

SANDERSON FARMS INC
Form 10-Q
August 25, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934
For the quarterly period ended July 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from **to**
Commission file number 1-14977

Sanderson Farms, Inc.

(Exact name of registrant as specified in its charter)

Mississippi
(State or other jurisdiction of

incorporation or organization)
127 Flynt Road, Laurel, Mississippi
(Address of principal executive offices)

(601) 649-4030

64-0615843
(I.R.S. Employer

Identification No.)

39443
(Zip Code)

(Registrant's telephone number, including area code)

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(Former name, former address and former fiscal year, if changed since last report.)

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 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes 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 Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a 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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS

DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common Stock, \$1 Par Value Per Share:
22,146,267 shares outstanding as of July 31, 2011.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SANDERSON FARMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	July 31, 2011 (Unaudited)	October 31, 2010 (Note 1)
	(In thousands)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 11,696	\$ 73,419
Accounts receivable, net	81,506	92,467
Inventories	203,168	153,289
Refundable income taxes	73,828	0
Deferred income taxes	10,303	1,760
Prepaid expenses and other current assets	29,184	24,033
Total current assets	409,685	344,968
Property, plant and equipment	936,901	883,638
Less accumulated depreciation	(425,109)	(389,911)
	511,792	493,727
Other assets	5,199	2,925
Total assets	\$ 926,676	\$ 841,620
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 96,530	\$ 105,754
Current maturities of long-term debt	11,048	1,048
Total current liabilities	107,578	106,802
Long-term debt, less current maturities	234,271	62,075
Claims payable	2,800	2,100
Deferred income taxes	49,562	24,930
Stockholders' equity:		
Preferred Stock:		
Series A Junior Participating Preferred Stock, \$100 par value: authorized 500,000 shares, none issued		
Par value to be determined by the Board of Directors: authorized 4,500,000 shares; none issued		
Common Stock, \$1 par value: authorized 100,000,000 shares; issued and outstanding shares 22,146,267 and 22,077,559 at July 31, 2011 and October 31, 2010, respectively	22,146	22,078
Paid-in capital	131,412	127,580
Retained earnings	378,907	496,055
Total stockholders' equity	532,465	645,713
Total liabilities and stockholders' equity	\$ 926,676	\$ 841,620

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See notes to condensed consolidated financial statements.

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SANDERSON FARMS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (UNAUDITED)

	Three Months Ended		Nine Months Ended	
	2011	July 31, 2010	2011	July 31, 2010
(In thousands, except per share amounts)				
Net sales	\$ 511,169	\$ 489,096	\$ 1,418,243	\$ 1,396,320
Cost and expenses:				
Cost of sales	556,596	409,841	1,500,901	1,199,994
Live inventory adjustment	22,000	0	22,000	0
Selling, general and administrative	17,009	24,899	54,233	60,536
	595,605	434,740	1,577,134	1,260,530
OPERATING INCOME (LOSS)	(84,436)	54,356	(158,891)	135,790
Other income (expense):				
Interest income	8	34	38	50
Interest expense	(2,023)	(277)	(3,970)	(2,570)
Other	4	5	501	12
	(2,011)	(238)	(3,431)	(2,508)
INCOME (LOSS) BEFORE INCOME TAXES	(86,447)	54,118	(162,322)	133,282
Income tax expense (benefit)	(30,764)	18,002	(56,807)	46,262
NET INCOME (LOSS)	\$ (55,683)	\$ 36,116	\$ (105,515)	\$ 87,020
Earnings (loss) per share:				
Basic	\$ (2.51)	\$ 1.55	\$ (4.77)	\$ 3.96
Diluted	\$ (2.51)	\$ 1.55	\$ (4.77)	\$ 3.96
Dividends per share	\$ 0.17	\$ 0.15	\$ 0.51	\$ 0.45

See notes to condensed consolidated financial statements.

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SANDERSON FARMS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Nine Months Ended	
	2011	July 31, 2010
	(In thousands)	
Operating activities		
Net income (loss)	\$ (105,515)	\$ 87,020
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	37,494	32,771
Non-cash stock compensation	4,079	6,506
Live inventory adjustment	22,000	0
Deferred income taxes	16,089	20
Change in assets and liabilities:		
Accounts receivable, net	10,961	(5,739)
Refundable income taxes	(73,828)	1,567
Inventories	(71,879)	(13,449)
Prepaid expenses and other assets	(7,939)	(4,125)
Accounts payable, accrued expenses and other liabilities	(12,429)	21,697
Total adjustments	(75,452)	39,248
Net cash provided by (used in) operating activities	(180,967)	126,268
Investing activities		
Capital expenditures	(55,091)	(99,403)
Net proceeds from sale of property and equipment	47	31
Net cash used in investing activities	(55,044)	(99,372)
Financing activities		
Principal payments on long-term debt	(505)	(508)
Borrowings from revolving line of credit	182,701	10,000
Payments on revolving line of credit	0	(50,000)
Net proceeds from secondary offering of common stock	0	115,193
Proceeds from issuance of restricted stock under stock compensation plans	748	969
Payments from issuance of common stock under stock compensation plans	(1,024)	(1,579)
Tax benefit on exercised stock options and vesting of restricted stock grants	97	180
Dividends paid	(7,729)	(6,647)
Net cash provided by financing activities	174,288	67,608
Net change in cash and cash equivalents	(61,723)	94,504
Cash and cash equivalents at beginning of period	73,419	&nbs