CAMPBELL SOUP CO
Form 10-K
September 22, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended	Commission File Number
July 31, 2016	1-3822

CAMPBELL SOUP COMPANY

New Jersey	21-0419870
State of Incorporation	I.R.S. Employer Identification No.

1 Campbell Place
Camden, New Jersey 08103-1799
Principal Executive Offices

Telephone Number: (856) 342-4800
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Capital Stock, par value $.0375	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No
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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
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 the 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
As of January 29, 2016 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of capital stock held by non-affiliates of the registrant was approximately $10,943,238,771.
There were 307,875,045 shares of capital stock outstanding as of September 14, 2016.
Portions of the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on November 16, 2016, are incorporated by reference into Part III.

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PART I

This Form 10-K contains "forward-looking" statements that reflect current expectations regarding future results of operations, economic performance, financial condition and achievements. Statements that are not current or historical facts, including statements about beliefs and expectations, and containing words such as "anticipate," "believe," "estimate," "expect," "will," or similar words are forward-looking statements. These statements reflect current plans and expectations and are based on information currently available. They rely on a number of assumptions regarding future events and estimates which could be inaccurate and which are inherently subject to risks and uncertainties. Risks and uncertainties include, but are not limited to, those discussed in "Risk Factors" and in the "Cautionary Factors That May Affect Future Results" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K. Our consolidated financial statements and the accompanying notes to the consolidated financial statements are presented in "Financial Statements and Supplementary Data."

Item 1. Business

The Company

Unless otherwise stated, the terms "we," "us," "our" and the "company" refer to Campbell Soup Company and its consolidated subsidiaries.

We are a manufacturer and marketer of high-quality, branded food and beverage products. We organized as a business corporation under the laws of New Jersey on November 23, 1922; however, through predecessor organizations, we trace our heritage in the food business back to 1869. Our principal executive offices are in Camden, New Jersey 08103-1799.

Background

Our long-term goal is to build shareholder value by driving sustainable, profitable net sales growth. Guided by our purpose - Real food that matters for life's moments, we are pursuing a dual strategy of strengthening our core businesses while expanding into faster-growing spaces. We have made a number of enterprise design and portfolio changes over the past several years in support of this strategy, including the following:

- In 2016, we implemented a new enterprise design focused mainly on product categories. Under the new structure, our divisions are organized in the following segments: Americas Simple Meals and Beverages; Global Biscuits and Snacks; and Campbell Fresh;
- In support of the new structure, we designed and implemented a new Integrated Global Services (IGS) organization to deliver shared services and cost savings across the company. IGS became effective at the beginning of 2016. We are also pursuing other initiatives to reduce costs and increase effectiveness, such as adopting zero-based budgeting over time. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information on these initiatives; and
- In 2013, we acquired Bolthouse Farms and Plum. In 2014, we acquired Kelsen and divested our European simple meals business. In 2015, we completed the acquisition of the assets of Garden Fresh Gourmet. See Note 3 to the Consolidated Financial Statements for additional information on our recent acquisitions, and Note 4 to the Consolidated Financial Statements for additional information on our divestiture of the European simple meals business.

For additional information on our dual strategy of strengthening our core businesses while expanding into faster-growing spaces, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Reportable Segments

We manage our businesses in three segments focused mainly on product categories. The segments are:

- The Americas Simple Meals and Beverages segment includes the retail and food service businesses in the U.S., Canada and Latin America. The segment includes the following products: Campbell's condensed and ready-to-serve soups; Swanson broth and stocks; Prego pasta sauces; Pace Mexican sauces; Campbell's gravies, pasta, beans and dinner sauces; Swanson canned poultry; Plum food and snacks; V8 juices and beverages; and Campbell's tomato juice;

- The Global Biscuits and Snacks segment includes Pepperidge Farm cookies, crackers, bakery and frozen products in U.S. retail, Arnott's biscuits in Australia and Asia Pacific, and Kelsen cookies globally. The segment also includes the simple meals and shelf-stable beverages business in Australia and Asia Pacific; and
- The Campbell Fresh segment includes Bolthouse Farms fresh carrots, carrot ingredients, refrigerated beverages and refrigerated salad dressings, Garden Fresh Gourmet salsa, hummus, dips and tortilla chips, and the U.S. refrigerated soup business.

See also Note 7 to the Consolidated Financial Statements for additional information regarding our reportable segments.

Ingredients and Packaging

The ingredients and packaging materials required for the manufacture of our food products are purchased from various suppliers. These items are subject to fluctuations in price attributable to a number of factors, including changes in crop size, cattle cycles, disease and/or pests, product scarcity, demand for raw materials, commodity market speculation, energy costs, currency fluctuations, government-sponsored agricultural programs, import and export requirements, drought, water scarcity, temperature extremes, scarcity of suitable agricultural land, scarcity of organic ingredients and other factors that may be beyond our control (including natural disasters) during the growing and harvesting seasons. To help reduce some of this price volatility, we use a combination of purchase orders, short- and long-term contracts, inventory management practices and various commodity risk management tools for most of our ingredients and packaging. Ingredient inventories are at a peak during the late fall and decline during the winter and spring. Since many ingredients of suitable quality are available in sufficient quantities only during certain seasons, we make commitments for the purchase of such ingredients in their respective seasons. At this time, we do not anticipate any material restrictions on the availability of ingredients or packaging that would have a significant impact on our businesses. For information on the impact of inflation, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Customers

In most of our markets, sales and merchandising activities are conducted through our own sales force and/or third-party brokers and distribution partners. In the U.S., Canada and Latin America, our products are generally resold to consumers through retail food chains, mass discounters, mass merchandisers, club stores, convenience stores, drug stores, dollar stores and other retail, commercial and non-commercial establishments. Pepperidge Farm also has a direct-store-delivery distribution model that uses independent contractor distributors. In the Asia Pacific region, our products are generally resold to consumers through retail food chains, convenience stores and other retail, commercial and non-commercial establishments. We make shipments promptly after acceptance of orders.

Our five largest customers accounted for approximately 40% of our consolidated net sales in 2016, 38% in 2015 and 35% in 2014. Our largest customer, Wal-Mart Stores, Inc. and its affiliates, accounted for approximately 20% of our consolidated net sales in 2016 and 2015, and 19% in 2014. All of our reportable segments sold products to Wal-Mart Stores, Inc. or its affiliates. No other customer accounted for 10% or more of our consolidated net sales.

Trademarks and Technology

As of September 14, 2016, we owned over 3,650 trademark registrations and applications in over 160 countries. We believe our trademarks are of material importance to our business. Although the laws vary by jurisdiction, trademarks generally are valid as long as they are in use and/or their registrations are properly maintained and have not been found to have become generic. Trademark registrations generally can be renewed indefinitely as long as the trademarks are in use. We believe that our principal brands, including Arnott's, Bolthouse Farms, Campbell's, Garden Fresh Gourmet, Goldfish, Kjeldsens, Pace, Pepperidge Farm, Plum, Prego, Swanson, and V8, are protected by trademark law in the major markets where they are used.

Although we own a number of valuable patents, we do not regard any segment of our business as being dependent upon any single patent or group of related patents. In addition, we own copyrights, both registered and unregistered, proprietary trade secrets, technology, know-how, processes and other intellectual property rights that are not registered.

Competition

We experience worldwide competition in all of our principal products. This competition arises from numerous competitors of varying sizes across multiple food and beverage categories, and includes producers of generic and private label products, as well as other branded food and beverage manufacturers. All of these competitors vie for trade merchandising support and consumer dollars. The number of competitors cannot be reliably estimated. The principal areas of competition are brand recognition, taste, quality, price, advertising, promotion, convenience and service.

Working Capital

For information relating to our cash flows from operations and working capital items, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Capital Expenditures

During 2016, our aggregate capital expenditures were $341 million. We expect to spend approximately $350 million for capital projects in 2017. Major capital projects based on planned spend in 2017 include an ongoing Australian multi-pack biscuit capacity expansion project and Pepperidge Farm refrigeration system replacement projects.

Research and Development

During the last three fiscal years, our expenditures on research and development activities relating to new products and the improvement and maintenance of existing products were $124 million in 2016, $117 million in 2015, and $122 million in 2014.

The increase from 2015 to 2016 was primarily due to increased losses on pension and postretirement benefit mark-to-market adjustments and increased costs to support long-term innovation, partially offset by benefits from cost savings initiatives. The decrease from 2014 to 2015 was primarily due to benefits from cost savings initiatives, partially offset by increased losses on pension and postretirement benefit mark-to-market adjustments.

Regulation

The manufacture and sale of consumer food products is highly regulated. In the U.S., our activities are subject to regulation by various federal government agencies, including the Food and Drug Administration, U.S. Department of Agriculture, Federal Trade Commission, Department of Labor, Department of Commerce and Environmental Protection Agency, as well as various state and local agencies. Our business is also regulated by similar agencies outside of the U.S.

Environmental Matters

We have requirements for the operation and design of our facilities that meet or exceed applicable environmental rules and regulations. Of our $341 million in capital expenditures made during 2016, approximately $7 million was for compliance with environmental laws and regulations in the U.S. We further estimate that approximately $18 million of the capital expenditures anticipated during 2017 will be for compliance with U.S. environmental laws and regulations. We believe that continued compliance with existing environmental laws and regulations (both within the U.S. and elsewhere) will not have a material effect on capital expenditures, earnings or our competitive position. In addition, we continue to monitor existing and pending environmental laws and regulations within the U.S. and elsewhere relating to climate change and greenhouse gas emissions. While the impact of these laws and regulations cannot be predicted with certainty, we do not believe that compliance with these laws and regulations will have a material effect on capital expenditures, earnings or our competitive position.

Seasonality

Demand for soup products is seasonal, with the fall and winter months usually accounting for the highest sales volume. Sales of Kelsen products are also highest in the fall and winter months due primarily to holiday gift giving, including the Chinese New Year. Demand for our other products is generally evenly distributed throughout the year.

Employees

On July 31, 2016, we had approximately 16,500 employees.

Financial Information

Financial information for our reportable segments and geographic areas is found in Note 7 to the Consolidated Financial Statements. For risks attendant to our foreign operations, see “Risk Factors.”

Websites

Our primary corporate website can be found at www.campbellsoupcompany.com. We make available free of charge at this website (under the “Investor Center — Financial Information — SEC Filings” caption) all of our reports (including amendments) filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, including our annual report on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K. These reports are made available on the website as soon as reasonably practicable after their filing with, or furnishing to, the Securities and Exchange Commission.

All websites appearing in this Annual Report on Form 10-K are inactive textual references only, and the information in, or accessible through, such websites is not incorporated into this Annual Report on Form 10-K, or into any of our other filings with the Securities and Exchange Commission.

Item 1A. Risk Factors

In addition to the factors discussed elsewhere in this Report, the following risks and uncertainties could materially adversely affect our business, financial condition and results of operations. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations and financial condition.

Operational Risk Factors

We operate in a highly competitive industry

We operate in the highly competitive food and beverage industry and experience global competition in all of our principal products. The principal areas of competition are brand recognition, taste, quality, price, advertising, promotion, convenience and service. A number of our primary competitors are larger than us and have substantial financial, marketing and other resources. In addition, reduced barriers to entry and easier access to funding may create new competition. A strong competitive response from one or more of these competitors to our marketplace efforts, or a consumer shift towards private label offerings, could result in us reducing pricing, increasing marketing or other expenditures, and/or losing market share.

Our results are dependent on strengthening our core businesses while diversifying into faster-growing spaces

Our strategy is focused on strengthening our core businesses while diversifying our portfolio into faster-growing spaces. Our core businesses are concentrated in slower-growing center-store categories in traditional retail grocery channels. Factors that may impact our success include:

- our ability to identify and capture market share in faster-growing spaces;
- our ability to identify and capitalize on customer or consumer trends, including those related to fresh or organic products;
- our ability to design and implement effective retail execution plans;
- our ability to design and implement effective advertising and marketing programs, including digital programs;
- our ability to secure or maintain sufficient shelf space at retailers; and
- changes in underlying growth rates of the categories in which we compete.

If we are not successful in addressing these factors, our strategy may not be successful and/or our business or financial results may be adversely impacted.

We may be adversely impacted by a changing customer landscape and the increased significance of some of our customers

Our businesses are largely concentrated in the traditional retail grocery trade. Alternative retail channels, such as dollar stores, drug stores, club stores and Internet-based retailers, have increased their market share. This trend towards alternative channels is expected to continue in the future. If we are not successful in expanding sales in alternative retail channels, our business or financial results may be adversely impacted. In addition, consolidations in the traditional retail grocery trade have produced large, sophisticated customers with increased buying power and negotiating strength who may seek lower prices, increased promotional programs funded by their suppliers or more favorable terms. These customers may use more of their shelf space for their private label products. If we are unable to use our scale, marketing expertise, product innovation and category leadership positions to respond to these customer dynamics, our business or financial results could be adversely impacted.

In 2016, our five largest customers accounted for approximately 40% of our consolidated net sales, with the largest customer, Wal-Mart Stores, Inc. and its affiliates, accounting for approximately 20% of our consolidated net sales. There can be no assurance that our largest customers will continue to purchase our products in the same mix or quantities or on the same terms as in the past. Disruption of sales to any of these customers, or to any of our other large customers, for an extended period of time could adversely affect our business or financial results.

We may not realize the anticipated benefits from our cost reduction, organizational design or other initiatives

In the beginning of 2016, we implemented a new enterprise design focused mainly on product categories. We are also pursuing related initiatives to reduce costs and increase effectiveness, such as adopting zero-based budgeting over time. These initiatives will require a substantial amount of management and operational resources. Our management team must successfully execute the administrative and operational changes necessary to achieve the anticipated benefits of the initiatives. These and related demands on our resources may divert the organization's attention from other business issues, have adverse effects on existing business relationships with suppliers and customers and impact employee morale. From time-to-time, we may also implement other supply chain, information technology or related initiatives. Our success is partly dependent upon properly executing, and realizing cost savings or other benefits from, these initiatives, which are often complex. Any failure to implement our initiatives could adversely affect our business or financial results.

Our results may be adversely affected by the failure to execute acquisitions and divestitures successfully

We expect to seek acquisitions and investment opportunities. Our ability to meet our objectives with respect to the acquisition of new businesses or the divestiture of existing businesses may depend in part on our ability to identify suitable buyers and sellers, negotiate favorable financial terms and other contractual terms and obtain all necessary regulatory approvals. Potential risks of acquisitions also include:

- the inability to integrate acquired businesses efficiently into our existing operations;

•diversion of management's attention from other business concerns;
•potential loss of key employees and/or customers of acquired businesses;
•potential assumption of unknown liabilities;
•the inability to implement promptly an effective control environment; and
•the risks inherent in entering markets or lines of business with which we have limited or no prior experience.

Acquisitions outside the U.S. may present unique challenges and increase our exposure to risks associated with foreign operations, including foreign currency risks and risks associated with local regulatory regimes. For divestitures, potential risks may also include the inability to separate divested businesses or business units from us effectively and efficiently and to reduce or eliminate associated overhead costs.

Disruption to our supply chain could adversely affect our business

Our ability to manufacture and/or sell our products may be impaired by damage or disruption to our manufacturing or distribution capabilities, or to the capabilities of our suppliers or contract manufacturers, due to factors that are hard to predict or beyond our control, such as product or raw material scarcity, adverse weather conditions, natural disasters, fire, terrorism, pandemics, strikes or other events. Production of the agricultural commodities used in our business may also be adversely affected by drought, water scarcity, temperature extremes, scarcity of suitable agricultural land, scarcity of organic ingredients, crop size, cattle cycles, crop disease and/or crop pests. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, may adversely affect our business or financial results, particularly in circumstances when a product is sourced from a single supplier or location. Disputes with significant suppliers or contract manufacturers, including disputes regarding pricing or performance, may also adversely affect our ability to manufacture and/or sell our products, as well as our business or financial results.

Our non-U.S. operations pose additional risks to our business

In 2016, approximately 19% of our consolidated net sales were generated outside of the U.S. Our strategy depends in part on expanding our operations in developing markets. Sales outside the U.S. are expected to continue to represent a significant portion of consolidated net sales. Our business or financial performance may be adversely affected due to the risks of doing business in markets outside of the U.S., including but not limited to the following:

- unfavorable changes in tariffs, quotas, trade barriers or other export and import restrictions;
- the difficulty and/or costs of complying with a wide variety of laws, treaties and regulations, including anti-corruption laws and regulations such as the U.S. Foreign Corrupt Practices Act;
- the difficulty and/or costs of designing and implementing an effective control environment across diverse regions and employee bases;
- the adverse impact of foreign tax treaties and policies;
- political or economic instability, including the possibility of civil unrest, public corruption, armed hostilities or terrorist acts;
- the possible nationalization of operations;
- the difficulty of enforcing remedies and protecting intellectual property in various jurisdictions; and
- restrictions on the transfer of funds to and from countries outside of the U.S., including potentially adverse tax consequences.

In addition, we hold assets and incur liabilities, generate revenue, and pay expenses in a variety of currencies other than the U.S. dollar, primarily the Australian dollar and the Canadian dollar. Our consolidated financial statements are presented in U.S. dollars, and we must translate our assets, liabilities, sales and expenses into U.S. dollars for external reporting purposes. As a result, changes in the value of the U.S. dollar due to fluctuations in currency exchange rates or currency exchange controls may materially and adversely affect the value of these items in our consolidated financial statements, even if their value has not changed in their local currency.

Our results may be adversely impacted by increases in the price of raw and packaging materials

The raw and packaging materials used in our business include tomato paste, grains, beef, poultry, vegetables, steel, glass, paper and resin. Many of these materials are subject to price fluctuations from a number of factors, including crop size, cattle cycles, disease and/or pests, product scarcity, demand for raw materials, commodity market speculation, energy costs, currency fluctuations, government-sponsored agricultural programs, import and export requirements, drought, water scarcity, temperature extremes, scarcity of suitable agricultural land, scarcity of organic ingredients and other factors that may be beyond our control (including natural disasters). To the extent any of these factors result in an increase in raw and packaging material prices, we may not be able to offset such increases through productivity or price increases or through our commodity hedging activity.

Price increases may not be sufficient to cover increased costs, or may result in declines in sales volume due to pricing elasticity in the marketplace

We intend to pass along to customers some or all cost increases in raw and packaging materials and other inputs through increases in the selling prices of, or decreases in the packaging sizes of, some of our products. Higher product prices or smaller packaging sizes may result in reductions in sales volume. To the extent the price increases or packaging size decreases are not sufficient to offset increased raw and packaging materials and other input costs, and/or if they result in significant decreases in sales volume, our business results and financial condition may be adversely affected.

If our food products become adulterated or are mislabeled, we might need to recall those items, and we may experience product liability claims and damage to our reputation

We may need to recall some of our products if they become adulterated or if they are mislabeled, and we may also be liable if the consumption of any of our products causes injury to consumers. A widespread product recall could result in significant losses due to the costs of a recall, the destruction of product inventory, and lost sales due to the unavailability of product for a period of time. We could also suffer losses from a significant adverse product liability judgment. A significant product recall or product liability claim could also result in adverse publicity, damage to our reputation, and a loss of consumer confidence in the safety and/or quality of our products, ingredients or packaging. In addition, if another company recalls or experiences negative publicity related to a product in a category in which we compete, consumers might reduce their overall consumption of products in this category.

Our results may be adversely impacted if consumers do not maintain their favorable perception of our brands

We have a number of iconic brands with significant value. Maintaining and continually enhancing the value of these brands is critical to the success of our business. Brand value is based in large part on consumer perceptions. Success in promoting and enhancing brand value depends in large part on our ability to provide high-quality products. Brand value could diminish significantly due to a number of factors, including consumer perception that we have acted in an irresponsible manner, adverse publicity about our products, packaging and/or ingredients (whether or not valid), our failure to maintain the quality of our products, the failure of our products to deliver consistently positive consumer experiences, or the products becoming unavailable to consumers. The growing use of social and digital media by consumers increases the speed and extent that information and opinions can be shared. Negative posts or comments about us, our brands, products or packaging on social or digital media could seriously damage our brands and reputation. If we do not maintain the favorable perception of our brands, our results could be adversely impacted.

We may be adversely impacted by inadequacies in, or security breaches of, our information technology systems

Our information technology systems are critically important to our operations. We rely on our information technology systems (some of which are outsourced to third parties) to manage the data, communications and business processes for all of our functions, including our marketing, sales, manufacturing, logistics, customer service, accounting and administrative functions. If we do not allocate and effectively manage the resources necessary to build, sustain and protect an appropriate technology infrastructure, our business or financial results could be adversely impacted. Furthermore, our information technology systems may be vulnerable to material security breaches (including the access to or acquisition of customer, consumer or other confidential data), cyber-based attacks or other material system failures. If we are unable to prevent or adequately respond to and resolve these events, our operations may be impacted, and we may suffer other adverse consequences such as reputational damage, litigation, remediation costs and/or penalties under various data privacy laws and regulations. Although unauthorized users have attempted and continue to attempt to infiltrate our information technology systems, we have not detected a material security breach and all immaterial security breaches we have detected have been successfully remediated.

An impairment of the carrying value of goodwill or other indefinite-lived intangible assets could adversely affect our financial results and net worth

As of July 31, 2016, we had goodwill of $2.263 billion and other indefinite-lived intangible assets of $927 million. Goodwill and indefinite-lived intangible assets are initially recorded at fair value and not amortized, but are tested for impairment at least annually or more frequently if impairment indicators arise. We test goodwill at the reporting unit level by comparing the carrying value of the net assets of the reporting unit, including goodwill, to the unit's fair value. Similarly, we test indefinite-lived intangible assets by comparing the fair value of the assets to their carrying values. Fair value for both goodwill and other indefinite-lived intangible assets is determined based on a discounted cash flow analysis. If the carrying values of goodwill or indefinite-lived intangible assets exceed their fair value, the goodwill or indefinite-lived intangible assets are considered impaired and reduced to fair value. Factors that could result in an impairment include a change in revenue growth rates, operating margins, weighted average cost of capital, future economic and market conditions or assumed royalty rates.

In the fourth quarter of 2016, as part of our annual review of goodwill and indefinite-lived intangible assets, we recognized a non-cash impairment charge of $141 million ($127 million after tax or $.41 per share) on the intangible assets of the Bolthouse Farms carrot and carrot ingredients reporting unit, which is part of the Campbell Fresh segment. See Note 6 to the Consolidated Financial Statements for additional information.
We may be required in the future to record additional impairment of the carrying value of goodwill or other indefinite-lived intangible assets, which could adversely affect our financial results and net worth.
Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our products and brands
We consider our intellectual property rights, particularly our trademarks, to be a significant and valuable aspect of our business. We protect our intellectual property rights through a combination of patent, trademark, copyright and trade secret protection, contractual agreements and policing of third-party misuses of our intellectual property. Our failure to obtain or adequately protect

our intellectual property or any change in law that lessens or removes the current legal protections of our intellectual property may diminish our competitiveness and adversely affect our business and financial results.
Competing intellectual property claims that impact our brands or products may arise unexpectedly. Any litigation or disputes regarding intellectual property may be costly and time-consuming and may divert the attention of our management and key personnel from our business operations. We also may be subject to significant damages or injunctions against development, launch and sale of certain products. Any of these occurrences may harm our business and financial results.

We may be adversely impacted by increased liabilities and costs related to our defined benefit pension plans

We sponsor a number of defined benefit pension plans for employees in the U.S. and various non-U.S. locations. The major defined benefit pension plans are funded with trust assets invested in a globally diversified portfolio of securities and other investments. Changes in regulatory requirements or the market value of plan assets, investment returns, interest rates and mortality rates may affect the funded status of our defined benefit pension plans and cause volatility in the net periodic benefit cost, future funding requirements of the plans and the funded status as recorded on the balance sheet. A significant increase in our obligations or future funding requirements could have a material adverse effect on our financial results.

We may not be able to attract and retain the highly skilled people we need to support our business

We depend on the skills and continued service of key personnel, including our experienced management team. In addition, our ability to achieve our strategic and operating goals depends on our ability to identify, hire, train and retain qualified individuals. We compete with other companies both within and outside of our industry for talented personnel, and we may lose key personnel or fail to attract, train and retain other talented personnel. Any such loss or failure may adversely affect our business or financial results. In addition, activities related to identifying, recruiting, hiring and integrating qualified individuals may require significant time and expense. We may not be able to locate suitable replacements for any key employees who leave, or offer employment to potential replacements on reasonable terms, each of which may adversely affect our business and financial results.

Market Conditions and Other General Risk Factors

We face risks related to recession, financial and credit market disruptions and other economic conditions

Customer and consumer demand for our products may be impacted by weak economic conditions, recession, equity market volatility or other negative economic factors in the U.S. or other nations. Similarly, disruptions in financial and/or credit markets may impact our ability to manage normal commercial relationships with our customers, suppliers and creditors. In addition, changes in tax or interest rates in the U.S. or other nations, whether due to recession, financial and credit market disruptions or other reasons, could impact us.

Adverse changes in the global climate or extreme weather conditions could adversely affect our business or operations

Our business or financial results could be adversely affected by changing global temperatures or weather patterns or by extreme or unusual weather conditions. Adverse changes in the global climate or extreme or unusual weather conditions could:

- unfavorably impact the cost or availability of raw or packaging materials, especially if such events have an adverse impact on agricultural productivity or on the supply of water;
- disrupt our ability, or the ability of our suppliers or contract manufacturers, to manufacture or distribute our products;
- disrupt the retail operations of our customers; or
- unfavorably impact the demand for, or the consumer's ability to purchase, our products.

In addition, there is growing concern that the release of carbon dioxide and other greenhouse gases into the atmosphere may be impacting global temperatures and weather patterns and contributing to extreme or unusual weather conditions. This growing concern may result in more regional, federal, and/or global legal and regulatory requirements to reduce or mitigate the effects of greenhouse gases. Adoption of such additional regulation may result in increased compliance costs, capital expenditures and other financial obligations that could adversely affect our business or financial results.

Legal and Regulatory Risk Factors

We may be adversely impacted by legal and regulatory proceedings or claims

We are party to a variety of legal and regulatory proceedings and claims arising out of the normal course of business. Since these actions are inherently uncertain, there is no guarantee that we will be successful in defending ourselves against such proceedings or claims, or that our assessment of the materiality or immateriality of these matters, including any reserves taken in connection with such matters, will be consistent with the ultimate outcome of such proceedings or claims. The marketing of food products has come under increased regulatory scrutiny in recent years, and the food industry has been subject to an increasing number of proceedings and claims relating to alleged false or deceptive marketing under federal, state and foreign laws or regulations. In addition, the independent contractor distribution model, which is used by Pepperidge Farm, has come under increased legal and regulatory scrutiny in recent years. We have a few putative state law class action lawsuits challenging the independent contractor classification of a small percentage of the total Pepperidge Farm distribution network. We are contesting class certification and the merits in each lawsuit and plan to defend against these claims vigorously. In the event we are unable to successfully defend ourselves against these proceedings or claims, or if our assessment of the materiality of these proceedings or claims proves inaccurate, our business or financial results may be adversely affected. In addition, our reputation could be damaged by allegations made in proceedings or claims (even if untrue).

Increased regulation or changes in law could adversely affect our business or financial results

The manufacture and marketing of food products is extensively regulated. Various laws and regulations govern the processing, packaging, storage, distribution, marketing, advertising, labeling, quality and safety of our food products, as well as the health and safety of our employees and the protection of the environment. In the U.S., we are subject to regulation by various government agencies, including the Food and Drug Administration, the U.S. Department of Agriculture, the Federal Trade Commission, the Occupational Safety and Health Administration and the Environmental Protection Agency, as well as various state and local agencies. We are also regulated by similar agencies outside the U.S. Changes in legal or regulatory requirements (such as new food safety requirements and revised nutrition facts labeling and serving size regulations), or evolving interpretations of existing legal or regulatory requirements, may result in increased compliance cost, capital expenditures and other financial obligations that could adversely affect our business or financial results.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal executive offices are company-owned and located in Camden, New Jersey. The following table sets forth our principal manufacturing facilities and the business segment that primarily uses each of the facilities:

Principal Manufacturing Facilities

Inside the U.S.

California	Michigan	Texas
Bakersfield (CF)	Ferndale (CF)	Paris (ASMB)
Dixon (ASMB)	Grand Rapids (CF)	Utah
Stockton (ASMB)	New Jersey	