.6 million TEUs remained outstanding. The remaining TEUs will continue to be held pursuant to their original terms and conditions, including automatic settlement on July 15, 2017. As a result of the purchase contracts tendered as of December 31, 2016, our remaining obligation is to deliver between a minimum of 10.3 million shares and a maximum of 12.9 million shares of our Class A stock, subject to adjustment, based upon the Applicable Market Value (as defined below) of our Class A stock as described below:

- If the Applicable Market Value is equal to or greater than the conversion price of $46.79 per share, we will deliver 1.0685 shares of Class A stock per purchase contract, or a minimum of 10.3 million Class A shares.
- If the Applicable Market Value is greater than the reference price of $37.44 but less than the conversion price of $46.79 per share, we will deliver a number of shares per purchase contract equal to $50, divided by the Applicable Market Value.
- If the Applicable Market Value is less than or equal to the reference price of $37.44 per share, we will deliver 1.3358 shares of Class A stock per purchase contract, or a maximum of 12.9 million Class A shares.

The "Applicable Market Value" means the average of the closing prices of our Class A stock on each of the 20 consecutive trading days beginning on, and including, the 23rd scheduled trading day immediately preceding July 15, 2017.

On December 15, 2016, we paid our quarterly dividend to shareholders of record at December 1, 2016, equal to $0.225 per share on our Class A stock. The amount of the distribution exceeded the $0.075 per share dividend threshold amount. Consequently, the settlement rates, reference price and conversion price were adjusted and are reflected above.

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The TEUs have a dilutive effect on our earnings per share. The 10.3 million minimum shares to be issued are included in the calculation of Class A Basic weighted average shares. The 2.6 million share difference between the minimum shares and the 12.9 million maximum shares are potentially dilutive securities, and accordingly, are included in our diluted earnings per share on a pro rata basis to the extent the Applicable Market Value is higher than the reference price but is less than the conversion price at period end.

NOTE 8: INCOME TAXES

The effective tax rate was 34.9% and 35.2% for the first quarter of fiscal 2017 and 2016, respectively. The effective tax rates for the first quarter of fiscal 2017 and fiscal 2016 were impacted by such items as the domestic production deduction and state income taxes.

Unrecognized tax benefits were $309 million and $305 million at December 31, 2016, and October 1, 2016, respectively.

We estimate that during the next twelve months it is reasonably possible that unrecognized tax benefits could decrease by as much as $8 million primarily due to expiration of statutes of limitations in various jurisdictions.

NOTE 9: OTHER INCOME AND CHARGES

During the first quarter of fiscal 2017, we recorded $16 million of legal cost related to a 1995 plant closure of an apparel manufacturing facility operated by a former subsidiary of The Hillshire Brands Company, which was acquired by us in fiscal 2014, $1 million in net foreign currency exchange losses and $3 million of equity earnings in joint ventures, which were recorded in the Consolidated Condensed Statements of Income in Other, net.

During the first quarter of fiscal 2016, we recorded $1 million in net foreign currency exchange losses and $2 million of equity earnings in joint ventures, which were recorded in the Consolidated Condensed Statements of Income in Other, net.

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NOTE 10: EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share (in millions, except per share data):

	Three Months Ended	
	December 31, 2016	January 2, 2016
Numerator:		
Net income	$ 594	$ 461
Less: Net income attributable to noncontrolling interests	1	—
Net income attributable to Tyson	593	461
Less dividends declared:		
Class A	86	58
Class B	19	13
Undistributed earnings	$ 488	$ 390
Class A undistributed earnings	$ 403	$ 327
Class B undistributed earnings	85	63
Total undistributed earnings	$ 488	$ 390
Denominator:		
Denominator for basic earnings per share:		
Class A weighted average shares	297	325
Class B weighted average shares, and shares under the if-converted method for diluted earnings per share	70	70
Effect of dilutive securities:		
Stock options, restricted stock and performance units	6	5
Denominator for diluted earnings per share – adjusted weighted average shares and assumed conversions	373	400
Net income per share attributable to Tyson:		
Class A basic	$ 1.64	$ 1.18
Class B basic	$ 1.49	$ 1.09
Diluted	$ 1.59	$ 1.15

Approximately 2 million of our stock-based compensation shares were antidilutive for the three months ended December 31, 2016, and January 2, 2016. These shares were not included in the diluted earnings per share calculation.

We have two classes of capital stock, Class A stock and Class B stock. Cash dividends cannot be paid to holders of Class B stock unless they are simultaneously paid to holders of Class A stock. The per share amount of cash dividends paid to holders of Class B stock cannot exceed 90% of the cash dividends paid to holders of Class A stock.

We allocate undistributed earnings based upon a 1 to 0.9 ratio per share to Class A stock and Class B stock, respectively. We allocate undistributed earnings based on this ratio due to historical dividend patterns, voting control of Class B shareholders and contractual limitations of dividends to Class B stock.

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NOTE 11: DERIVATIVE FINANCIAL INSTRUMENTS

Our business operations give rise to certain market risk exposures mostly due to changes in commodity prices, foreign currency exchange rates and interest rates. We manage a portion of these risks through the use of derivative financial instruments to reduce our exposure to commodity price risk, foreign currency risk and interest rate risk. Our risk management programs are periodically reviewed by our Board of Directors' Audit Committee. These programs are monitored by senior management and may be revised as market conditions dictate. Our current risk management programs utilize industry-standard models that take into account the implicit cost of hedging. Risks associated with our market risks and those created by derivative instruments and the fair values are strictly monitored, using value-at-risk and stress tests. Credit risks associated with our derivative contracts are not significant as we minimize counterparty concentrations, utilize margin accounts or letters of credit, and deal with credit worthy counterparties. Additionally, our derivative contracts are mostly short-term in duration and we generally do not make use of credit-risk-related contingent features. No significant concentrations of credit risk existed at December 31, 2016.

We had the following aggregated outstanding notional amounts related to our derivative financial instruments (in millions, except soy meal tons):

	Metric	December 31, 2016	October 1, 2016
Commodity:			
Corn	Bushels	52	50
Soy meal	Tons	334,300	389,700
Live cattle	Pounds	54	28
Lean hogs	Pounds	204	158
Foreign currency	United States dollar	$ 52	$ 38

We recognize all derivative instruments as either assets or liabilities at fair value in the Consolidated Condensed Balance Sheets, with the exception of normal purchases and normal sales expected to result in physical delivery. For those derivative instruments that are designated and qualify as hedging instruments, we designate the hedging instrument based upon the exposure being hedged (i.e., cash flow hedge or fair value hedge). We designate certain forward contracts as follows:

- Cash Flow Hedges – include certain commodity forward and option contracts of forecasted purchases (i.e., grains) and certain foreign exchange forward contracts.
- Fair Value Hedges – include certain commodity forward contracts of firm commitments (i.e., livestock).

Cash Flow Hedges

Derivative instruments are designated as hedges against changes in the amount of future cash flows related to procurement of certain commodities utilized in our production processes. For the derivative instruments we designate and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income (OCI) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses representing hedge ineffectiveness are recognized in earnings in the current period. Ineffectiveness related to our cash flow hedges was not significant for the three months ended December 31, 2016, and January 2, 2016. As of December 31, 2016, the net amounts expected to be reclassified into earnings within the next 12 months are pretax gains of $2 million. During the three months ended December 31, 2016, and January 2, 2016, we did not reclassify significant pretax gains/losses into earnings as a result of the discontinuance of cash flow hedges.

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

	Gain (Loss) Recognized in OCI On Derivatives Three Months Ended		Consolidated Condensed Statements of Income Classification	Gain (Loss) Reclassified from OCI to Earnings Three Months Ended	
	December 31, 2016	January 2, 2016		December 31, 2016	January 2, 2016
Cash flow hedge – derivatives designated as hedging instruments:					
Commodity contracts	$ 1	$ (2)	Cost of sales	$ (4)	$ (1)
Foreign exchange contracts	—	—	Other income/expense	—	—
Total	$ 1	$ (2)		$ (4)	$ (1)

Fair Value Hedges

We designate certain derivative contracts as fair value hedges of firm commitments to purchase livestock for harvest. Our objective of these hedges is to minimize the risk of changes in fair value created by fluctuations in commodity prices associated with fixed price livestock firm commitments. For these derivative instruments we designate and qualify as a fair value hedge, the gain or loss on the derivative, as well as the offsetting gain or loss on the hedged item attributable to the hedged risk, are recognized in earnings in the same period. We include the gain or loss on the hedged items (i.e., livestock purchase firm commitments) in the same line item, Cost of Sales, as the offsetting gain or loss on the related livestock forward position.

	Consolidated Condensed Statements of Income Classification	Three Months Ended	
		December 31, 2016	January 2, 2016
Gain (Loss) on forwards	Cost of sales	$ 28	$ 33
Gain (Loss) on purchase contract	Cost of sales	(28)	(33)

Ineffectiveness related to our fair value hedges was not significant for the three months ended December 31, 2016, and January 2, 2016.

Undesignated Positions

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

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

	Consolidated Condensed Statements of Income Classification	Gain (Loss) Recognized in Earnings Three Months Ended	
		December 31, 2016	January 2, 2016
Derivatives not designated as hedging instruments:			
Commodity contracts	Sales	$ 51	$ 9
Commodity contracts	Cost of sales	(1)	(15)
Foreign exchange contracts	Other income/expense	—	—
Total		$ 50	$ (6)

The fair value of all outstanding derivative instruments in the Consolidated Condensed Balance Sheets are included in Note 12: Fair Value Measurements.

NOTE 12: FAIR VALUE MEASUREMENTS

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

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

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

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs derived principally from or corroborated by other observable market data.

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The fair value hierarchy requires the use of observable market data when available. In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input significant to the fair value measurement in its entirety. Our assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

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The following tables set forth by level within the fair value hierarchy our financial assets and liabilities accounted for at fair value on a recurring basis according to the valuation techniques we used to determine their fair values (in millions):

December 31, 2016	Level 1	Level 2	Level 3	Netting (a)	Total
Assets:					
Derivative financial instruments:					
Designated as hedges	$ —	$ 4	$ —	$ —	$4
Undesignated	—	48	—	(22)	26
Available-for-sale securities:					
Current	—	3	1	—	4
Non-current	—	39	54	—	93
Deferred compensation assets	8	249	—	—	257
Total assets	$ 8	$ 343	$ 55	$ (22)	$384
Liabilities:					
Derivative financial instruments:					
Designated as hedges	$ —	$ 17	$ —	$ (17)	$—
Undesignated	—	24	—	(23)	1
Total liabilities	$ —	$ 41	$ —	$ (40)	$1

October 1, 2016	Level 1	Level 2	Level 3	Netting (a)	Total
Assets:					
Derivative financial instruments:					
Designated as hedges	$ —	$ 72	$ —	$ (27)	$45
Undesignated	—	38	—	(34)	4
Available-for-sale securities:					
Current	—	2	2	—	4
Non-current	—	38	55	—	93
Deferred compensation assets	18	236	—	—	254
Total assets	$ 18	$ 386	$ 57	$ (61)	$400
Liabilities:					
Derivative financial instruments:					
Designated as hedges	$ —	$ 1	$ —	$ (1)	$—
Undesignated	—	68	—	(68)	—
Total liabilities	$ —	$ 69	$ —	$ (69)	$—

(a) Our derivative assets and liabilities are presented in our Consolidated Condensed Balance Sheets on a net basis. We net derivative assets and liabilities, including cash collateral, when a legally enforceable master netting arrangement exists between the counterparty to a derivative contract and us. At December 31, 2016, and October 1, 2016, we had posted with various counterparties $18 million and $8 million, respectively, of cash collateral related to our commodity derivatives and held no cash collateral. At December 31, 2016, we had posted, with a single counterparty, $1 million of cash collateral where a legally enforceable master netting arrangement did not exist.

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

	Three Months Ended	
	December 31, 2016	January 2, 2016
Balance at beginning of year	$ 57	$ 61
Total realized and unrealized gains (losses):		
Included in earnings	—	—
Included in other comprehensive income (loss)	(1)	—
Purchases	4	4
Issuances	—	—
Settlements	(5)	(6)
Balance at end of period	$ 55	$ 59
Total gains (losses) for the three-month period included in earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held at end of period	$ —	$ —

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

Derivative Assets and Liabilities: Our derivative financial instruments primarily include exchange-traded and over-the-counter contracts which are further described in Note 11: Derivative Financial Instruments. We record our derivative financial instruments at fair value using quoted market prices adjusted for credit and non-performance risk and internal models that use as their basis readily observable market inputs including current and forward market prices. We classify these instruments in Level 2 when quoted market prices can be corroborated utilizing observable current and forward commodity market prices on active exchanges or observable market transactions.

Available-for-Sale Securities: Our investments in marketable debt securities are classified as available-for-sale and are reported at fair value based on pricing models and quoted market prices adjusted for credit and non-performance risk. Short-term investments with maturities of less than 12 months are included in Other current assets in the Consolidated Condensed Balance Sheets and primarily include certificates of deposit and commercial paper. All other marketable debt securities are included in Other Assets in the Consolidated Condensed Balance Sheets and have maturities ranging up to 32 years. We classify our investments in U.S. government, U.S. agency, certificates of deposit and commercial paper debt securities as Level 2 as fair value is generally estimated using discounted cash flow models that are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other readily available relevant economic measures. We classify certain corporate, asset-backed and other debt securities as Level 3 as there is limited activity or less observable inputs into valuation models, including current interest rates and estimated prepayment, default and recovery rates on the underlying portfolio or structured investment vehicle. Significant changes to assumptions or unobservable inputs in the valuation of our Level 3 instruments would not have a significant impact to our consolidated condensed financial statements.

The following table sets forth our available-for-sale securities' amortized cost basis, fair value and unrealized gain (loss) by significant investment category (in millions):

	December 31, 2016			October 1, 2016		
	Amortized Cost Basis	Fair Value	Unrealized Gain (Loss)	Amortized Cost Basis	Fair Value	Unrealized Gain (Loss)
Available-for-sale securities:						
Debt securities:						
U.S. treasury and agency	$ 42	$ 42	$ —	$40	$ 40	$ —
Corporate and asset-backed	55	55	—	56	57	1

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Unrealized holding gains (losses), net of tax, are excluded from earnings and reported in OCI until the security is settled or sold. On a quarterly basis, we evaluate whether losses related to our available-for-sale securities are temporary in nature. Losses on equity securities are recognized in earnings if the decline in value is judged to be other than temporary. If losses related to our debt securities are determined to be other than temporary, the loss would be recognized in earnings if we intend, or more likely than not will be required, to sell the security prior to recovery. For debt securities in which we have the intent and ability to hold until maturity, losses determined to be other than temporary would remain in OCI, other than expected credit losses which are recognized in earnings. We consider many factors in determining whether a loss is temporary, including the length of time and extent to which the fair value has been below cost, the financial condition and near-term prospects of the issuer and our ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery. We recognized no other than temporary impairment in earnings for the three months ended December 31, 2016, and January 2, 2016. No other than temporary losses were deferred in OCI as of December 31, 2016, and October 1, 2016.

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

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

In addition to assets and liabilities that are recorded at fair value on a recurring basis, we record assets and liabilities at fair value on a nonrecurring basis. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges. We did not have any significant measurements of assets or liabilities at fair value on a nonrecurring basis subsequent to their initial recognition during the three ended December 31, 2016, and January 2, 2016.

Other Financial Instruments

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

	December 31, 2016		October 1, 2016	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Total debt	$6,138	$ 5,967	$6,698	$ 6,279

NOTE 13: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

The components of the net periodic cost for the pension and postretirement benefit plans for the three months ended December 31, 2016, and January 2, 2016, are as follows (in millions):

	Pension Plans Three Months Ended	
	December 31, 2016	January 2, 2016
Service cost	$ 3	$ 4
Interest cost	16	20
Expected return on plan assets	(15)	(17)
Amortization of:		
Net actuarial loss	2	1

Settlement (gain) loss (a)	—	(12)
Net periodic cost (credit)	$ 6	$ (4)

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	Postretirement Benefit Plans Three Months Ended	
	December 31, 2016	January 2, 2016
Interest cost	$ —	$ 1
Amortization of:		
Prior service credit	(6)	(4)
Net periodic cost (credit)	$ (6)	$ (3)

(a) We made lump-sum settlement payments using plan assets of $265 million for the three months ended January 2, 2016, to certain deferred vested participants within our qualified pension plans.

We contributed $9 million and $32 million to our pension plans for the three months ended December 31, 2016, and January 2, 2016, respectively. We expect to contribute an additional $31 million during the remainder of fiscal 2017. The amount of contributions made to pension plans in any year is dependent upon a number of factors including minimum funding requirements in the jurisdictions in which we operate. As a result, the actual funding in fiscal 2017 may differ from the current estimate.

NOTE 14: OTHER COMPREHENSIVE INCOME (LOSS)

The before and after tax changes in the components of other comprehensive income (loss) are as follows (in millions):

	Three Months Ended					
	December 31, 2016			January 2, 2016		
	Before Tax	Tax	After Tax	Before Tax	Tax	After Tax
Derivatives accounted for as cash flow hedges:						
(Gain) loss reclassified to cost of sales	$4	$(2)	$2	$1	$ —	$1
Unrealized gain (loss)	1	—	1	(2)	1	(1)
Investments:						
Unrealized gain (loss)	(1)	—	(1)	(1)	—	(1)
Currency translation:						
Translation adjustment	(14)	—	(14)	(5)	—	(5)
Postretirement benefits	(4)	1	(3)	(3)	1	(2)
Total other comprehensive income (loss)	$(14)	$(1)	$(15)	$(10)	$ 2	$(8)

NOTE 15: SEGMENT REPORTING

We operate in four reportable segments: Chicken, Beef, Pork, and Prepared Foods. We measure segment profit as operating income (loss). Other primarily includes our foreign chicken production operations in China and India, third-party merger and integration costs and corporate overhead related to Tyson New Ventures, LLC.

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

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

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

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Prepared Foods: Prepared Foods includes our operations related to manufacturing and marketing frozen and refrigerated food products and logistics operations to move products through the supply chain. This segment includes brands such as Jimmy Dean®, Hillshire Farm®, Ball Park®, Wright®, State Fair®, Van's®, Sara Lee® and Chef Pierre®, as well as artisanal brands Aidells®, Gallo Salame®, and Golden Island®. Products primarily include pepperoni, bacon, breakfast sausage, turkey, lunchmeat, hot dogs, pizza crusts and toppings, flour and corn tortilla products, desserts, appetizers, snacks, prepared meals, ethnic foods, soups, sauces, side dishes, meat dishes, breadsticks and processed meats. Products are marketed domestically to food retailers, foodservice distributors, restaurant operators, hotel chains and noncommercial foodservice establishments such as schools, healthcare facilities, the military and other food processors, as well as to international export markets.

We allocate expenses related to corporate activities to the segments, except for third-party merger and integration costs and corporate overhead related to Tyson New Ventures, LLC, which are included in Other.

Information on segments and a reconciliation to income before income taxes are as follows (in millions):

	Three Months Ended	
	December 31, 2016	January 2, 2016
Sales:		
Chicken	$2,706	$ 2,636
Beef	3,528	3,614
Pork	1,252	1,213
Prepared Foods	1,895	1,896
Other	90	99
Intersegment sales	(289)	(306)
Total sales	$9,182	$ 9,152
Operating income (loss):		
Chicken	$263	$ 358
Beef	299	71
Pork	247	158
Prepared Foods	190	207
Other	(17)[(a)]	(18)[(a)]
Total operating income	982	776
Total other (income) expense	70	64
Income before income taxes	$912	$ 712

(a) Other includes third-party merger and integration costs and corporate overhead of Tyson New Ventures, LLC of $7 million and $5 million for the three months ended December 31, 2016, and January 2, 2016, respectively.

The Chicken segment had sales of $7 million and $3 million in the first quarter of fiscal 2017 and 2016, respectively, from transactions with other operating segments of the Company. The Beef segment had sales of $72 million in both the first quarter of fiscal 2017 and 2016, from transactions with other operating segments of the Company. The Pork segment had sales of $210 million and $231 million in the first quarter of fiscal 2017 and 2016, respectively, from transactions with other operating segments of the Company. The aforementioned sales from intersegment transactions, which were at market prices, were included in the segment sales in the above table.

NOTE 16: COMMITMENTS AND CONTINGENCIES

Commitments

We guarantee obligations of certain outside third parties, consisting primarily of leases, debt and grower loans, which are substantially collateralized by the underlying assets. Terms of the underlying debt cover periods up to 10 years, and the maximum potential amount of future payments as of December 31, 2016, was $34 million. We also maintain operating leases for various types of equipment, some of which contain residual value guarantees for the market value

of the underlying leased assets at the end of the term of the lease. The remaining terms of the lease maturities cover periods over the next 11 years. The maximum potential amount of the residual value guarantees is $92 million, of which $84 million could be recoverable through various recourse provisions and an additional undeterminable recoverable amount based on the fair value of the underlying leased assets. The likelihood of material payments under these guarantees is not considered probable. At December 31, 2016, and October 1, 2016, no material liabilities for guarantees were recorded.

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We have cash flow assistance programs in which certain livestock suppliers participate. Under these programs, we pay an amount for livestock equivalent to a standard cost to grow such livestock during periods of low market sales prices. The amounts of such payments that are in excess of the market sales price are recorded as receivables and accrue interest. Participating suppliers are obligated to repay these receivables balances when market sales prices exceed this standard cost, or upon termination of the agreement. Our maximum commitment associated with these programs is limited to the fair value of each participating livestock supplier's net tangible assets. The potential maximum commitment as of December 31, 2016, was approximately $380 million. The total receivables under these programs were $8 million and $2 million at December 31, 2016, and October 1, 2016, respectively. These receivables are included, net of allowance for uncollectible amounts, in Accounts Receivable in our Consolidated Condensed Balance Sheets. Even though these programs are limited to the net tangible assets of the participating livestock suppliers, we also manage a portion of our credit risk associated with these programs by obtaining security interests in livestock suppliers' assets. After analyzing residual credit risks and general market conditions, we have no allowance for these programs' estimated uncollectible receivables at December 31, 2016, and October 1, 2016.

When constructing new facilities or making major enhancements to existing facilities, we will occasionally enter into incentive agreements with local government agencies in order to reduce certain state and local tax expenditures. Under these agreements, we transfer the related assets to various local government entities and receive Industrial Revenue Bonds. We immediately lease the facilities from the local government entities and have an option to re-purchase the facilities for a nominal amount upon tendering the Industrial Revenue Bonds to the local government entities at various predetermined dates. The Industrial Revenue Bonds and the associated obligations for the leases of the facilities offset, and the underlying assets remain in property, plant and equipment. At December 31, 2016, total amounts under these type of arrangements totaled $505 million.

Contingencies

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

Below are the details of six lawsuits involving our beef, pork and prepared foods plants in which certain present and past employees allege that we failed to compensate them for the time it takes to engage in pre- and post-shift activities, such as changing into and out of protective and sanitary clothing and walking to and from the changing area, work areas and break areas in violation of the Fair Labor Standards Act and various state laws. The plaintiffs seek back wages, liquidated damages, pre- and post-judgment interest, attorneys' fees and costs. Each case is proceeding in its jurisdiction.

- Bouaphakeo (f/k/a Sharp), et al. v. Tyson Foods, Inc., N.D. Iowa, February 6, 2007 - A jury trial was held involving our Storm Lake, Iowa, pork plant which resulted in a jury verdict in favor of the plaintiffs for violations of federal and state laws for pre- and post-shift work activities. The trial court also awarded the plaintiffs liquidated damages, resulting in total damages awarded in the amount of $5,784,758. The plaintiffs' counsel has also filed an application for attorneys' fees and expenses in the amount of $2,692,145. We appealed the jury's verdict and trial court's award to the Eighth Circuit Court of Appeals. The appellate court affirmed the jury verdict and judgment on August 25, 2014, and we filed a petition for rehearing on September 22, 2014, which was denied. We filed a petition for a writ of certiorari with the United States Supreme Court, which was granted on June 8, 2015, and oral arguments before the Supreme Court occurred on November 10, 2015. On March 22, 2016, the Supreme Court affirmed the appellate court's

rulings and remanded to the trial court to allocate the lump sum award among the class participants. On remand, the trial court determined that the lump sum award should be allocated to class participants according to the method prescribed by plaintiffs' expert at trial. The trial court has yet to enter a judgment.

- Edwards, et al. v. Tyson Foods, Inc. d.b.a. Tyson Fresh Meats, Inc., S.D. Iowa, March 20, 2008 - The trial court in this case, which involves our Perry and Waterloo, Iowa, pork plants, decertified the state law class and granted other pre-trial motions that resulted in judgment in our favor with respect to the plaintiffs' claims. The plaintiffs have filed a motion to modify this judgment.
- Murray, et al. v. Tyson Foods, Inc., C.D. Illinois, January 2, 2008; and DeVoss v. Tyson Foods, Inc. d.b.a. Tyson Fresh Meats, C.D. Illinois, March 2, 2011 - These cases involve our Joslin, Illinois, beef plant and are in their preliminary stages.
- Dozier, Southerland, et al. v. The Hillshire Brands Company, E.D. North Carolina, September 2, 2014 - This case involves our Tarboro, North Carolina, prepared foods plant. On March 25, 2016, the parties filed a joint motion for settlement totaling $425,000, which includes all of the plaintiffs' attorneys' fees and costs.

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- Awad, et al. v. Tyson Foods, Inc. and Tyson Fresh Meats, Inc., M.D. Tennessee, February 12, 2015 - On October 12, 2016, the parties filed a joint motion for approval of a $725,000 settlement, and plaintiffs filed an application for attorneys' fees and costs. The court granted its preliminary approval of the parties' joint motion and the application for attorneys' fees and costs, on October 21, 2016, and dismissed the action with prejudice.

On September 2, 2016, Maplevale Farms, Inc., acting on behalf of itself and a putative class of direct purchasers of poultry products, filed a class action complaint against us and certain of our poultry subsidiaries, as well as several other poultry processing companies, in the Northern District of Illinois. Subsequent to the filing of this initial complaint, additional lawsuits making similar claims on behalf of putative classes of direct and indirect purchasers were filed in the United States District Court for the Northern District of Illinois. The court consolidated the complaints, for pre-trial purposes, into actions on behalf of three different putative classes: direct purchasers, indirect purchasers/consumers and commercial/institutional indirect purchasers. These three actions are styled In re Broiler Chicken Antitrust Litigation. Several amended and consolidated complaints have been filed on behalf of each putative class. The currently operative complaints allege, among other things, that beginning in January 2008 the defendants conspired and combined to fix, raise, maintain, and stabilize the price of broiler chickens in violation of United States antitrust laws. The complaints on behalf of the putative classes of indirect purchasers also include causes of action under various state unfair competition laws, consumer protection laws, and unjust enrichment common laws. The complaints also allege that defendants "manipulated and artificially inflated a widely used Broiler price index, the Georgia Dock." It is further alleged that the defendants concealed this conduct from the plaintiffs and the members of the putative classes. The plaintiffs are seeking treble damages, injunctive relief, pre- and post-judgment interest, costs, and attorneys' fees on behalf of the putative classes. We have filed motions to dismiss these actions.

On October 17, 2016, William Huser, acting on behalf of himself and a putative class of persons who purchased shares of Tyson Foods' stock between November 23, 2015, and October 7, 2016, filed a class action complaint against Tyson Foods, Inc., Donnie Smith and Dennis Leatherby in the Central District of California. The complaint alleged, among other things, that our periodic filings contained materially false and misleading statements by failing to disclose that the Company has colluded with other producers to manipulate the supply of broiler chickens in order to keep supply artificially low, as alleged in In re Broiler Chicken Antitrust Litigation, stating that its industry is competitive, and failing to disclose that we lacked effective internal control over financial reporting. The complaint sought damages, pre- and post-judgment interest, costs, and attorneys' fees. Subsequent to the filing of this initial complaint, additional lawsuits making similar claims were filed in the United States District Courts for the Southern District of New York, the Western District of Arkansas, and the Southern District of Ohio. Each of those cases have now been transferred to the United States District Court for the Western District of Arkansas and consolidated, and lead plaintiffs have been appointed. The lead plaintiffs have not yet filed a consolidated complaint.

On January 20, 2017, the Company received a subpoena from the Securities and Exchange Commission in connection with an investigation related to the Company. We are cooperating with the investigation, which is at an early stage. Based upon the limited information we have, we believe the investigation is based upon the allegations in In re Broiler Chicken Antitrust Litigation.

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Our subsidiary, The Hillshire Brands Company (formerly named Sara Lee Corporation), is a party to a consolidation of cases filed by individual complainants with the Republic of the Philippines, Department of Labor and Employment and the National Labor Relations Commission (NLRC) from 1998 through July 1999. The complaint is filed against Aris Philippines, Inc., Sara Lee Corporation, Sara Lee Philippines, Inc., Fashion Accessories Philippines, Inc., and Attorney Cesar C. Cruz (collectively, the “respondents”). The complaint alleges, among other things, that the respondents engaged in unfair labor practices in connection with the termination of manufacturing operations in the Philippines in 1995 by Aris Philippines, Inc., a former subsidiary of The Hillshire Brands Company. In late 2004, a labor arbiter ruled against the respondents and awarded the complainants PHP3,453,664,710 (approximately US$70 million) in damages and fees. The respondents appealed the labor arbiter's ruling, and it was subsequently set aside by the NLRC in December 2006. Subsequent to the NLRC’s decision, the parties filed numerous appeals, motions for reconsideration and petitions for review, certain of which remained outstanding for several years. While various of those appeals, motions and/or petitions were pending, The Hillshire Brands Company, on June 23, 2014, without admitting liability, filed a settlement motion requesting that the Supreme Court of the Philippines order dismissal with prejudice of all claims against it and certain other respondents in exchange for payments allocated by the court among the complainants in an amount not to exceed PHP342,287,800 (approximately US$6.9 million). Based in part on its finding that the consideration to be paid to the complainants as part of such settlement was insufficient, the Supreme Court of the Philippines denied the respondents’ settlement motion and all motions for reconsideration thereof. The Supreme Court of the Philippines also set aside as premature the NLRC’s December 2006 ruling. As a result, the cases were remanded back before the NLRC to rule on the merits of the case. On December 15, 2016, we learned that the NLRC rendered its decision on November 29, 2016, regarding the respondents’ appeals regarding the labor arbiter’s 2004 ruling in favor of the complainants. The NLRC increased the award for 4,922 of the total 5,984 complainants to PHP14,858,495,937 (approximately US$299 million). However, the NLRC approved of a prior settlement reached with the group comprising approximately 18% of the class of 5,984 complainants, pursuant to which The Hillshire Brands Company agreed to pay each settling complainant PHP68,000 (approximately US$1,369). The settlement payment was made on December 21, 2016, to the NLRC, which is responsible for distributing the funds to each settling complainant. On December 27, 2016, the respondents filed motions for reconsideration with the NLRC asking that the award be set aside. We await the NLRC’s decision on those pending motions and are evaluating our right to further challenge the NLRC decision through appeals to the courts in the event the motions for reconsideration are denied by the NLRC. We have recorded an accrual for this matter for the amount of loss that, at this time, we deem probable and enforceable. This accrual is reflected in the Company’s consolidated condensed financial statements and reflects an increase over the previous accrual for this matter, though significantly less than the amount awarded by the labor arbiter in 2004 (i.e., PHP3,453,664,710 (approximately US$70 million)). The ultimate enforceable loss is uncertain, and if our accrual is not adequate, an adverse outcome could have a material effect on the consolidated financial condition or results of operations.

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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

Description of the Company

We are one of the world's largest food companies with leading brands such as Tyson®, Jimmy Dean®, Hillshire Farm®, Sara Lee®, Ball Park®, Wright®, Aidells® and State Fair®. We are a recognized market leader in chicken, beef and pork, as well as prepared foods, including bacon, breakfast sausage, turkey, lunchmeat, hot dogs, pizza crusts and toppings, tortillas and desserts. Some of the key factors influencing our business are customer demand for our products; the ability to maintain and grow relationships with customers and introduce new and innovative products to the marketplace; accessibility of international markets; market prices for our products; the cost and availability of live cattle and hogs, raw materials, and feed ingredients; and operating efficiencies of our facilities.

We operate in four reportable segments: Chicken, Beef, Pork and Prepared Foods. Other primarily includes our foreign chicken production operations in China and India, third-party merger and integration costs and corporate overhead related to Tyson New Ventures, LLC.

Overview

- General – Our operating income grew 27% in the first quarter of fiscal 2017, which was led by record earnings in our Beef and Pork segments with continued solid performance in our Chicken and Prepared Foods segments. Our Beef and Pork segments had a $228 million and $89 million improvement in operating income, respectively. In addition to the strong performance across each of our segments, in the first quarter of fiscal 2017, we incurred an incremental $58 million of compensation and benefit integration expense as we continued to integrate and make investments in our talent. Sales increased in the first quarter of fiscal 2017 as sales volume increased 2.4%, partially offset by declining beef prices. Sales volume increased in each of our segments in the first quarter of fiscal 2017. We continued to execute our strategy of accelerating growth in domestic value-added chicken sales, prepared food sales, innovating products, services and customer insights and cultivating our talent development to support Tyson's growth for the future.
- Integration - We maintain focus on the integration of The Hillshire Brands Company ("Hillshire Brands") and synergy capture. As we continue to execute our Prepared Foods strategy, we estimate the impact of the Hillshire Brands synergies, along with the profit improvement plan related to our legacy Prepared Foods business, will have a positive impact of approximately $675 million in fiscal 2017. The majority of these benefits are expected to be realized in the Prepared Foods segment. We will continue to invest a portion of the synergies in innovation, new product launches and supporting the growth of our brands. In the first quarter of fiscal 2017, we captured an incremental $40 million of synergies above the $121 million realized in the first quarter of fiscal 2016, for a total of $161 million of synergies and profit improvement initiatives realized in the first quarter of fiscal 2017.
- Market Environment - According to the United States Department of Agriculture (USDA), domestic protein production (chicken, beef, pork, and turkey) increased approximately 3%, in the first quarter of fiscal 2017, over the same period in fiscal 2016, and we expect it to be up 2-3% for the full fiscal year. Our Chicken segment delivered solid results driven by favorable demand for our products and lower feed costs, partially offset with higher marketing, advertising, and promotion spend. The Beef segment had a record operating margin due to better domestic and export demand and more favorable market conditions associated with an increase in cattle supply which resulted in lower fed cattle costs. The Pork segment also had a record operating margin as domestic market conditions were favorable with lower livestock cost, improved export markets, and better demand for our pork products. Our Prepared Foods segment delivered solid operating income as a result of increased sales volumes due to improved demand for our prepared foods products, as well as synergies and lower input costs, partially offset with higher operating costs at some of our facilities and increased marketing, advertising, and promotion spend.
- Margins – Our total operating margin was 10.7% in the first quarter of fiscal 2017. Operating margins by segment were as follows:
  - Chicken – 9.7%
  - Beef – 8.5%
  - Pork – 19.7%

- Prepared Foods – 10.0%
- Liquidity – We generated $1.1 billion of operating cash flows during the first three months of fiscal 2017. At December 31, 2016, we had approximately $1.6 billion of liquidity, which includes availability under our revolving credit facility and $307 million of cash and cash equivalents.

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in millions, except per share data	Three Months Ended	
	December 31, 2016	January 2, 2016
Net income attributable to Tyson	$ 593	$ 461
Net income attributable to Tyson – per diluted share	1.59	1.15

Summary of Results

Sales

in millions	Three Months Ended	
	December 31, 2016	January 2, 2016
Sales	$9,182	$ 9,152
Change in sales volume	2.4 %	
Change in average sales price	(2.0)%	
Sales growth	0.3 %	

First quarter – Fiscal 2017 vs Fiscal 2016

- Sales Volume – Sales were positively impacted by an increase in sales volume, which accounted for an increase of $216 million. Each segment had an increase in sales volume with the Beef segment contributing the majority of the increase driven by increased availability of live cattle supply in addition to better demand for our beef products.
- Average Sales Price – Sales were negatively impacted by lower average sales prices, which accounted for a decrease of $186 million. The Beef, Pork and Prepared Foods segments had a decrease in average sales price as a result of decreased pricing associated with lower live cattle and hog costs and other raw material costs, partially offset with an increase in average sales price in the Chicken segment from sales mix changes.

Cost of Sales

in millions	Three Months Ended	
	December 31, 2016	January 2, 2016
Cost of sales	$7,699	$7,951
Gross profit	$1,483	$1,201
Cost of sales as a percentage of sales	83.8 %	86.9 %

First quarter – Fiscal 2017 vs Fiscal 2016

- Cost of sales decreased $252 million. Lower input cost per pound decreased cost of sales $440 million while higher sales volume increased cost of sales $188 million.
- The $440 million impact of lower input cost per pound was primarily driven by:
- Decrease in live cattle costs of approximately $410 million in our Beef segment.
- Decrease in live hog costs of approximately $85 million in our Pork segment.
- Decrease in raw material and other input costs of $100 million in our Prepared Foods segment.
- Decrease in feed costs of approximately $20 million in our Chicken segment.
- Increase in cost per pound due to a mix upgrade in the Chicken segment as we increased sales volume in value-added products.
- Increase in operating costs across all segments, which also included $43 million of compensation and benefit integration expense.
- The $188 million impact of higher sales volume was due to sales volume increases in each segment with the Beef segment contributing the majority of the increase as a result of an increase in live cattle processed and better demand for our beef products.

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Selling, General and Administrative

in millions	Three Months Ended December 31, 2016	January 2, 2016
Selling, general and administrative expense	$501	$ 425
As a percentage of sales	5.5 %	4.6 %

First quarter – Fiscal 2017 vs Fiscal 2016

- Increase of $76 million in selling, general and administrative was primarily driven by:
- Increase of $28 million in employee costs including payroll and stock-based and incentive-based compensation, which included $15 million compensation and benefit integration expense.
- Increase of $20 million related to marketing, advertising and promotion expense to drive sales growth.
- Increase of $16 million in severance related expenses.
- Increase of $12 million in all other primarily related to professional fees and information technology costs.

Interest Expense

in millions	Three Months Ended December 31, 2016	January 2, 2016
Cash interest expense	$ 58	$ 67
Total interest expense	$ 58	$ 67

First quarter – Fiscal 2017 vs Fiscal 2016

- Cash interest expense primarily included interest expense related to the coupon rates for senior notes and term loans and commitment/letter of credit fees incurred on our revolving credit facilities. The decrease in cash interest expense in the first quarter of fiscal 2017 was primarily due to a reduction of our debt.

Other (Income) Expense, net

in millions	Three Months Ended December 31, 2016	January 2, 2016
Total other (income) expense, net	$ 14	$ (1)

First quarter – Fiscal 2017

- Included $16 million of legal cost related to a 1995 plant closure of an apparel manufacturing facility operated by a former subsidiary of The Hillshire Brands Company, which was acquired by us in fiscal 2014. Also, included $1 million in net foreign currency exchange losses and $3 million of income from equity earnings in joint ventures.

First quarter – Fiscal 2016

- Included $1 million in net foreign currency exchange losses and $2 million of income from equity earnings in joint ventures.

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Effective Tax Rate

Three Months Ended December 31, 2016	January 2, 2016
34.9%	35.2 %

First quarter – Fiscal 2017 – The effective tax rate was impacted by:

- state income taxes; and
- the domestic production deduction.

First quarter – Fiscal 2016 – The effective tax rate was impacted by:

- state income taxes; and
- the domestic production deduction.

Segment Results

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

in millions	Sales Three Months Ended December 31, 2016	January 2, 2016
Chicken	$2,706	$ 2,636
Beef	3,528	3,614
Pork	1,252	1,213
Prepared Foods	1,895	1,896
Other	90	99
Intersegment sales	(289)	(306)
Total	$9,182	$ 9,152

in millions	Operating Income (Loss) Three Months Ended December 31, 2016	January 2, 2016
Chicken	$263	$ 358
Beef	299	71
Pork	247	158
Prepared Foods	190	207
Other	(17)	(18)
Total	$982	$ 776

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Chicken Segment Results

in millions	Three Months Ended		
	December 31, 2016	January 2, 2016	Change
Sales	$2,706	$2,636	$70
Sales volume change			1.3 %
Average sales price change			1.4 %
Operating income	$263	$358	$(95)
Operating margin	9.7 %	13.6 %	

First quarter – Fiscal 2017 vs Fiscal 2016

- Sales Volume – Sales volume increased as a result of better demand for our chicken products, partially offset by a decrease in rendered product sales.
- Average Sales Price – Average sales price increased as a result of sales mix changes which offset general market price declines.
- Operating Income – Operating income decreased due to increased marketing, advertising and promotion spend and higher operating costs which included $23 million of compensation and benefit integration expense. Feed costs decreased $20 million during the first quarter of fiscal 2017.

Beef Segment Results

in millions	Three Months Ended		
	December 31, 2016	January 2, 2016	Change
Sales	$3,528	$3,614	$(86)
Sales volume change			4.5 %
Average sales price change			(6.6)%
Operating income	$299	$71	$228
Operating margin	8.5 %	2.0 %	

First quarter – Fiscal 2017 vs Fiscal 2016

- Sales Volume – Sales volume increased due to improved availability of cattle supply and stronger domestic and export demand for our beef products.
- Average Sales Price – Average sales price decreased due to higher domestic availability of beef supplies and lower livestock cost.
- Operating Income – Operating income increased due to more favorable market conditions as we maximized our revenues relative to the decline in live fed cattle costs, partially offset by higher operating costs.

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Pork Segment Results

in millions	Three Months Ended		
	December 31, 2016	January 2, 2016	Change
Sales	$1,252	$1,213	$39
Sales volume change			4.3 %
Average sales price change			(1.0)%
Operating income	$247	$158	$89
Operating margin	19.7 %	13.0 %	

First quarter – Fiscal 2017 vs Fiscal 2016

- Sales Volume – Sales volume increased due to strong demand for our pork products and increased exports.
- Average Sales Price – Live hog supplies increased, which drove down livestock cost and average sales price.
- Operating Income – Operating income increased as we maximized our revenues relative to the live hog markets, partially attributable to stronger export markets and operational and mix performance, which were partially offset by higher operating costs.

Prepared Foods Segment Results

in millions	Three Months Ended		
	December 31, 2016	January 2, 2016	Change
Sales	$1,895	$1,896	$(1)
Sales volume change			2.9 %
Average sales price change			(2.9)%
Operating income	$190	$207	$(17)
Operating margin	10.0 %	10.9 %	

First quarter – Fiscal 2017 vs Fiscal 2016

- Sales Volume – Sales volume increased due to improved demand for our prepared foods products.
- Average Sales Price – Average sales price decreased primarily due to a decline in input costs of approximately $100 million, partially offset by product mix changes.
- Operating Income – Operating income decreased due to higher operating costs at some of our facilities, increased marketing, advertising and promotion spend and $22 million of compensation and benefit integration expense. Additionally, Prepared Foods operating income was positively impacted by $127 million in synergies, of which $32 million was incremental synergies in the first quarter of fiscal 2017 above the $95 million of synergies realized in the first quarter of fiscal 2016. The positive impact of these synergies to operating income was partially offset with investments in innovation, new product launches and supporting the growth of our brands.

Other Results

in millions	Three Months Ended		
	December 31, 2016	January 2, 2016	Change
Sales	$90	$ 99	$ (9)
Operating loss	$(17)	$ (18)	$ 1

First quarter – Fiscal 2017 vs Fiscal 2016

- Sales – Sales decreased due to a decline in sales volume and decrease in average sales price in our foreign chicken production operations.
- Operating Loss – Operating loss improved due to better performance at our China operation, partially offset by a slight increase in third-party merger and integration expense.

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LIQUIDITY AND CAPITAL RESOURCES

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

Cash Flows from Operating Activities

in millions	Three Months Ended December 31, 2016	January 2, 2016
Net income	$594	$ 461
Non-cash items in net income:		
Depreciation and amortization	177	172
Deferred income taxes	(4)	69
Other, net	7	(1)
Net changes in operating assets and liabilities	360	394
Net cash provided by operating activities	$1,134	$ 1,095

- Cash flows associated with net changes in operating assets and liabilities for the three months ended:
  - December 31, 2016 – Increased primarily due to decreased accounts receivable and income tax receivable balances and increased accounts payable and income taxes payable balances, partially offset by decreased accrued employee costs. The decreased accounts receivable, income tax receivable and accrued employee costs, as well as the increased accounts payable and income taxes payable balances are largely due to the timing of sales and payments.
  - January 2, 2016 – Increased primarily due to decreases in accounts receivable and inventory balances and increases accounts payable and income taxes payable balances. The decrease in accounts receivable and inventory is largely due to decreased raw materials costs and timing of sales. The increase in accounts payable is largely due to timing of payments.

Cash Flows from Investing Activities

in millions	Three Months Ended December 31, 2016	January 2, 2016
Additions to property, plant and equipment	$(200)	$ (188)
(Purchases of)/Proceeds from marketable securities, net	(2)	(2)
Other, net	(12)	(1)
Net cash used for investing activities	$(214)	$ (191)

- Additions to property, plant and equipment include acquiring new equipment and upgrading our facilities to maintain competitive standing and position us for future opportunities.
- Capital spending for fiscal 2017 is expected to approximate $1 billion and will include spending for production growth, safety, animal well-being, infrastructure replacements and upgrades, and operational improvements that will result in production and labor efficiencies, yield improvements and sales channel flexibility.

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Cash Flows from Financing Activities

in millions	Three Months Ended December 31, 2016	January 2, 2016
Payments on debt	$ (20)	$ (20)
Borrowings on revolving credit facility	435	—
Payments on revolving credit facility	(735)	—
Purchases of Tyson Class A common stock	(576)	(387)
Dividends	(79)	(54)
Stock options exercised	6	34
Other, net	12	23
Net cash used for financing activities	(957)	(404)

- We had net payments on our revolving credit facility of $300 million for the first three months of fiscal 2017. We utilized our revolving credit facility to balance our cash position with changes in working capital.
- Purchases of Tyson Class A stock included:
  - $550 million and $357 million of shares repurchased pursuant to our share repurchase program during the three months ended December 31, 2016, and January 2, 2016, respectively.
  - $26 million and $30 million of shares repurchased to fund certain obligations under our equity compensation programs during the three months ended December 31, 2016, and January 2, 2016, respectively.
- We expect to continue repurchasing shares under our share repurchase program. As of December 31, 2016, 31.7 million shares remain authorized for repurchases. The timing and extent to which we repurchase shares will depend upon, among other things, our working capital needs, markets, industry conditions, liquidity targets, limitations under our debt obligations and regulatory requirements.
- Dividends paid during the first three months of fiscal 2017 included a 50% increase to our fiscal 2016 quarterly dividend rate.

Liquidity

in millions

	Commitments Expiration Date	Facility Amount	Outstanding Letters of Credit (no draw downs)	Amount Borrowed	Amount Available
Cash and cash equivalents					$ 307
Short-term investments					4
Revolving credit facility	September 2019	$ 1,250	$ 7	$ —	1,243
Total liquidity					$ 1,554

- The revolving credit facility supports our short-term funding needs and letters of credit. The letters of credit issued under this facility are primarily in support of leasing obligations and workers' compensation insurance programs. Our maximum borrowing under the revolving credit facility during the first three months of fiscal 2017 was $300 million.
- We expect net interest expense will approximate $230 million for fiscal 2017.
- At December 31, 2016, approximately $270 million of our cash was held in the international accounts of our foreign subsidiaries. Generally, we do not rely on the foreign cash as a source of funds to support our ongoing domestic liquidity needs. Rather, we manage our worldwide cash requirements by reviewing available funds among our foreign subsidiaries and the cost effectiveness with which those funds can be accessed. The repatriation of cash balances from certain of our foreign subsidiaries could have adverse tax consequences or be subject to regulatory capital requirements; however, those balances are generally available without legal restrictions to fund ordinary business operations. United States income taxes, net of applicable foreign tax credits, have not been provided on undistributed earnings of foreign subsidiaries. Our intention is to reinvest the cash held by foreign subsidiaries permanently or to

repatriate the cash only when it is tax efficient to do so.

- Our current ratio was 1.60 to 1 and 1.77 to 1 at December 31, 2016, and October 1, 2016, respectively.

Capital Resources

Credit Facility

Cash flows from operating activities and cash on hand are our primary sources of liquidity for funding debt service, capital expenditures, dividends and share repurchases. We also have a revolving credit facility, with a committed capacity of $1.25 billion, to provide additional liquidity for working capital needs, letters of credit and a source of financing for growth opportunities.

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As of December 31, 2016, we had outstanding letters of credit totaling $7 million issued under this facility, none of which were drawn upon, which left $1,243 million available for borrowing. Our revolving credit facility is funded by a syndicate of 42 banks, with commitments ranging from $0.3 million to $85 million per bank. The syndicate includes bank holding companies that are required to be adequately capitalized under federal bank regulatory agency requirements.

Capitalization

To monitor our credit ratings and our capacity for long-term financing, we consider various qualitative and quantitative factors. We monitor the ratio of our net debt to EBITDA as support for our long-term financing decisions. At December 31, 2016, and October 1, 2016, the ratio of our net debt to EBITDA was 1.5x and 1.7x, respectively. Refer to Part I, Item 3, EBITDA Reconciliations, for an explanation and reconciliation to comparable GAAP measures. The decrease in this ratio at December 31, 2016, was due to increased EBITDA and decreased net debt during the first three months of fiscal 2017.

Credit Ratings

Term Loans: Tranche B due April 2019 and Tranche B due August 2019

Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business (S&P), credit rating for both term loans is "BBB." Moody’s Investor Service, Inc. (Moody's) credit rating for both term loans is "Baa2." Fitch Ratings, a wholly owned subsidiary of Fimlac, S.A. (Fitch) credit rating for both term loans is "BBB." The below table outlines the borrowing spread on the outstanding principal balance depending on the rating levels of both term loans from S&P, Moody's and Fitch.

Ratings Level (S&P/Moody's/Fitch)	Tranche B due April 2019 Borrowing Spread		Tranche B due August 2019 Borrowing Spread	
BBB+/Baa1/BBB+	1.000	%	1.250	%
BBB/Baa2/BBB (current level)	1.125	%	1.500	%
BBB-/Baa3/BBB-	1.375	%	1.750	%
BB+/Ba1/BB+	1.625	%	2.000	%
BB/Ba2/BB or lower	1.875	%	2.500	%

Revolving Credit Facility

S&P’s corporate credit rating for Tyson Foods, Inc. is "BBB." Moody’s, senior unsecured, long-term debt rating for Tyson Foods, Inc. is "Baa2." Fitch's issuer default rating for Tyson Foods, Inc. is "BBB." The below table outlines the fees paid on the unused portion of the facility (Facility Fee Rate) and letter of credit fees (Undrawn Letter of Credit Fee and Borrowing Spread) depending on the rating levels of Tyson Foods, Inc. from S&P, Moody's and Fitch.

Ratings Level (S&P/Moody's/Fitch)	Facility Fee Rate		Undrawn Letter of Credit Fee and Borrowing Spread	
A-/A3/A- or above	0.100	%	1.000	%
BBB+/Baa1/BBB+	0.125	%	1.125	%
BBB/Baa2/BBB (current level)	0.150	%	1.250	%
BBB-/Baa3/BBB-	0.200	%	1.500	%
BB+/Ba1/BB+ or lower	0.250	%	1.750	%

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

Debt Covenants

Our revolving credit and term loan facilities contain affirmative and negative covenants that, among other things, may limit or restrict our ability to: create liens and encumbrances; incur debt; merge, dissolve, liquidate or consolidate; make acquisitions and investments; dispose of or transfer assets; change the nature of our business; engage in certain transactions with affiliates; and enter into hedging transactions, in each case, subject to certain qualifications and

exceptions. In addition, we are required to maintain minimum interest expense coverage and maximum debt-to-capitalization ratios.

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

We were in compliance with all debt covenants at December 31, 2016.

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RECENTLY ISSUED/ADOPTED ACCOUNTING PRONOUNCEMENTS

Refer to the discussion of recently issued/adopted accounting pronouncements under Part I, Item 1, Notes to Consolidated Condensed Financial Statements, Note 1: Accounting Policies and Note 2: Changes in Accounting Principles.

CRITICAL ACCOUNTING ESTIMATES

We consider accounting policies related to: contingent liabilities; marketing, advertising and promotion costs; accrued self-insurance; defined benefit pension plans; impairment of long-lived assets and definite life intangibles; impairment of goodwill and indefinite life intangible assets; and income taxes to be critical accounting estimates. These policies are summarized in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended October 1, 2016.

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

Certain information in this report constitutes forward-looking statements. Such forward-looking statements include, but are not limited to, current views and estimates of our outlook for fiscal 2017, other future economic circumstances, industry conditions in domestic and international markets, our performance and financial results (e.g., debt levels, return on invested capital, value-added product growth, capital expenditures, tax rates, access to foreign markets and dividend policy). These forward-looking statements are subject to a number of factors and uncertainties that could cause our actual results and experiences to differ materially from anticipated results and expectations expressed in such forward-looking statements. We wish to caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Among the factors that may cause actual results and experiences to differ from anticipated results and expectations expressed in such forward-looking statements are the following: (i) the effect of, or changes in, general economic conditions; (ii) fluctuations in the cost and availability of inputs and raw materials, such as live cattle, live swine, feed grains (including corn and soybean meal) and energy; (iii) market conditions for finished products, including competition from other global and domestic food processors, supply and pricing of competing products and alternative proteins and demand for alternative proteins; (iv) successful rationalization of existing facilities and operating efficiencies of the facilities; (v) risks associated with our commodity purchasing activities; (vi) access to foreign markets together with foreign economic conditions, including currency fluctuations, import/export restrictions and foreign politics; (vii) outbreak of a livestock disease (such as avian influenza (AI) or bovine spongiform encephalopathy (BSE)), which could have an adverse effect on livestock we own, the availability of livestock we purchase, consumer perception of certain protein products or our ability to access certain domestic and foreign markets; (viii) changes in availability and relative costs of labor and contract growers and our ability to maintain good relationships with employees, labor unions, contract growers and independent producers providing us livestock; (ix) issues related to food safety, including costs resulting from product recalls, regulatory compliance and any related claims or litigation; (x) changes in consumer preference and diets and our ability to identify and react to consumer trends; (xi) significant marketing plan changes by large customers or loss of one or more large customers; (xii) adverse results from litigation; (xiii) impacts on our operations caused by factors and forces beyond our control, such as natural disasters, fire, bioterrorism, pandemic or extreme weather; (xiv) risks associated with leverage, including cost increases due to rising interest rates or changes in debt ratings or outlook; (xv) compliance with and changes to regulations and laws (both domestic and foreign), including changes in accounting standards, tax laws, environmental laws, agricultural laws and occupational, health and safety laws; (xvi) our ability to make effective acquisitions or joint ventures and successfully integrate newly acquired businesses into existing operations; (xvii) cyber incidents, security breaches or other disruptions of our information technology systems; (xviii) effectiveness of advertising and marketing programs; and (xix) those factors listed under Item 1A. "Risk Factors" included in our Annual Report filed on Form 10-K for the year ended October 1, 2016.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

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

Commodities Risk: We purchase certain commodities, such as grains and livestock in the course of normal operations. As part of our commodity risk management activities, we use derivative financial instruments, primarily futures and options, to reduce the effect of changing prices and as a mechanism to procure the underlying commodity. However, as the commodities underlying our derivative financial instruments can experience significant price fluctuations, any requirement to mark-to-market the positions that have not been designated or do not qualify as hedges could result in volatility in our results of operations. Contract terms of a hedge instrument closely mirror those of the hedged item providing a high degree of risk reduction and correlation. Contracts designated and highly effective at meeting this risk reduction and correlation criteria are recorded using hedge accounting. The following table presents a sensitivity analysis resulting from a hypothetical change of 10% in market prices as of December 31, 2016, and October 1, 2016, on the fair value of open positions. The fair value of such positions is a summation of the fair values calculated for each commodity by valuing each net position at quoted futures prices. The market risk exposure analysis included hedge and non-hedge derivative financial instruments.

Effect of 10% change in fair value	in millions	
	December 31, 2016	October 1, 2016
Livestock:		
Live Cattle	$ 3	$ 5
Lean Hogs	13	7
Grain:		
Corn	13	26
Soy Meal	11	8

Interest Rate Risk: At December 31, 2016, we had variable rate debt of $1,057 million with a weighted average interest rate of 2.1%. A hypothetical 10% increase in interest rates effective at December 31, 2016, and October 1, 2016, would have a minimal effect on interest expense.

Additionally, changes in interest rates impact the fair value of our fixed-rate debt. At December 31, 2016, we had fixed-rate debt of $4,910 million with a weighted average interest rate of 4.3%. Market risk for fixed-rate debt is estimated as the potential increase in fair value, resulting from a hypothetical 10% decrease in interest rates. A hypothetical 10% decrease in interest rates would have increased the fair value of our fixed-rate debt by approximately $88 million at December 31, 2016, and $71 million at October 1, 2016. The fair values of our debt were estimated based on quoted market prices and/or published interest rates.

We have interest rate risk associated with our pension and post-retirement benefit obligations. Changes in interest rates impact the liabilities associated with these benefit plans as well as the amount of income or expense recognized for these plans. Declines in the value of the plan assets could diminish the funded status of the pension plans and potentially increase the requirements to make cash contributions to these plans. See Part II, Item 8, Notes to Consolidated Financial Statements, Note 14: Pensions and Other Postretirement Benefits in the Annual Report on Form 10-K for the year ended October 1, 2016, for additional information.

Foreign Currency Risk: We have foreign exchange exposure from fluctuations in foreign currency exchange rates primarily as a result of certain receivable and payable balances. The primary currencies we have exposure to are the Brazilian real, the British pound sterling, the Canadian dollar, the Chinese renminbi, the European euro, the Japanese yen and the Mexican peso. We periodically enter into foreign exchange forward and option contracts to hedge some portion of our foreign currency exposure. A hypothetical 10% change in foreign exchange rates effective at December 31, 2016, and October 1, 2016, related to the foreign exchange forward and option contracts would have a $4 million and $3 million impact, respectively, on pretax income.

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Concentration of Credit Risk: Refer to our market risk disclosures set forth in the 2016 Annual Report filed on Form 10-K for a detailed discussion of quantitative and qualitative disclosures about concentration of credit risks, as these risk disclosures have not changed significantly from the 2016 Annual Report.

EBITDA Reconciliations

A reconciliation of net income to EBITDA is as follows (in millions, except ratio data):

	Three Months Ended		Fiscal Year Ended	Twelve Months Ended
	December 31, 2016	January 2, 2016	October 1, 2016	December 31, 2016
Net income	$594	$ 461	$ 1,772	$ 1,905
Less: Interest income	(2)	(2)	(6)	(6)
Add: Interest expense	58	67	249	240
Add: Income tax expense	318	251	826	893
Add: Depreciation	156	151	617	622
Add: Amortization (a)	19	19	80	80
EBITDA	$1,143	$ 947	$ 3,538	$ 3,734
Total gross debt			$ 6,279	$ 5,967
Less: Cash and cash equivalents			(349)	(307)
Less: Short-term investments			(4)	(4)
Total net debt			$ 5,926	$ 5,656
Ratio Calculations:				
Gross debt/EBITDA			1.8x	1.6x
Net debt/EBITDA			1.7x	1.5x

(a) Excludes the amortization of debt discount expense of $2 million for the three months ended December 31, 2016, and January 2, 2016, and $8 million for the fiscal year ended October 1, 2016, and for the twelve months ended December 31, 2016, as it is included in interest expense.

EBITDA represents net income, net of interest, income tax and depreciation and amortization. Net debt to EBITDA represents the ratio of our debt, net of cash and short-term investments, to EBITDA. EBITDA and net debt to EBITDA are presented as supplemental financial measurements in the evaluation of our business. We believe the presentation of these financial measures helps investors to assess our operating performance from period to period, including our ability to generate earnings sufficient to service our debt, and enhances understanding of our financial performance and highlights operational trends. These measures are widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies; however, the measurements of EBITDA and net debt to EBITDA may not be comparable to those of other companies, which limits their usefulness as comparative measures. EBITDA and net debt to EBITDA are not measures required by or calculated in accordance with generally accepted accounting principles (GAAP) and should not be considered as substitutes for net income or any other measure of financial performance reported in accordance with GAAP or as a measure of operating cash flow or liquidity. EBITDA is a useful tool for assessing, but is not a reliable indicator of, our ability to generate cash to service our debt obligations because certain of the items added to net income to determine EBITDA involve outlays of cash. As a result, actual cash available to service our debt obligations will be different from EBITDA. Investors should rely primarily on our GAAP results, and use non-GAAP financial measures only supplementally, in making investment decisions.

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Item 4. Controls and Procedures

An evaluation was performed, under the supervision and with the participation of management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended). Based on that evaluation, management, including the CEO and CFO, has concluded that, as of December 31, 2016, our disclosure controls and procedures were effective.

In the first quarter ended December 31, 2016, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Refer to the description of certain legal proceedings pending against us under Part I, Item 1, Notes to Consolidated Condensed Financial Statements, Note 16: Commitments and Contingencies, which discussion is incorporated herein by reference. Listed below are certain additional legal proceedings involving the Company and/or its subsidiaries.

On January 27, 2017, Haff Poultry, Inc., Craig Watts, Johnny Upchurch, Jonathan Walters and Brad Carr, acting on behalf of themselves and a putative class of broiler chicken farmers, filed a class action complaint against us and certain of our poultry subsidiaries, as well as several other vertically-integrated poultry processing companies, in the United States District Court for the Eastern District of Oklahoma. The plaintiffs allege, among other things, that the defendants colluded not to compete for broiler raising services “with the purpose and effect of fixing, maintaining, and/or stabilizing grower compensation below competitive levels” through the use of certain benchmarking services and an agreement “not to solicit or recruit growers from one another” in violation of the Sherman Antitrust Act. The plaintiffs also allege that defendants exchanged grower compensation data in violation of Section 202 of the Grain Inspection, Packers and Stockyards Act of 1921. The plaintiffs are seeking treble damages, pre- and post-judgment interest, costs, and attorneys’ fees on behalf of the putative class. This matter is in its initial stage, and we intend to defend against these allegations.

On April 23, 2015, the United States Environmental Protection Agency (EPA) issued a Finding and Notice of Violation (NOV) to Tyson Foods, Inc. and our subsidiary, Southwest Products, LLC, alleging violations of the California Truck and Bus Regulation. The NOV alleges that certain diesel-powered trucks operated by us in California did not comply with California’s emission requirements for in-use trucks and that we did not verify the compliance status of independent carriers hired to carry products in California. In January 2016, the EPA proposed that we pay a civil penalty of $283,990 to resolve these allegations. We are cooperating with the EPA and believe that we have defenses to the allegations of the NOV.

On June 17, 2014, the Missouri attorney general filed a civil lawsuit against us in the Circuit Court of Barry County, Missouri, concerning an incident that occurred in May 2014 in which some feed supplement was discharged from our plant in Monett, Missouri, to the City of Monett’s wastewater treatment plant allegedly leading to a fish kill in a local stream and odor issues around the plant. In January 2015, a consent judgment was entered that resolved the lawsuit. The judgment required payment of $540,000, which included amounts for penalties, cost recovery and supplemental environmental projects. We subsequently satisfied all these requirements, and the consent judgment was terminated in January 2017. The EPA has also indicated to us that it has begun a criminal investigation into the incident. If we become subject to criminal charges, we may be subject to a fine and other relief, as well as government contract suspension and debarment. We are cooperating with the EPA but cannot predict the outcome of its investigation at this time. It is also possible that other regulatory agencies may commence investigations and allege additional violations.

On June 19, 2005, the Attorney General and the Secretary of the Environment of the State of Oklahoma filed a complaint in the United States District Court for the Northern District of Oklahoma against Tyson Foods, Inc., three subsidiaries and six other poultry integrators. The complaint, which was subsequently amended, asserts a number of state and federal causes of action including, but not limited to, counts under the Comprehensive Environmental Response, Compensation, and Liability Act, Resource Conservation and Recovery Act, and state-law public nuisance theories. Oklahoma alleges that the defendants and certain contract growers who were not joined in the lawsuit polluted the surface waters, groundwater and associated drinking water supplies of the Illinois River Watershed through the land application of poultry litter. Oklahoma’s claims were narrowed through various rulings issued before and during trial and its claims for natural resource damages were dismissed by the district court in a ruling issued on July 22, 2009, which was subsequently affirmed on appeal by the Tenth Circuit Court of Appeals. A non-jury trial of the remaining claims including Oklahoma’s request for injunctive relief began on September 24, 2009. Closing arguments were held on February 11, 2010. The district court has not yet rendered its decision from the trial.

Other Matters: As of October 1, 2016, we had approximately 114,000 employees and, at any time, have various employment practices matters outstanding. In the aggregate, these matters are significant to the Company, and we devote significant resources to managing employment issues. Additionally, we are subject to other lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of our business. While the ultimate results of these matters cannot be determined, they are not expected to have a material adverse effect on our consolidated results of operations or financial position.

Item 1A. Risk Factors

There have been no material changes to the risk factors listed in Part I, “Item 1A. Risk Factors” in the Annual Report on Form 10-K for the year ended October 1, 2016. These risk factors should be considered carefully with the information provided elsewhere in this report, which could materially adversely affect our business, financial condition or results of operations.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

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

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs [1]
Oct. 2, 2016 to Oct. 29, 2016	2,752,346	$ 70.80	2,712,661	37,627,193
Oct. 30, 2016 to Dec. 3, 2016	5,088,237	60.88	4,752,478	32,874,715
Dec 4, 2016 to Dec 31, 2016	1,184,352	60.11	1,165,867	31,708,848
Total	9,024,935 [2]	$ 63.80	8,631,006 [3]	31,708,848

(1) On February 7, 2003, we announced our Board of Directors approved a program to repurchase up to 25 million shares of Class A common stock from time to time in open market or privately negotiated transactions. On May 3, 2012, our Board of Directors approved an increase of 35 million shares, on January 30, 2014, our Board of Directors approved an increase of 25 million shares and, on February 4, 2016, our Board of Directors approved an increase of 50 million shares, authorized for repurchase under our share repurchase program. The program has no fixed or scheduled termination date.

(2) We purchased 393,929 shares during the period that were not made pursuant to our previously announced stock repurchase program, but were purchased to fund certain Company obligations under our equity compensation plans. These transactions included 86,181 shares purchased in open market transactions and 307,748 shares withheld to cover required tax withholdings on the vesting of restricted stock.

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

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

None

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Item 6. Exhibits

The following exhibits are filed with this report.

Exhibit No.	Exhibit Description
10.1*	Form of Performance Shares Relative Total Shareholder Return Stock Incentive Award Agreement pursuant to which performance stock awards are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective November 28, 2016.
10.2*	Form of Performance Shares EBIT Stock Incentive Award Agreement pursuant to which performance stock awards are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective November 28, 2016.
10.3*	Form of Restricted Stock Subject to Performance Criteria Stock Incentive Award Agreement pursuant to which restricted stock awards subject to performance criteria are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective November 28, 2016.
10.4*	Form of Restricted Stock Incentive

	Award Agreement with contracted employees pursuant to which restricted stock awards are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective November 28, 2016.
10.5*	Form of Restricted Stock Incentive Award Agreement with non-contracted employees pursuant to which restricted stock awards are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective November 28, 2016.
10.6*	Form of Stock Options Incentive Award Agreement with contracted employees pursuant to which stock options awards are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective November 28, 2016.
10.7*	Form of Stock Options Incentive Award Agreement with non-contracted employees pursuant to which stock options awards are granted under the Tyson Foods, Inc. 2000 Stock Incentive Plan effective November 28, 2016.
10.8*	

	Amended and Restated Tyson Foods, Inc. Supplemental Executive Retirement and Life Insurance Premium Plan effective January 1, 2017 (previously filed as Exhibit 10.68 to the Company's Annual Report on Form 10-K for the fiscal year ended October 1, 2016, Commission File No. 001-14704, and incorporated herein by reference).
10.9*	Amended and Restated Employment Agreement dated as of November 17, 2016, entered into between the Company and Thomas P. Hayes (previously filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed November 22, 2016, Commission File No. 001-14704, and incorporated herein by reference).
10.10*	Transition, Non-Compete, and Consulting Agreement dated as of November 17, 2016, between the Company and Donald J. Smith (previously filed as Exhibit 10.2 to the Company’s Current Report on Form 8-K

	filed November 22, 2016, Commission File No. 001-14704, and incorporated herein by reference).
12.1	Ratio of Earnings to Fixed Charges
31.1	Certification of Chief Executive Officer pursuant to SEC Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to SEC Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from our Quarterly Report on Form 10-Q for the quarter ended December 31, 2016,

formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Condensed Statements of Income, (ii) Consolidated Condensed Statements of Comprehensive Income, (iii) Consolidated Condensed Balance Sheets, (iv) Consolidated Condensed Statements of Cash Flows, and (v) the Notes to Consolidated Condensed Financial Statements.

* Indicates a management contract or compensatory plan or arrangement.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TYSON FOODS, INC.

Date: February 6, 2017 /s/ Dennis Leatherby
Dennis Leatherby
Executive Vice President and Chief Financial Officer

Date: February 6, 2017 /s/ Curt T. Calaway
Curt T. Calaway
Senior Vice President, Controller and Chief Accounting Officer

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