

SANDERSON FARMS INC
Form 10-Q
August 28, 2012
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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, 2012

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)

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Mississippi
(State or other jurisdiction of
incorporation or organization)

64-0615843
(I.R.S. Employer
Identification No.)

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

39443
(Zip Code)

(601) 649-4030

(Registrant's telephone number, including area code)

(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 (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

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: 22,970,950 shares outstanding as of August 21, 2012.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SANDERSON FARMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	July 31, 2012 (Unaudited)	October 31, 2011 (Note 1)
	(In thousands)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 26,621	\$ 11,075
Accounts receivable, net	88,278	94,021
Inventories	233,355	211,753
Refundable income taxes	0	88,512
Deferred income taxes	2,729	6,357
Prepaid expenses and other current assets	31,273	26,240
Total current assets	382,256	437,958
Property, plant and equipment	976,184	939,535
Less accumulated depreciation	(476,945)	(434,030)
	499,239	505,505
Other assets	3,065	5,058
Total assets	\$ 884,560	\$ 948,521
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 124,237	\$ 102,556
Current maturities of long-term debt	11,106	11,106
Total current liabilities	135,343	113,662
Long-term debt, less current maturities	145,437	273,670
Claims payable	4,000	3,300
Deferred income taxes	56,228	50,989
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 22,970,950 and 22,871,588 at July 31, 2012 and October 31, 2011, respectively	22,971	22,872
Paid-in capital	134,198	130,528
Retained earnings	386,383	353,500
Total stockholders' equity	543,552	506,900
Total liabilities and stockholders' equity	\$ 884,560	\$ 948,521

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 July 31,		Nine Months Ended July 31,	
	2012	2011	2012	2011
	(in thousands, except per share amounts)		(in thousands, except per share amounts)	
Net sales	\$ 624,854	\$ 511,169	\$ 1,737,726	\$ 1,418,243
Cost and expenses:				
Cost of sales	555,240	556,596	1,600,145	1,500,901
Live inventory adjustment	0	22,000	0	22,000
Selling, general and administrative	20,704	17,009	56,772	54,233
	575,944	595,605	1,656,917	1,577,134
OPERATING INCOME (LOSS)	48,910	(84,436)	80,809	(158,891)
Other income (expense):				
Interest income	3	8	9	38
Interest expense	(1,999)	(2,023)	(7,387)	(3,970)
Other	5	4	(560)	501
	(1,991)	(2,011)	(7,938)	(3,431)
INCOME (LOSS) BEFORE INCOME TAXES	46,919	(86,447)	72,871	(162,322)
Income tax expense (benefit)	18,198	(30,764)	28,274	(56,807)
NET INCOME (LOSS)	\$ 28,721	\$ (55,683)	44,597	\$ (105,515)
Earnings (loss) per share:				
Basic	\$ 1.25	\$ (2.51)	\$ 1.94	\$ (4.77)
Diluted	\$ 1.25	\$ (2.51)	\$ 1.94	\$ (4.77)
Dividends per share	\$ 0.17	\$ 0.17	\$ 0.51	\$ 0.51

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	
	July 31, 2012	2011
	(In thousands)	
Operating activities		
Net income (loss)	\$ 44,597	\$ (105,515)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	44,771	37,494
Non-cash stock compensation	3,560	4,079
Live inventory adjustment	(9,000)	22,000
Provision for losses on accounts receivable	37	0
Deferred income taxes	8,867	16,089
Change in assets and liabilities:		
Accounts receivable, net	5,706	10,961
Refundable income taxes	88,512	(73,828)
Inventories	(12,602)	(71,879)
Prepaid expenses and other assets	(3,461)	(7,939)
Accounts payable, accrued expenses and other liabilities	18,475	(12,429)
Total adjustments	144,865	(75,452)
Net cash provided by (used in) operating activities	189,462	(180,967)
Investing activities		
Capital expenditures	(38,124)	(55,091)
Net proceeds from sale of property and equipment	40	47
Net cash used in investing activities	(38,084)	(55,044)
Financing activities		
Principal payments on long-term debt	(10,532)	(505)
Borrowings from revolving line of credit	30,000	182,701
Payments on revolving line of credit	(147,701)	0
Proceeds from issuance of restricted stock under stock compensation plans	560	748
Payments from common stock issued under stock compensation plans	(1,056)	(1,024)
Tax benefit on exercised stock options and vesting of restricted stock grants	705	97
Dividends paid	(7,808)	(7,729)
Net cash provided by (used in) financing activities	(135,832)	174,288
Net change in cash and cash equivalents	15,546	(61,723)
Cash and cash equivalents at beginning of period	11,075	73,419
Cash and cash equivalents at end of period	\$ 26,621	