

HORMEL FOODS CORP /DE/  
Form 11-K  
April 21, 2016  
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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D. C. 20549**

**FORM 11-K**

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended October 25, 2015

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-2402

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

**Clougherty Packing, LLC 401(k) Plan**

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

**Hormel Foods Corporation**

**1 Hormel Place**

**Austin, MN 55912**

**507-437-5611**

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Clougherty Packing, LLC  
401(k) Plan

Audited Financial Statements and Supplemental Schedule

Years Ended October 25, 2015 and October 26, 2014

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## Report of Independent Registered Public Accounting Firm

The Hormel Foods Corporation Employee Benefits Committee

Clougherty Packing, LLC 401(k) Plan

We have audited the accompanying statement of net assets available for benefits of the Clougherty Packing, LLC 401(k) Plan (the Plan) as of October 25, 2015 and October 26, 2014, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at October 25, 2015 and October 26, 2014, and the changes in its net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying supplemental schedule of assets (held at end of year) as of October 25, 2015, has been subjected to audit procedures performed in conjunction with the audit of the Clougherty Packing, LLC 401(k) Plan's financial statements. The information in the supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Minneapolis, Minnesota

April 21, 2016

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Clougherty Packing, LLC  
401(k) Plan

Statements of Net Assets Available for Benefits

	<b>October 25, 2015</b>	<b>October 26, 2014</b>
<b>Assets</b>		
Investments:		
Investments at fair value	\$ 25,366,963	\$ 25,779,701
Investments at contract value	7,414,112	5,495,758
Total investments	32,781,075	31,275,459
Receivables:		
Contributions from Clougherty Packing, LLC	610,655	600,874
Contributions from participants	60,032	60,117
Total Receivables	670,687	660,991
Net assets available for benefits	\$ 33,451,762	\$ 31,936,450

*See accompanying notes.*

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Clougherty Packing, LLC  
401(k) Plan

Statements of Changes in Net Assets Available for Benefits

	<b>Year Ended October 25, 2015</b>	<b>Year Ended October 26, 2014</b>
Additions:		
Contributions from Clougherty Packing, LLC	\$ 1,059,156	\$ 809,399
Contributions from participants	1,855,967	1,774,478
Employee rollover	23,295	604,365
Investment income	444,100	365,257
Total additions	3,382,518	3,553,499
Deductions:		
Distributions	2,956,361	2,300,270
Administrative expenses	1,303	1,255
Total deductions	2,957,664	2,301,525
Net realized and unrealized appreciation in fair value of investments	1,090,458	1,455,726
Net additions	1,515,312	2,707,700
Net assets available for benefits at beginning of year	31,936,450	29,228,750
Net assets available for benefits at end of year	\$ 33,451,762	\$ 31,936,450

*See accompanying notes.*

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Clougherty Packing, LLC  
401(k) Plan

Notes to Financial Statements

October 25, 2015

**1. Significant Accounting Policies**

The accounting records of the Clougherty Packing, LLC (the Company or the Sponsor) 401(k) Plan (the Plan) are maintained on the accrual basis.

Investments held by the Plan are stated at fair value with the exception of fully benefit-responsive investment contracts. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Contract value reflects the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan and is the relevant measure for the portion of assets attributable to fully benefit-responsive investment contracts.

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirement to present investments for which the practical expedient is used to measure fair value at net asset value (NAV) within the fair value hierarchy table. Instead, an entity would be required to include those investments as a reconciling item so that the total fair value amount of investments in the disclosure is consistent with the fair value investment balance on the statement of net assets available for benefits. The Plan elected to early adopt ASU 2015-07 as of October 25, 2015, as permitted and has applied ASU 2015-07 retrospectively, as required. The adoption has been reflected in Note 3 Fair Value Measurements of the financial statements. The adoption had no impact on the statements of net assets available for benefits or the statement of changes in net assets available for benefits as of October 25, 2015 and October 26, 2014.

In July 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ASU 2015-12, *Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962)*,



*Health and Welfare Benefit Plans (Topic 965): (Part I) Fully Benefit-Responsive Investment Contract, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient*, which simplifies the required disclosures related to employee benefit plans. Part I eliminates the requirement to measure and disclose the fair value of fully benefit-responsive contracts, including common collective trust assets. Contract value is the only required measure for fully benefit-responsive investment contracts. Part II eliminates the requirement to disclose individual investments which comprise 5% or more of total net assets available for benefits, as well as the net appreciation or depreciation of fair values by type. Part II also requires plans to continue to disaggregate investments that are measured using fair value by general type; however, plans are no longer required to also disaggregate investments by nature, characteristics and risks. Furthermore, the disclosure of information about fair value

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Clougherty Packing, LLC  
401(k) Plan

Notes to Financial Statements (continued)

**1. Significant Accounting Policies (continued)**

measurements shall be provided by general type of plan asset. Part III allows plans to measure investments using values from the end of the calendar month closest to the plan's fiscal year end. The Plan elected to early adopt ASU 2015-12 Parts I and II as of October 25, 2015 and has applied the provisions retrospectively. The Plan is not adopting the provisions of ASU 2015-12 Part III.

The Employee Benefits Committee (the Committee) of Hormel Foods Corporation, the parent company of the Sponsor, is responsible for determining the Plan's valuation policies and analyzing information provided by the investment advisors and record keeper that is used to determine the fair value of the Plan's investments. The Committee is comprised of officers and a director of Hormel Foods Corporation and reports to the Compensation Committee of the Board of Directors of Hormel Foods Corporation. See Note 3 Fair Value Measurements for further discussion.

All costs and expenses incurred in connection with the operation of the Plan with regard to the purchase and sale of investments and certain professional fees are paid by the Plan.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded as earned. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

## 2. Description of the Plan

The following description of the Plan provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan's provisions. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The Plan's year-end is the last Sunday of October.

The Plan, sponsored by Clougherty Packing, LLC, is a defined-contribution profit-sharing plan that includes a cash or deferred arrangement covering certain employees of Clougherty Packing, LLC, Champ, LLC, and PFFJ, LLC. Employees generally become participants in the Plan on the first day of the calendar month following three months of continuous service, with respect to employee deferral and employer contributions.

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Clougherty Packing, LLC  
401(k) Plan

Notes to Financial Statements (continued)

**2. Description of the Plan (continued)**

Employees who elect to make contributions to the Plan can authorize a deduction of 1% to 50% of their compensation for each pay period, subject to Internal Revenue Service (IRS) limitations. An eligible employee who has not made an election to contribute to the Plan shall be deemed to have automatically elected to contribute 4% to the Plan through payroll deduction. The automatic enrollment feature is not available to employees of Champ, LLC or PFFJ, LLC and the operating engineers employees of Clougherty Packing, LLC. The Plan contains a diversified selection of funds intended to satisfy Section 404(c) of ERISA. The Sponsor provides matching contributions and may provide discretionary contributions. These contributions vary according to employee classification and employer.

Each participant's account is credited with the participant's and the Sponsor's contributions and plan earnings and is charged with an allocation of administrative expenses if the employer does not pay those expenses from its own assets. Allocations are based on account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

Participant contributions are always fully vested. Participants become 100% vested after six years (20% per year beginning with the second year) in the Company discretionary and Company match accounts. Forfeitures used to reduce employer contributions for the years ended October 25, 2015 and October 26, 2014, were \$65,638 and \$273,746, respectively.

Benefits are paid upon termination of service in various forms of distribution equal to the vested value of a participant's account. Complete details of payment provisions are described in a Summary Plan Description, available from the Sponsor. Benefits are recorded when paid.

The employer may, at its sole discretion, discontinue contributions or terminate the Plan at any time subject to the provisions of ERISA. Upon the Plan's termination, all amounts credited to participants would become fully vested, and

the assets of the Plan would be distributed to participants based on amounts previously credited to their respective accounts.

### **3. Fair Value Measurements**

The Plan accounts for its financial assets and liabilities in accordance with Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* (ASC 820), which are carried at fair value on a recurring basis in its financial statements. ASC 820 establishes a fair value hierarchy that requires assets and liabilities measured at fair value to be categorized into one of three levels based on the inputs used in the valuation. Assets and liabilities are classified in their

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Clougherty Packing, LLC  
401(k) Plan

Notes to Financial Statements (continued)

**3. Fair Value Measurements (continued)**

entirety based on the lowest level of input significant to the fair value measurement. The three levels are defined as follows:

- Level 1: Observable inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Observable inputs, other than those included in Level 1, based on quoted prices for similar assets and liabilities in active markets, or quoted prices for identical assets and liabilities in inactive markets.
- Level 3: Unobservable inputs that reflect an entity's own assumptions about what inputs a market participant would use in pricing the asset or liability based on the best information available in the circumstances.

The following is a description of the valuation methodologies used for instruments held by the Plan measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

**Non-pooled Separate Account**

The non-pooled separate account consists of common stock of Hormel Foods Corporation, which is valued at the last reported sales price on the last business day of the year, and a portion of uninvested cash, which is reported at carrying value as maturities are less than three months. This non-pooled separate account is deemed to be a Level 1 investment.

The Company has implemented a dividend pass through election for its participants.

Participants are authorized to invest up to 100% of the fair value of their net assets available for benefits in this fund. Each participant in this fund is entitled to exercise voting rights attributable to the shares allocated to their account and is notified by Hormel Foods Corporation prior to the time that such rights may be exercised. The trustee is not permitted to vote any allocated shares for which instructions have not been given by a participant. The trustee votes any unallocated shares in the same proportion as those shares that were allocated, unless the Committee directs the trustee otherwise. Participants have the same voting rights in the event of a tender or exchange offer.

This fund is approximately 7% and 2% of the total investments in the Plan at October 25, 2015 and October 26, 2014, respectively.

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Clougherty Packing, LLC  
401(k) Plan

Notes to Financial Statements (continued)

**3. Fair Value Measurements (continued)**

**Separate Trust Accounts    Mutual Funds**

The mutual funds are held in separate investment accounts, which are valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, which include a mix of U.S. and international equities, fixed income investments, and cash. There are no restrictions redemptions.

- The U.S. equities investments include a mix of predominately U.S. common stocks, bonds, and cash.
- The international equities investment includes a mix of predominately foreign common stocks and cash.
- The fixed income investment includes a mix of domestic and foreign securities, including corporate obligations, government securities, mortgage-backed and other asset-backed securities, preferred stocks, and cash.

**Separate Trust Accounts    Collective Trust Funds**

The collective trust funds are held in separate investment accounts, which are valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, which include a mix of U.S. and international equities, fixed income investments, and cash. There are no restrictions on redemptions.

- The LifePath funds are target retirement date funds and include investments in highly diversified funds designed to remain appropriate for investors in terms of risk through a variety of life circumstances. These funds contain a mix of domestic and foreign equities, fixed income investments, and cash.



- The U.S. equities funds include a mix of predominately U.S. common stocks, bonds, and cash.
- The international equities fund includes a mix of predominately foreign common stocks and cash.
- The fixed income fund includes a mix of domestic and foreign securities, including corporate obligations, government securities, mortgage-backed and other asset-backed securities, domestic and foreign common stocks, and cash.

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Clougherty Packing, LLC  
401(k) Plan

Notes to Financial Statements (continued)

**3. Fair Value Measurements (continued)**

The investments of the Plan that are measured at fair value on a recurring basis as of October 25, 2015 and October 26, 2014, and their level within the fair value hierarchy, are as follows:

	<b>Total Fair Value</b>	<b>Fair Value Measurements at October 25, 2015</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Investments at fair value:				
Non-pooled separate account:				
Hormel Foods Corporation Stock Fund	\$ 2,332,446	\$ 2,332,446	\$	\$
Total investments in the fair value hierarchy	2,332,446	\$ 2,332,446	\$	\$
Investments measured at net asset value:				
Separate trust accounts:				
Mutual funds	5,117,102			
Collective trusts	17,917,415			
Total separate trust accounts	23,034,517			
Total investments at fair value	\$ 25,336,963			

	<b>Total Fair Value</b>	<b>Fair Value Measurements at October 26, 2014</b>		
		<b>Quoted Prices in Active Markets for Identical Assets</b>	<b>Significant Other Observable Inputs</b>	<b>Significant Unobservable Inputs (Level 3)</b>

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			(Level 1)		(Level 2)	
Investments at fair value:						
Non-pooled separate account:						
Hormel Foods Corporation Stock Fund	\$	489,069	\$	489,069	\$	\$
Total investments in the fair value hierarchy		489,069	\$	489,069	\$	\$
Investments measured at net asset value:						
Separate trust accounts:						
Mutual funds		6,776,813				
Collective trusts		18,513,819				
Total separate trust accounts		25,290,632				
Total investments at fair value	\$	25,779,701				

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Clougherty Packing, LLC  
401(k) Plan

Notes to Financial Statements (continued)

**4. Fully Benefit-Responsive Investment Contract**

The General Investment Account is a fully benefit-responsive investment and is reported at contract value in the statements of net assets available for benefits. The statements of changes in net assets available for benefits are also prepared on a contract value basis. Benefit responsiveness is defined as the extent to which a contract's terms and the Plan permit or require participant-initiated withdrawals at contract value. Contract value is the relevant measure for fully benefit-responsive investment contracts because this is the amount received by participants if they were to initiate permitted transactions under the terms of the Plan. Contract value represents contributions made under each contract, plus earnings, less participant withdrawals, and administrative expenses.

The benefit-responsive investment contract with Massachusetts Mutual Life Insurance Company (MassMutual) is a general account evergreen group annuity contract. MassMutual maintains the contributions in a general account. Specific securities within the general account are not attributed to the investment contract with the Plan. The Plan owns a series of guarantees that are embedded in the insurance contract. The contractual guarantees are backed up by the full faith and credit of MassMutual, the contract issuer. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. MassMutual is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan. There are no reserves against contract value for credit risk of the contract issuer or otherwise. The crediting interest rate is based on a formula agreed upon with the issuer and includes such factors as the investment-year method experience of the underlying contract or pool, projected levels of cash flows within the current interest rate environment, and the projected maturity of the underlying investments. Such interest rates are reviewed on a semiannual basis for resetting.

The investment option for the General Investment Account is a Guaranteed Interest Account, provided through a group annuity contract. This contract does not allow the insurance company to terminate the agreement prior to a breach of the contract terms by the investor. The Plan may terminate the contract on the contract anniversary date with 90 days prior notice.

Certain events limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (i) amendments to the plan documents (including complete or partial plan termination or merger with another plan); (ii) changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions; (iii) bankruptcy of the Sponsor or other Sponsor event (e.g., divestures or spin-offs of a subsidiary) that causes a significant withdrawal from the Plan; or (iv) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA. The plan administrator does not believe that the occurrence of any such event, which would limit the Plan's ability to transact at contract value with participants, is probable.

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Clougherty Packing, LLC  
401(k) Plan

Notes to Financial Statements (continued)

**5. Income Tax Status**

The Plan has received a determination letter from the IRS dated December 17, 2015, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and therefore, the related trust is exempt from taxation. Subsequent to this determination by the IRS, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualified status. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and therefore, believes the Plan, as amended, is qualified and the related trust is tax-exempt.

Accounting principles generally accepted in the United States require plan management to evaluate uncertain tax positions taken by the Plan. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS. The plan administrator has analyzed the tax positions taken by the Plan and has concluded that as of October 25, 2015, there are no uncertain positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes the Plan is no longer subject to income tax examinations for years prior to plan year ending October 28, 2012.

**6. Risks and Uncertainties**

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market volatility, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities could occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

## 7. Related Parties

The Plan maintains the following investments that qualify as party-in-interest transactions:

collective trust funds managed by State Street Global Markets, LLC;

common stock of Hormel Foods Corporation; and

General Investment Account of the record keeper, the Massachusetts Mutual Life Insurance Company.

These transactions qualify as party-in-interest transactions; however, they are exempt from the prohibited transactions rules under ERISA.

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Clougherty Packing, LLC  
401(k) Plan

Notes to Financial Statements (continued)

**8. Subsequent Events**

Management evaluated subsequent events for the Plan through April 21, 2016, the date the financial statements were available to be issued.



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Clougherty Packing, LLC  
401(k) Plan

Schedule H, Line 4i Schedule of Assets (Held at End of Year)

EIN: 95-1465844 Plan Number: 002

October 25, 2015

Identity of Issuer, Borrower, Lessor, or Similar Party	Number of Shares/Units Held	Current Value
Non-pooled separate account:		
State Street Corporation*:		
Hormel Foods Corporation Stock Fund *	155,240 units	\$ 2,332,446
Insurance company general account:		
Massachusetts Mutual Life Insurance Company*:		
General Investment Account, contract value	349,509 units	7,414,112
Separate trust accounts:		
State Street Corporation*:		
BlackRock Equity Index S&P 500	160,129 units	2,147,612
BlackRock LifePath Index 2020	138,609 units	1,524,368
BlackRock LifePath Index 2025	197,241 units	2,193,809
BlackRock LifePath Index 2030	259,396 units	2,915,706
BlackRock LifePath Index 2035	154,138 units	1,748,981
BlackRock LifePath Index 2040	99,773 units	1,140,330
BlackRock LifePath Index 2045	84,488 units	972,061
BlackRock LifePath Index 2050	77,087 units	893,163
BlackRock LifePath Index 2055	32,055 units	373,198
BlackRock LifePath Index Retirement	120,275 units	1,297,793
BlackRock MSCI ACWI ex-US Index	16,328 units	165,853
BlackRock Russell 2500 Index	109,038 units	1,365,298
BlackRock US Debt Index	11,282 units	118,562
DFA US Large Cap Value Fund	157,307 units	1,535,141
Dodge & Cox International Stock Fund	52,515 units	723,924
Harbor Capital Appreciation	175,928 units	2,624,138
Prudential Core Plus Bond CIT	104,693 units	1,060,680
Wasatach Small Cap Growth Fund	7,054 units	102,270
Wells Fargo Advantage Intrinsic Small Cap Value	10,644 units	131,630
Total separate trust accounts		23,034,517

Total assets (held at end of year)

\$ 32,781,075

\*Indicates a party-in-interest to the Plan.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on their behalf by the undersigned hereunto duly authorized.

CLOUGHERTY PACKING, LLC

401(K) PLAN

Date: April 21, 2016

By:

/s/ JODY H. FERAGEN

JODY H. FERAGEN  
Executive Vice President and Chief Financial  
Officer,  
Hormel Foods Corporation

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**EXHIBIT INDEX**

**Exhibit**

**Number**

**Description**

23 Consent of Independent Registered Public Accounting Firm

Ernst & Young LLP