

Hormel Foods: Where to Place the Next Growth Bets?

Internal ID: S&F-STR-294

Topic: Growth Strategy, Operations Strategy, Pricing Strategy

Industry: Packaged Foods & Meats

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

Classroom case | Strategy, marketing, and operations

Information cutoff: October 4, 2026, 11:59 p.m. Eastern Time

This case presents a hypothetical planning decision based on public information. It does not describe an actual internal mandate or include results after the cutoff.

The planning question

Hormel Foods is preparing for fiscal 2027. One part of its business has reported consecutive quarters of organic sales growth, while its largest segment faces a steep decline in volume and uneven results across categories. At the same time, the company is simplifying parts of its portfolio and has an announced leadership transition ahead.

Assume a hypothetical leadership team is asked to recommend how Hormel should direct its next cycle of commercial and innovation attention. Should the company scale Foodservice solutions and operator partnerships? Should it focus on recovering Retail through priority brands and channel execution? Or should it protect core capabilities in both segments and release additional resources only when evidence shows that a program is working?

The question is not whether to divest a segment or how to change the company's public FY2026 outlook. Hormel has not disclosed a budget that could simply be transferred between channels, a binding resource-allocation decision, or the return from additional investment. Your recommendation should identify the choice, the evidence that would distinguish the alternatives, and how management should respond as new evidence arrives.

One company, different channel signals

Hormel reported third-quarter fiscal 2026 results on August 27. The quarter ended July 26. Retail, Foodservice, and International are separate reporting segments, and their published measures do not reveal brand-level economics or customer returns.

Q3 FY2026 compared with Q3 FY2025	Net sales	Organic net sales	Volume	Organic volume	Segment profit
Retail	\$1,779.4 million; down 4.3%	down 3.3%	648.3 million lb; down 9.1%	down 8.6%	\$118.1 million; down 3.7%
Foodservice	\$1,003.2 million; up 1.6%	up 1.8%	244.8 million lb; down 1.5%	down 1.4%	\$144.5 million; up 2.7%

Q3 FY2026 compared with Q3 FY2025	Net sales	Organic net sales	Volume	Organic volume	Segment profit
International	\$178.7 million; down 4.7%	down 4.4%	75.9 million lb; down 10.8%	not shown in cited Q3 table	\$(29.2) million reported; \$19.0 million adjusted

The company's "organic" comparison removes Justin's LLC, which it sold in the first quarter of fiscal 2026, from the prior-year base. Organic net sales and organic volume are non-GAAP comparison measures. They are not retail scanner data or constant consumer demand. Segment profit also reflects the company's segment reporting and allocation rules; it is not a stand-alone return on the next dollar spent in a channel.

The quarter was not the whole year. In Q2, Foodservice organic net sales grew 6.6% for the quarter and 6.9% for the first six months, with organic volume up 0.8% and 0.5%, respectively. Retail organic net sales rose in Q2. Q3 therefore showed a marked change in the reported measures, but neither quarter identifies why performance changed or whether the Q3 results will persist.

Retail: contraction, but not a single story

Hormel attributed Retail sales weakness mainly to lower commodity turkey and private-label snack-nut sales. These declines were partly offset by value-added turkey, contract manufacturing, and Planters. The company named SPAM, Applegate, and Hormel Chili as priority brands that delivered growth during the quarter.

The public filing does not show each brand's contribution, margin, distribution, promotional support, or repeat purchasing. It also does not provide retailer point-of-sale data, inventories, returns, or the calculation behind the brand-growth descriptions.

On the Q3 earnings call, CEO-elect John Ghingo attributed roughly half of the Retail volume decline to whole-bird turkey, private-label snack-nut exits, and contract-manufacturing changes. He also cited price elasticity after earlier increases and softer consumer takeaway. The corrected call transcript reports management's estimate that dollar consumer takeaway was down about 1% for the quarter. The underlying dataset, retailer panel, unit denominator, and method were not given; these are management explanations, not independently verified causes.

Hormel reported Q3 advertising expense of \$34 million, compared with \$41 million a year earlier, without allocating it by brand or channel. On the call, management said spending timing affected the quarter and expected higher Q4 support. That was a forward-looking comment, not a Q4 result or a measured return on advertising.

Foodservice: solutions, partnerships, and an open question

Foodservice recorded its twelfth consecutive quarter of organic net-sales growth. Hormel described Q3 growth as broad-based and cited premium prepared proteins, branded pepperoni, and Jennie-O. Management credited customized solutions and operator partnerships and said the segment outperformed industry trends.

The filing and presentation do not identify an industry benchmark for that comparison. Nor do they provide account-level reorders, customer retention, menu placement, win/loss data, customer profitability, or a price-and-volume bridge. Foodservice segment profit increased

2.7%; Hormel said higher sales and favorable pork input costs helped, while logistics and selling, general, and administrative expenses partly offset the increase. The input-cost benefit is a profit driver, not proof that customer partnerships caused sales growth.

The pattern invites two readings. Operator solutions may be building differentiated relationships and repeat demand. Or the reported growth may reflect product and customer mix, pricing, new distribution, category movement, or temporary cost conditions. The public disclosures do not distinguish them.

A changing portfolio and an approaching transition

In April, Hormel completed the sale of its whole-bird turkey business for \$61.2 million of reported consideration, including cash and a secured note. It retained the Jennie-O trademark and entered a contract-manufacturing arrangement with the buyer. The transaction changes the operating footprint behind turkey comparisons without meaning Hormel exited the Jennie-O brand.

In June, Hormel agreed to sell its Brazil operations, which it operated under the Ceratti brand. The company classified the disposal group as held for sale at the July 26 quarter-end and recorded a \$56.1 million valuation loss. Hormel announced the transaction's completion on July 31, after Q3 had ended. The sale is a portfolio-shaping event, not a Q3 operating result.

On July 28, Hormel announced that John Ghingo, then president and CEO-elect, would succeed interim CEO Jeff Ettinger effective October 26. As of this case's cutoff, the transition was announced but had not taken effect. The public announcement does not assign a FY2027 channel-allocation decision to either executive.

Guidance is not a resource plan

After Q3, Hormel reduced its FY2026 net-sales guidance to \$12.1-\$12.2 billion from \$12.2-\$12.5 billion and narrowed organic net-sales growth guidance to 1-2%. It changed its GAAP operating-income range to \$830-\$870 million and raised adjusted operating-income guidance to \$1.08-\$1.12 billion. GAAP diluted EPS guidance changed to \$1.06-\$1.12; adjusted diluted EPS guidance was raised to \$1.45-\$1.51.

These are management forecasts, not results or FY2027 targets. Hormel's presentation also states a long-term algorithm of 2-3% organic net-sales growth and 5-7% operating-income growth. This is not a channel-specific target or an announced allocation. On the earnings call, management said it was too early to provide FY2027 guidance. Public materials do not disclose how much commercial spending, product-development capacity, customer-facing support, or operating capacity can move between businesses.

Three plausible paths

1. **Scale Foodservice solutions.** Put more attention into operator collaboration, customized products, and service capabilities. The team must decide which customers and needs merit deeper support and how to distinguish repeatable value from mix, pricing, or favorable inputs.
2. **Recover Retail through priority brands.** Direct attention to the named growth brands and to the product, price, promotion, and distribution conditions behind Retail's decline. The team must decide whether these are broad brand opportunities or distinct category-level problems, and what consumer or retailer evidence should govern spending.

3. **Stage support across both channels.** Maintain a baseline in each business, then expand programs against pre-set brand, customer, capacity, and service evidence. This may limit risk but can also delay investment or create noisy comparisons if teams use inconsistent measures.

Each path has potential costs. A Retail push may not convert to incremental purchases. Foodservice investment may deepen relationships but depend on a narrow group of accounts or capabilities. A gated plan can preserve flexibility but may make it harder to build scale or hold teams accountable. The company has not published the data needed to settle those trade-offs.

Assignment

Prepare a recommendation for the hypothetical FY2027 planning team as of October 4, 2026. Explain:

- which path, or combination, you would take and what commercial or innovation attention it requires;
- what Retail and Foodservice evidence you would use to expand, redirect, or stop a program;
- how you would separate volume, organic sales, price/mix, segment profit, consumer sell-through, and customer outcomes;
- what missing internal data are essential before committing more resources; and
- what findings would change your recommendation.

State your assumptions. Attribute management explanations and forecasts. Do not invent an internal budget, capacity constraint, customer result, brand margin, or consumer data. No post-cutoff outcomes, financial model, or Excel work is in scope.

Selected sources

- [Hormel Q3 FY2026 Form 10-Q](#)
- [Hormel Q3 FY2026 results release](#)
- [Q3 earnings call transcript and presentation](#)
- [Hormel Q2 FY2026 Form 10-Q](#)
- [Hormel FY2025 Form 10-K](#)
- Research background: integrated literature and evidence review