CAMPBELL SOUP CO
Form 10-Q
March 09, 2011

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

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

For the Quarterly Period Ended	Commission File Number
January 30, 2011	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

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. þ Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Date 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 that the registrant was required to submit and post such files). þ Yes o 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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes þ No

There were 320,229,427 shares of capital stock outstanding as of March 3, 2011.

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PART I
Item 1. FINANCIAL INFORMATION
CAMPBELL SOUP COMPANY
Consolidated Statements of Earnings
(unaudited)
(millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	January 30, 2011	January 31, 2010	**January 30, 2011**	January 31, 2010
Net sales	**$ 2,127**	$ 2,153	**$ 4,299**	$ 4,356
Costs and expenses				
Cost of products sold	**1,289**	1,282	**2,567**	2,562
Marketing and selling expenses	**291**	301	**568**	585
Administrative expenses	**154**	149	**294**	282
Research and development expenses	**31**	28	**62**	57
Other expenses / (income)	**3**	2	**5**	1
Total costs and expenses	**1,768**	1,762	**3,496**	3,487
Earnings before interest and taxes	**359**	391	**803**	869
Interest expense	**34**	27	**66**	55
Interest income	**3**	1	**5**	2
Earnings before taxes	**328**	365	**742**	816
Taxes on earnings	**89**	106	**224**	253
Net earnings	**$ 239**	$ 259	**$ 518**	$ 563
Per share basic				
Net earnings	**$ .72**	$ .74	**$ 1.54**	$ 1.62
Dividends	**$ .29**	$ .275	**$ .565**	$ .525
Weighted average shares outstanding basic	**330**	341	**332**	342
Per share assuming dilution				
Net earnings	**$ .71**	$ .74	**$ 1.53**	$ 1.61

Weighted average shares outstanding assuming dilution	**332**	344	**335**	345

See accompanying Notes to Consolidated Financial Statements.

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CAMPBELL SOUP COMPANY
Consolidated Balance Sheets
(unaudited)
(millions, except per share amounts)

	January 30, 2011	August 1, 2010
Current assets		
Cash and cash equivalents	**$ 325**	$ 254
Accounts receivable	**712**	512
Inventories	**703**	724
Other current assets	**174**	197
Total current assets	**1,914**	1,687
Plant assets, net of depreciation	**2,018**	2,051
Goodwill	**2,015**	1,919
Other intangible assets, net of amortization	**520**	509
Other assets	**113**	110
Total assets	**$ 6,580**	$ 6,276
Current liabilities		
Short-term borrowings	**$ 1,184**	$ 835
Payable to suppliers and others	**538**	545
Accrued liabilities	**573**	560
Dividend payable	**97**	95
Accrued income taxes	**23**	30
Total current liabilities	**2,415**	2,065
Long-term debt	**1,937**	1,945
Deferred taxes	**347**	258
Other liabilities	**989**	1,079
Total liabilities	**5,688**	5,347
Campbell Soup Company shareowners equity		
Preferred stock; authorized 40 shares; none issued		
Capital stock, $.0375 par value; authorized 560 shares; issued 542 shares	**20**	20
Additional paid-in capital	**316**	341
Earnings retained in the business	**9,087**	8,760
Capital stock in treasury, at cost	**(7,939)**	(7,459)
Accumulated other comprehensive loss	**(595)**	(736)
Total Campbell Soup Company shareowners equity	**889**	926

Noncontrolling interest		**3**		3
Total equity		**892**		929
Total liabilities and equity	**$**	**6,580**	$	6,276

See accompanying Notes to Consolidated Financial Statements.

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CAMPBELL SOUP COMPANY
Consolidated Statements of Cash Flows
(unaudited)
(millions)

	Six Months Ended	
	January 30, 2011	January 31, 2010
Cash flows from operating activities:		
Net earnings	**$ 518**	$ 563
Adjustments to reconcile net earnings to operating cash flow		
Stock-based compensation	**46**	45
Depreciation and amortization	**129**	122
Deferred income taxes	**77**	58
Other, net	**54**	46
Changes in working capital		
Accounts receivable	**(186)**	(147)
Inventories	**32**	126
Prepaid assets	**9**	
Accounts payable and accrued liabilities	**(39)**	(31)
Pension fund contributions	**(135)**	(272)
Receipts from hedging activities	**1**	7
Other	**(23)**	(21)
Net cash provided by operating activities	**483**	496
Cash flows from investing activities:		
Purchases of plant assets	**(74)**	(103)
Sales of plant assets	**9**	5
Other, net		2
Net cash used in investing activities	**(65)**	(96)
Cash flows from financing activities:		
Net short-term borrowings	**351**	8
Dividends paid	**(188)**	(175)
Treasury stock purchases	**(573)**	(213)
Treasury stock issuances	**38**	36
Excess tax benefits on stock-based compensation	**6**	4
Net cash used in financing activities	**(366)**	(340)
Effect of exchange rate changes on cash	**19**	2
Net change in cash and cash equivalents	**71**	62
Cash and cash equivalents beginning of period	**254**	51
Cash and cash equivalents end of period	**$ 325**	$ 113

See accompanying Notes to Consolidated Financial Statements.

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CAMPBELL SOUP COMPANY
Consolidated Statements of Equity
(unaudited)
(millions, except per share amounts)

	Campbell Soup Company Shareowners Equity								
	Capital Stock					Earnings	Accumulated		
	Issued		In Treasury		Additional Paid-in	Retained in the	Other Comprehensive Income	Noncontrolling	Total
	Shares	Amount	Shares	Amount	Capital	Business	(Loss)	Interest	Equity
Balance at August 2, 2009	542	$20	(199)	$(7,194)	$332	$8,288	$(718)	$ 3	$ 731
Comprehensive income (loss)									
Net earnings						563			563
Foreign currency translation adjustments, net of tax							35		35
Cash-flow hedges, net of tax							6		6
Pension and postretirement benefits, net of tax							22		22
Other comprehensive income (loss)							63		63
Total comprehensive income (loss)									626
Dividends ($.525 per share)						(183)			(183)
Treasury stock purchased			(7)	(213)					(213)
Treasury stock issued under management incentive and stock option plans			3	86	(21)				65
Balance at January 31, 2010	542	$20	(203)	$(7,321)	$311	$8,668	$(655)	$ 3	$1,026
Balance at August 1, 2010	542	$20	(206)	$(7,459)	$341	$8,760	$(736)	$ 3	$ 929

Comprehensive income (loss)									
Net earnings						**518**			**518**
Foreign currency translation adjustments, net of tax							**119**		**119**
Cash-flow hedges, net of tax							**2**		**2**
Pension and postretirement benefits, net of tax							**20**		**20**
Other comprehensive income (loss)							**141**		**141**
Total comprehensive income (loss)									**659**
Dividends ($.565 per share)						**(191)**			**(191)**
Treasury stock purchased			**(16)**	**(573)**					**(573)**
Treasury stock issued under management incentive and stock option plans			**3**	**93**	**(25)**				**68**
Balance at January 30, 2011	**542**	**$20**	**(219)**	**$(7,939)**	**$316**	**$9,087**	**$(595)**	**$ 3**	**$ 892**

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements
(unaudited)
(currency in millions, except per share amounts)

1. Basis of Presentation and Significant Accounting Policies

The financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the results of operations, financial position, and cash flows for the indicated periods. All such adjustments are of a normal recurring nature. The accounting policies used in preparing these financial statements are consistent with those applied in the Annual Report on Form 10-K for the year ended August 1, 2010. The results for the period are not necessarily indicative of the results to be expected for other interim periods or the full year.

2. Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued authoritative guidance that changed the consolidation model for variable interest entities (VIE). The revised guidance requires an enterprise to qualitatively assess the determination of the primary beneficiary, or consolidator of a VIE, based on whether the entity has the power to direct matters that most significantly impact the activities of the VIE, and has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The revised guidance also amended the consideration of kick-out rights in determining if an entity is a VIE and requires an ongoing reconsideration of the primary beneficiary. It also amends the events that trigger a reassessment of whether an entity is a VIE. The provisions were effective for the first quarter of fiscal 2011. The adoption of the guidance did not have a material impact on the company s consolidated financial statements.

In January 2010, the FASB issued additional authoritative guidance related to fair value measurements and disclosures. The guidance requires a roll forward, separately presenting information about purchases, sales, issuances and settlements on a gross basis, rather than net, of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). The roll forward information must be provided by the company for the first quarter of fiscal 2012, as the provision is effective for annual reporting periods beginning after December 15, 2010 and for interim reporting periods within those years.

In November 2010, the FASB issued additional authoritative guidance clarifying the required disclosures of supplementary pro forma information for business combinations. The guidance is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010.

In December 2010, the FASB issued additional authoritative guidance on accounting for goodwill. The guidance clarifies the impairment test for reporting units with zero or negative carrying amounts. The guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2011. The adoption is not expected to have a material impact on the company s consolidated financial statements.

3. Comprehensive Income (Loss)

Total comprehensive income (loss) is comprised of net earnings, net foreign currency translation adjustments, net unamortized pension and postretirement benefits adjustments, and net unrealized gains and losses on cash-flow hedges. Total comprehensive income for the three-month periods ended January 30, 2011 and January 31, 2010 was $257 and $236, respectively. Total comprehensive income for the six-month periods ended January 30, 2011 and January 31, 2010 was $659 and $626, respectively.

The components of Accumulated other comprehensive income (loss) consisted of the following:

	January 30, 2011	**August 1, 2010**
Foreign currency translation adjustments, net of tax (1)	**$ 251**	$ 132
Cash-flow hedges, net of tax (2)	**(16)**	(18)
Unamortized pension and postretirement benefits, net of tax (3):		
Net actuarial loss	**(835)**	(856)
Prior service (cost)/credit	**5**	6

Total Accumulated other comprehensive loss	**$ (595)**	$ (736)

(1) Includes a tax expense of $1 as of January 30, 2011, and a tax benefit of $1 as of August 1, 2010.

(2) Includes a tax benefit of $9 as of January 30, 2011, and $10 as of August 1, 2010.

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Notes to Consolidated Financial Statements (Continued)

(3) Includes a tax benefit of $477 as of January 30, 2011, and $489 as of August 1, 2010.

4. Goodwill and Intangible Assets

The following table shows the changes in the carrying amount of goodwill by business segment:

	U.S. Soup, Sauces and Beverages		Baking and Snacking		International Soup, Sauces and Beverages		North America Foodservice		Total
Balance at August 1, 2010	$	434	$	754	$	585	$	146	$ 1,919
Foreign currency translation adjustment				**72**		**24**			**96**
Balance at January 30, 2011	**$**	**434**	**$**	**826**	**$**	**609**	**$**	**146**	**$ 2,015**

The following table sets forth balance sheet information for intangible assets, excluding goodwill, subject to amortization and intangible assets not subject to amortization:

		January 30, 2011		August 1, 2010
Intangible Assets:				
Non-amortizable intangible assets	**$**	**507**	$	496
Amortizable intangible assets		**21**		21
		528		517
Accumulated amortization		**(8)**		(8)
Total net intangible assets	**$**	**520**	$	509

Non-amortizable intangible assets consist of trademarks, which mainly include *Pace*, *Royco*, *Liebig*, *Blå Band*, and *Touch of Taste*. Amortizable intangible assets consist substantially of process technology and customer intangibles.

Amortization related to these assets was less than $1 for the six-month periods ended January 30, 2011, and January 31, 2010. The estimated aggregated amortization expense for each of the five succeeding fiscal years is less than $1 per year. Asset useful lives range from 10 to 20 years.

5. Business and Geographic Segment Information

Campbell Soup Company, together with its consolidated subsidiaries, is a global manufacturer and marketer of high-quality, branded convenience food products. The company has eight operating segments based on product type and geographic location and reports the results of operations in the following segments: U.S. Soup, Sauces and Beverages; Baking and Snacking; International Soup, Sauces and Beverages; and North America Foodservice.

The U.S. Soup, Sauces and Beverages segment represents the U.S. retail business, including the following products: *Campbell s* condensed and ready-to-serve soups; *Swanson* broth, stocks and canned poultry; *Prego* pasta sauce; *Pace* Mexican sauce; *Campbell s* canned pasta, gravies, and beans; *V8* juices and beverages; and *Campbell s* tomato juice.

The Baking and Snacking segment aggregates the following operating segments: *Pepperidge Farm* cookies, crackers, bakery and frozen products in U.S. retail; and *Arnott s* biscuits in Australia and Asia Pacific.

The International Soup, Sauces and Beverages segment aggregates the soup, sauce and beverage operating segments outside of the United States, including Europe, Latin America, the Asia Pacific region and the retail business in Canada.

The North America Foodservice segment represents the distribution of products such as soup, specialty entrees, beverage products, other prepared foods and Pepperidge Farm products through various food service channels in the United States and Canada.

Accounting policies for measuring segment assets and earnings before interest and taxes are substantially consistent with those described in the company s 2010 Annual Report on Form 10-K. The company evaluates segment performance before interest and taxes. North America Foodservice products are principally produced by the tangible assets of the company s other segments, except

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Notes to Consolidated Financial Statements (Continued)

for refrigerated soups, which are produced in a separate facility, and certain other products, which are produced under contract manufacturing agreements. Tangible assets of the company s other segments are not allocated to the North America Foodservice operations. Depreciation, however, is allocated to North America Foodservice based on production hours.

	Three Months Ended		Six Months Ended	
	January 30, 2011	**January 31, 2010**	**January 30, 2011**	**January 31, 2010**
Net sales				
U.S. Soup, Sauces and Beverages	**$ 1,022**	$ 1,068	**$ 2,125**	$ 2,208
Baking and Snacking	**526**	489	**1,070**	1,019
International Soup, Sauces and Beverages	**421**	437	**793**	811
North America Foodservice	**158**	159	**311**	318
Total	**$ 2,127**	$ 2,153	**$ 4,299**	$ 4,356

	Three Months Ended		Six Months Ended	
	January 30, 2011	**January 31, 2010**	**January 30, 2011**	**January 31, 2010**
Earnings before interest and taxes				
U.S. Soup, Sauces and Beverages	**$ 220**	$ 259	**$ 515**	$ 590
Baking and Snacking	**81**	73	**181**	173
International Soup, Sauces and Beverages	**69**	74	**120**	118
North America Foodservice	**21**	17	**44**	43
Corporate(1)	**(32)**	(32)	**(57)**	(55)
Total	**$ 359**	$ 391	**$ 803**	$ 869

(1) Represents unallocated corporate expenses.

Additional product information is provided below for net sales.

	Three Months Ended		Six Months Ended	
	January 30, 2011	**January 31, 2010**	**January 30, 2011**	**January 31, 2010**
Net sales				
Simple Meals	**$ 1,335**	$ 1,397	**$ 2,666**	$ 2,796
Baked Snacks	**566**	530	**1,154**	1,102
Beverages	**226**	226	**479**	458
Total	**$ 2,127**	$ 2,153	**$ 4,299**	$ 4,356

	Fiscal Year Ended		
	August 1, 2010	**August 2, 2009**	**August 3, 2008**
Net sales			
Simple Meals	$ 4,594	$ 4,674	$ 4,815
Baked Snacks	2,129	1,995	2,200
Beverages	953	917	983
Total	$ 7,676	$ 7,586	$ 7,998

Simple meals include condensed and ready-to-serve soups, broths and sauces. Baked snacks include cookies, crackers, biscuits and other baked products.

6. Earnings per Share

In June 2008, the FASB issued accounting guidance related to the calculation of earnings per share. The guidance provides that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. Prior to fiscal 2011, the company granted share-based payment awards with non-forfeitable rights to dividends or dividend equivalents. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared and participation rights in undistributed earnings.

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Notes to Consolidated Financial Statements (Continued)

The computation of basic and diluted earnings per share attributable to common shareowners is as follows:

	Three Months Ended		Six Months Ended	
	January 30, 2011	**January 31, 2010**	**January 30, 2011**	**January 31, 2010**
Net earnings	**$ 239**	$ 259	**$ 518**	$ 563
Less: net earnings allocated to participating securities	**(3)**	(5)	**(6)**	(8)
Net earnings available to common shareowners	**$ 236**	$ 254	**$ 512**	$ 555
Weighted average shares outstanding basic	**330**	341	**332**	342
Effect of dilutive securities: stock options	**2**	3	**3**	3
Weighted average shares outstanding diluted	**332**	344	**335**	345
Net earnings per common share:				
Basic	**$ .72**	$ .74	**$ 1.54**	$ 1.62
Diluted	**$ .71**	$ .74	**$ 1.53**	$ 1.61

There were no antidilutive stock options for the three-month periods ended January 30, 2011 and January 31, 2010 and the six-month period ended January 30, 2011. Stock options to purchase approximately 1 million shares of capital stock for the six-month period ended January 31, 2010 were not included in the calculation of diluted earnings per share because the exercise price of the stock options exceeded the average market price of the capital stock and, therefore, would be antidilutive.

7. Noncontrolling Interest

The company owns a 70% controlling interest in a Malaysian manufacturing company. The noncontrolling interest in this entity is included in Total equity in the Consolidated Balance Sheets. The earnings attributable to the noncontrolling interest were less than $1 for the three- and six-month periods ended January 30, 2011, and January 31, 2010, and were included in Other expenses/(income) in the Consolidated Statements of Earnings.

The company owns a 60% interest in a joint venture formed to support the development of the company s business in China. The joint venture began operations on January 31, 2011, the beginning of the third fiscal quarter. The company s investment in the joint venture as of January 31, 2011 was $10.

8. Pension and Postretirement Benefits

The company sponsors certain defined benefit pension plans and postretirement benefit plans for employees. Components of benefit expense were as follows:

	Three Months Ended				Six Months Ended			
	Pension		Postretirement		Pension		Postretirement	
	Jan. 30, 2011	**Jan. 31, 2010**	**Jan. 30, 2011**	**Jan. 31, 2010**	**Jan. 30, 2011**	**Jan. 31, 2010**	**Jan. 30, 2011**	**Jan. 31, 2010**
Service cost	**$ 15**	$ 13	**$ 1**	$ 1	**$ 29**	$ 27	**$ 2**	$ 2
Interest cost	**31**	31	**5**	5	**61**	61	**9**	10
	(45)	(42)			**(89)**	(85)		

Expected return on plan assets								
Amortization of prior service cost/(credit)			**(1)**			1	**(1)**	
Recognized net actuarial loss	**17**	12	**2**		**35**	24	**4**	
Net periodic benefit expense	**$ 18**	$ 14	**$ 7**	$ 6	**$ 36**	$ 28	**$ 14**	$ 12

A contribution of $100 was made to U.S. pension plans and contributions of $35 were made to non-U.S. pension plans during the six-month period ended January 30, 2011. Additional contributions to U.S. pension plans are not expected this fiscal year. Contributions to non-U.S. pension plans are expected to be approximately $9 during the remainder of the fiscal year.

In fiscal 2010, the company amended its U.S. pension plans. Employees hired or rehired on or after January 1, 2011 and who are not covered by collective bargaining agreements will not be eligible to participate in the plans.

Notes to Consolidated Financial Statements (Continued)

In fiscal 2010, the postretirement medical program was also amended to discontinue retiree medical accounts for employees not covered by collective bargaining agreements and who are not at least age 50 with at least 10 years of service as of December 31, 2010.

9. Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings, excluding the current portion of long-term debt, approximate fair value. The fair value of long-term debt, including the current portion of long-term debt in short-term borrowings, was $2,775 at January 30, 2011 and $2,829 at August 1, 2010. The fair value of long-term debt was based on quoted market prices or pricing models using current market rates.

The principal market risks to which the company is exposed are changes in foreign currency exchange rates, interest rates, and commodity prices. In addition, the company is exposed to equity price changes related to certain deferred compensation obligations. In order to manage these exposures, the company follows established risk management policies and procedures, including the use of derivative contracts such as swaps, forwards and commodity futures and option contracts. These derivative contracts are entered into for periods consistent with the related underlying exposures and do not constitute positions independent of those exposures. The company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments. The company s derivative programs include strategies that both qualify and do not qualify for hedge accounting treatment.

The company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. The company minimizes the counterparty credit risk on these transactions by dealing only with leading, credit-worthy financial institutions having long-term credit ratings of A or better. In addition, the contracts are distributed among several financial institutions, thus minimizing credit-risk concentration. The company does not have credit-risk-related contingent features in its derivative instruments as of January 30, 2011.

Foreign Currency Exchange Risk

The company is exposed to foreign currency exchange risk related to its international operations, including non-functional currency intercompany debt and net investments in subsidiaries. The company is also exposed to foreign exchange risk as a result of transactions in currencies other than the functional currency of certain subsidiaries. Principal currencies hedged include the Australian dollar, Canadian dollar, euro, Swedish krona, New Zealand dollar, British pound and Japanese yen. The company utilizes foreign exchange forward purchase and sale contracts as well as cross-currency swaps to hedge these exposures. The contracts are either designated as cash-flow hedging instruments or are undesignated. The company typically hedges portions of its forecasted foreign currency transaction exposure with foreign exchange forward contracts for up to 18 months. To hedge currency exposures related to intercompany debt, cross-currency swap contracts are entered into for periods consistent with the underlying debt. As of January 30, 2011, cross-currency swap contracts mature in 2011 through 2015. The notional amount of foreign exchange forward and cross-currency swap contracts accounted for as cash-flow hedges was $265 at January 30, 2011 and $261 at August 1, 2010. The effective portion of the changes in fair value on these instruments is recorded in other comprehensive income (loss) and is reclassified into the Consolidated Statements of Earnings on the same line item and same period in which the underlying hedge transaction affects earnings. The notional amount of foreign exchange forward and cross-currency swap contracts that are not designated as accounting hedges was $706 and $757 at January 30, 2011 and August 1, 2010, respectively.

Interest Rate Risk

The company manages its exposure to changes in interest rates by optimizing the use of variable-rate and fixed-rate debt and by utilizing interest rate swaps in order to maintain its variable-to-total debt ratio within targeted guidelines. Receive fixed rate/pay variable rate interest rate swaps are accounted for as fair-value hedges. The notional amount of outstanding fair-value interest rate swaps totaled $500 at January 30, 2011 and at August 1, 2010. These swaps mature in fiscal 2013 through fiscal 2014.

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Notes to Consolidated Financial Statements (Continued)

Commodity Price Risk

The company principally uses a combination of purchase orders and various short- and long-term supply arrangements in connection with the purchase of raw materials, including certain commodities and agricultural products. The company also enters into commodity futures and options contracts to reduce the volatility of price fluctuations of diesel fuel, wheat, natural gas, soybean oil, aluminum, sugar, cocoa, and corn, which impact the cost of raw materials. Commodity futures and option contracts are typically accounted for as cash-flow hedges or are not designated as accounting hedges. Commodity futures and option contracts are typically entered into to hedge a portion of commodity requirements for periods up to 18 months. The notional amount of commodity contracts accounted for as cash-flow hedges was $9 at January 30, 2011 and $7 at August 1, 2010. The notional amount of commodity contracts that are not designated as accounting hedges was $45 at January 30, 2011 and $43 at August 1, 2010.

Equity Price Risk

The company hedges a portion of exposures relating to certain deferred compensation obligations linked to the total return of the Standard & Poor s 500 Index, the total return of the company s capital stock and the total return of the Puritan Fund or, beginning in January 2011, the total return of the Vanguard International Stock Index. Under these contracts, the company pays variable interest rates and receives from the counterparty either the total return of the Standard & Poor s 500 Index, the total return on company capital stock, the total return of the Puritan Fund or the total return of the iShares MSCI EAFE Index Fund, which is expected to approximate the total return of the Vanguard International Stock Index. The contracts related to the Puritan Fund matured in January 2011. The contracts are not designated as hedges for accounting purposes and are typically entered into for periods not exceeding 12 months. The notional amount of the contracts outstanding was $73 as of January 30, 2011 and $75 as of August 1, 2010.

The following table summarizes the fair value of derivative instruments recorded in the Consolidated Balance Sheets as of January 30, 2011, and August 1, 2010:

	Balance Sheet Classification	January 30, 2011	August 1, 2010
Asset Derivatives			
Derivatives designated as hedges:			
Foreign exchange forward contracts	Other current assets	**$**	$ 1
Commodity contracts	Other current assets	**1**	1
Cross-currency swap contracts	Other assets		3
Interest rate swaps	Other assets	**39**	46
Total derivatives designated as hedges		**$ 40**	$ 51
Derivatives not designated as hedges:			
Foreign exchange forward contracts	Other current assets	**$**	$ 1
Commodity contracts	Other current assets	**9**	3
Cross-currency swap contracts	Other current assets	**9**	13
Cross-currency swap contracts	Other assets		1
Total derivatives not designated as hedges		**$ 18**	$ 18
Total asset derivatives		**$ 58**	$ 69

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Notes to Consolidated Financial Statements (Continued)

	Balance Sheet Classification	January 30, 2011	August 1, 2010
Liability Derivatives			
Derivatives designated as hedges:			
Foreign exchange forward contracts	Accrued liabilities	**$ 3**	$ 1
Commodity contracts	Accrued liabilities		1
Cross-currency swap contracts	Other liabilities	**28**	24
Total derivatives designated as hedges		**$ 31**	$ 26
Derivatives not designated as hedges:			
Foreign exchange forward contracts	Accrued liabilities	**$ 1**	$ 1
Commodity contracts	Accrued liabilities	**1**	
Cross-currency swap contracts	Accrued liabilities	**2**	
Deferred compensation contracts	Accrued liabilities	**1**	2
Cross-currency swap contracts	Other liabilities	**46**	14
Total derivatives not designated as hedges		**$ 51**	$ 17
Total liability derivatives		**$ 82**	$ 43

The derivative assets and liabilities are presented on a gross basis in the table. Certain derivative asset and liability balances, including cash collateral, are offset in the balance sheet when a legally enforceable right of offset exists.

The following tables show the effect of the company s derivative instruments designated as cash-flow hedges for the three- and six-month periods ended January 30, 2011 and January 31, 2010, on other comprehensive income (loss) (OCI) and the Consolidated Statements of Earnings:

Derivatives Designated as Cash-Flow Hedges

		Total Cash-Flow Hedge OCI Activity	
Three Months Ended January 30, 2011, and January 31, 2010		**2011**	**2010**
OCI derivative gain/(loss) at beginning of quarter		**$ (27)**	$ (30)
Effective portion of changes in fair value recognized in OCI:			
Foreign exchange forward contracts			1
Forward starting interest rate swaps			(1)
Commodity contracts		**3**	
Amount of (gain) or loss reclassified from OCI to earnings:	**Location in Earnings**		
Foreign exchange forward contracts	Other expenses/income	**(1)**	(1)
Foreign exchange forward contracts	Cost of products sold		8
Forward starting interest rate swaps	Interest expense		1
OCI derivative gain/(loss) at end of quarter		**$ (25)**	$ (22)

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Notes to Consolidated Financial Statements (Continued)

Derivatives Designated as Cash-Flow Hedges

Six Months Ended January 30, 2011, and January 31, 2010		**Total Cash-Flow Hedge OCI Activity 2011**	**2010**
OCI derivative gain/(loss) at beginning of year		**$ (28)**	$ (31)
Effective portion of changes in fair value recognized in OCI:			
Foreign exchange forward contracts		**(3)**	(1)
Cross-currency swap contracts			2
Forward starting interest rate swaps			(2)
Commodity contracts		**3**	(1)
Amount of (gain) or loss reclassified from OCI to earnings:	**Location in Earnings**		
Foreign exchange forward contracts	Other expenses/income		(1)
Foreign exchange forward contracts	Cost of products sold	**2**	10
Forward starting interest rate swaps	Interest expense	**1**	1
Commodity contracts	Cost of products sold		1
OCI derivative gain/(loss) at end of quarter		**$ (25)**	$ (22)

The amount expected to be reclassified from other comprehensive income into earnings within the next 12 months is a loss of $3. The ineffective portion and amount excluded from effectiveness testing were not material.

The following tables show the effect of the company s derivative instruments designated as fair-value hedges on the Consolidated Statements of Earnings:

Derivatives Designated as Fair-Value Hedges	**Location of Gain or (Loss) Recognized in Earnings**	**Amount of Gain or (Loss) Recognized in Earnings on Derivatives January 30, 2011**	**January 31, 2010**	**Amount of Gain or (Loss) Recognized in Earnings on Hedged Item January 30, 2011**	**January 31, 2010**
Three Months Ended					
Interest rate swaps	Interest expense	**$ (8)**	$ 1	**$ 8**	$ (1)
Six Months Ended					
Interest rate swaps	Interest expense	**$ (7)**	$ 5	**$ 7**	$ (5)

The following table shows the effects of the company s derivative instruments not designated as hedges in the Consolidated Statements of Earnings:

Amount of Gain or (Loss) Recognized in Earnings

		On Derivatives			
		Three Months Ended		Six Months Ended	
Derivatives not Designated as Hedges	**Location of Gain or (Loss) Recognized in Earnings**	**January 30, 2011**	**January 31, 2010**	**January 30, 2011**	**January 31, 2010**
Foreign exchange forward contracts	Other expenses/income	**$ (1)**	$ (1)	**$ (1)**	$ (4)
Foreign exchange forward contracts	Cost of products sold	**(1)**		**(1)**	
Cross-currency swap contracts	Other expenses/income	**(1)**	14	**(39)**	(10)
Commodity contracts	Cost of products sold	**8**	(2)	**9**	(3)
Deferred compensation contracts	Administrative expenses		2	**2**	4
Total		**$ 5**	$ 13	**$ (30)**	$ (13)

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Notes to Consolidated Financial Statements (Continued)

10. Fair Value Measurements

The company is required to categorize financial assets and liabilities based on the following fair value hierarchy:

Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with observable market data.

Level 3: Unobservable inputs that reflect the reporting entity s own assumptions.

Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. When available, the company uses unadjusted quoted market prices to measure the fair value and classifies such items as Level 1. If quoted market prices are not available, the company bases fair value upon internally developed models that use current market-based or independently sourced market parameters such as interest rates and currency rates.

The following table presents the company s financial assets and liabilities that are measured at fair value on a recurring basis as of January 30, 2011, and August 1, 2010, consistent with the fair value hierarchy:

	Fair Value as of January 30, 2011	Fair Value Measurements at January 30, 2011 Using Fair Value Hierarchy			Fair Value as of August 1, 2010	Fair Value Measurements at August 1, 2010 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Assets								
Interest rate swaps(1)	**$ 39**	**$**	**$ 39**	**$**	$ 46	$	$ 46	$
Foreign exchange forward contracts(2)					2		2	
Cross-currency swap contracts(3)	**9**		**9**		17		17	
Commodity derivatives(5)	**10**	**10**			4	4		
Total assets at fair value	**$ 58**	**$ 10**	**$ 48**	**$**	$ 69	$ 4	$ 65	$

	Fair Value as of January 30, 2011	Fair Value Measurements at January 30, 2011 Using Fair Value Hierarchy			Fair Value as of August 1, 2010	Fair Value Measurements at August 1, 2010 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Liabilities								
Foreign exchange forward contracts(2)	**$ 4**	**$**	**$ 4**	**$**	$ 2	$	$ 2	$
Cross-currency swap contracts(3)	**76**		**76**		38		38	
Deferred compensation derivatives(4)	**1**		**1**		2		2	
Commodity derivatives(5)	**1**	**1**			1	1		
Deferred compensation obligation(6)	**160**	**100**	**60**		149	95	54	

Total liabilities at fair value	**$**	**242**	**$**	**101**	**$**	**141**	**$**		$	192	$	96	$	96	$

(1) Based on LIBOR swap rates.

(2) Based on observable market transactions of spot currency rates and forward rates.

(3) Based on observable local benchmarks for currency and interest rates.

(4) Based on LIBOR and equity index swap rates.

(5) Based on quoted futures exchanges.

(6) Based on the fair value of the participants investments.

11. Share Repurchase Programs

In June 2008, the company s Board of Directors authorized the purchase of up to $1,200 of company stock through fiscal 2011. This program began in fiscal 2009. In addition to this publicly announced program, the company repurchases shares to offset the impact of dilution from shares issued under the company s stock compensation plans.

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Notes to Consolidated Financial Statements (Continued)

During the six-month period ended January 30, 2011, the company repurchased 16 million shares at a cost of $573. Of this amount, $456 was used to repurchase shares pursuant to the company s June 2008 publicly announced share repurchase program. Approximately $94 remains available under this program as of January 30, 2011.

During the six-month period ended January 31, 2010, the company repurchased 7 million shares at a cost of $213. Of this amount, $118 was used to repurchase shares pursuant to the company s June 2008 publicly announced share repurchase program.

12. Stock-based Compensation

The company provides compensation benefits by issuing unrestricted stock, restricted stock and restricted stock units (including EPS performance restricted stock/units and total shareowner return (TSR) performance restricted stock/units). In previous fiscal years, the company also issued stock options and stock appreciation rights to provide compensation benefits.

Total pre-tax stock-based compensation recognized in the Consolidated Statements of Earnings was $25 for the three-month periods ended January 30, 2011, and January 31, 2010. Tax-related benefits of $9 and $10 were also recognized for the three-month periods ended January 30, 2011, and January 31, 2010, respectively. Total pre-tax stock-based compensation recognized in the Consolidated Statements of Earnings was $46 and $45 for the six-month periods ended January 30, 2011, and January 31, 2010, respectively. Tax-related benefits of $17 were also recognized for the six-month periods ended January 30, 2011, and January 31, 2010. Cash received from the exercise of stock options was $38 and $36 for the six-month periods ended January 30, 2011, and January 31, 2010, respectively, and is reflected in cash flows from financing activities in the Consolidated Statements of Cash Flows.

The following table summarizes stock option activity as of January 30, 2011:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
		(Options in thousands)		
Outstanding at August 1, 2010	12,473	$ 26.47		
Granted		$		
Exercised	(1,586)	$ 26.87		
Terminated	(29)	$ 34.21		
Outstanding at January 30, 2011	10,858	$ 26.39	2.4	$ 88
Exercisable at January 30, 2011	10,858	$ 26.39	2.4	$ 88

The total intrinsic value of options exercised during the six-month periods ended January 30, 2011, and January 31, 2010, was $14 and $9, respectively. As of January 2009, compensation related to stock options was fully expensed. The company measured the fair value of stock options using the Black-Scholes option pricing model.

The following table summarizes time-lapse restricted stock/units and EPS performance restricted stock/units as of January 30, 2011:

	Shares/Units	Weighted-Average Grant-Date Fair Value
	(Restricted stock/units in thousands)	

Nonvested at August 1, 2010	2,395	$	35.05
Granted	1,132	$	36.08
Vested	(1,078)	$	35.86
Forfeited	(51)	$	34.86
Nonvested at January 30, 2011	2,398	$	35.18

The fair value of time-lapse restricted stock/units and EPS performance restricted stock/units is determined based on the number of shares granted and the quoted price of the company s stock at the date of grant. Time-lapse restricted stock/units granted in fiscal

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Notes to Consolidated Financial Statements (Continued)

2006 and forward are expensed on a straight-line basis over the vesting period, except for awards issued to retirement-eligible participants, which are expensed on an accelerated basis. EPS performance restricted stock/units are expensed on a graded-vesting basis, except for awards issued to retirement-eligible participants, which are expensed on an accelerated basis.

As of January 30, 2011, total remaining unearned compensation related to nonvested time-lapse restricted stock/units and EPS performance restricted stock/units was $50, which will be amortized over the weighted-average remaining service period of 1.8 years. The fair value of restricted stock/units vested during the six-month periods ended January 30, 2011, and January 31, 2010, was $39 and $30, respectively. The weighted-average grant-date fair value of the restricted stock/units granted during the six-month period ended January 31, 2010, was $32.19.

The following table summarizes TSR performance restricted stock/units as of January 30, 2011:

	Shares/Units	Weighted-Average Grant-Date Fair Value
	(Restricted stock/units in thousands)	
Nonvested at August 1, 2010	3,581	$ 38.02
Granted	1,255	$ 43.18
Vested	(1,062)	$ 34.65
Forfeited	(81)	$ 38.66
Nonvested at January 30, 2011	3,693	$ 40.73

The fair value of TSR performance restricted stock/units is estimated at the grant date using a Monte Carlo simulation. Assumptions used in the Monte Carlo simulation were as follows:

	2011	2010
Risk-free interest rate	0.59%	1.27%
Expected dividend yield	3.00%	3.06%
Expected volatility	23.71%	24.83%
Expected term	3 yrs.	3 yrs.

Expense is recognized on a straight-line basis over the service period. As of January 30, 2011, total remaining unearned compensation related to TSR performance restricted stock/units was $79, which will be amortized over the weighted-average remaining service period of 2.1 years. In the first quarter of fiscal 2011, recipients of TSR performance restricted stock/units earned 100% of their initial grants based upon the company s TSR ranking in a performance peer group during a three-year period ended July 30, 2010. The total fair value of TSR performance restricted stock/units vested during the six-month periods ended January 30, 2011, and January 31, 2010, was $38 and $31, respectively. The grant-date fair value of TSR performance restricted stock/units granted during the six-month period ended January 31, 2010, was $33.84.

Prior to fiscal 2009, employees could elect to defer all types of restricted stock awards. These awards were classified as liabilities because of the possibility that they may be settled in cash. The fair value was adjusted quarterly. As of October 2010, these awards were fully vested. Total cash paid to settle the liabilities during the six-month periods ended January 30, 2011, and January 31, 2010, was not material.

The excess tax benefits on the exercise of stock options and vested restricted stock presented as cash flows from financing activities for the six-month periods ended January 30, 2011, and January 31, 2010, were $6 and $4, respectively.

13. Inventories

	January 30, 2011	August 1, 2010
Raw materials, containers and supplies	**$ 285**	$ 261
Finished products	**418**	463
	$ 703	$ 724

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Notes to Consolidated Financial Statements (Continued)

14. Supplemental Cash Flow Information

Other cash used in operating activities for the six-month periods is comprised of the following:

	January 30, 2011	January 31, 2010
Benefit related payments	**$ (15)**	$ (17)
Other	**(8)**	(4)
	$ (23)	$ (21)

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Item 2.

**CAMPBELL SOUP COMPANY CONSOLIDATED
MANAGEMENT S DISCUSSION AND ANALYSES OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

OVERVIEW

Description of the Company

Campbell Soup Company is a global manufacturer and marketer of high-quality, branded convenience food products. The company reports in the following segments: U.S. Soup, Sauces and Beverages; Baking and Snacking; International Soup, Sauces and Beverages; and North America Foodservice.

Executive Summary

This Executive Summary provides significant highlights from the discussion and analysis that follows.

Net sales decreased 1% in the quarter to $2.127 billion.

U.S. Soup, Sauces and Beverages sales declined 4% due primarily to lower sales in U.S. Soup, which also declined 4%. U.S. Soup sales were negatively impacted by increased promotional spending.

Baking and Snacking sales increased 8%.

Gross profit, as a percent of sales, decreased from 40.5% a year ago to 39.4% in the current quarter, reflecting increased promotional spending.

Net earnings per share decreased 4% in the quarter to $.71.

Net Earnings

Net earnings were $239 million in the quarter ended January 30, 2011 compared to $259 million in the year-ago quarter. The decrease was primarily due to the decline in gross margin performance, resulting from increased promotional spending primarily in U.S. Soup, partly offset by productivity improvements. Earnings per share were $.71 compared to $.74 a year ago. Earnings per share benefited from a reduction in the weighted average diluted shares outstanding, which was primarily due to share repurchases under the company s strategic share repurchase program.

Net earnings were $518 million for the six months ended January 30, 2011, compared to $563 million for the year-ago period. The decline was primarily due to increased promotional spending and cost inflation, partly offset by productivity improvements and favorable mix. Earnings per share were $1.53 compared to $1.61 a year ago. Earnings per share benefitted from a reduction in the weighted average diluted shares outstanding, which was primarily due to share repurchases under the company s strategic share repurchase program.

SECOND-QUARTER DISCUSSION AND ANALYSIS

Sales

An analysis of net sales by reportable segment follows:

	2011	2010	% Change
	(Millions)		
U.S. Soup, Sauces and Beverages	**$ 1,022**	$ 1,068	(4)%
Baking and Snacking	**526**	489	8
International Soup, Sauces and Beverages	**421**	437	(4)
North America Foodservice	**158**	159	(1)
	$ 2,127	$ 2,153	(1)%

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An analysis of percent change of net sales by reportable segment follows:

	U.S. Soup, Sauces and Beverages	Baking and Snacking	International Soup, Sauces and Beverages	North America Foodservice	Total
Volume and Mix	(1)%	4%	%	(3)%	%
Price and Sales Allowances		2	(1)	1	
Increased Promotional Spending (1)	(3)	(1)	(2)		(2)
Currency		3	(1)	1	1
	(4)%	8%	(4)%	(1)%	(1)%

(1) Represents revenue reductions from trade promotion and consumer coupon redemption programs.

In the U.S. Soup, Sauces and Beverages segment, sales declined 4%. In the quarter, the overall competitive environment remained challenging throughout the U.S. food industry. The company maintained a higher level of promotional spending through the second quarter to meet competitive pressure and honor commitments made to customers prior to the commencement of the period. U.S. Soup sales decreased 4% due primarily to increased promotional spending, which did not deliver anticipated volume gains. U.S. Soup sales were also negatively impacted by movements in customer inventories, primarily cooking soups. In U.S. Soup, retail consumer takeaway volume, based on IRI panel data and company estimates, grew during the quarter, although the company s volume was comparable to a year ago. Further details of the company s U.S. Soup sales performance include:

Sales of *Campbell s* condensed soups decreased 7% reflecting declines in both cooking and eating varieties. Sales of eating varieties continued to be negatively impacted by promotional discounting in ready-to-serve soups.

Sales of ready-to-serve soups decreased 4%, primarily due to declines in the higher priced ready-to-serve microwavable soups. Sales of ready-to-serve canned soups were comparable to a year ago as volume gains, principally double-digit gains in *Campbell s Chunky* soups, were offset by increased promotional spending. In response to an increased level of promotional spending across other simple meal alternatives, promotional spending was increased, primarily on *Campbell s Chunky* soups, to be more competitive.

Broth sales increased 7% due to volume gains from a strong holiday performance.

Within the U.S. Soup, Sauces and Beverages segment, beverage sales decreased 1% as higher promotional spending was only partially offset by volume gains. Promotional spending was increased across the portfolio to be more competitive with other beverages. Sales of *V8* vegetable juice declined due to increased competitive activity, while sales of *V8 V-Fusion* juice and *V8 Splash* juice drinks increased. Sales of *V8 V-Fusion* juice benefitted from new item launches and advertising. Sales of *Prego* pasta sauce and *Pace* Mexican sauce declined due to increased competitive activity. *Pace* Mexican sauce was negatively impacted by private label distribution gains, primarily in mass merchandisers.

In the Baking and Snacking segment, sales increased 8%. Sales at Pepperidge Farm increased, reflecting volume gains and improved price realization. Pepperidge Farm sales increased due to gains in *Goldfish* snack crackers and *Baked Naturals* crackers, *Milano* and Homestyle cookies, stuffing, Swirl bread, and the expansion of the *Deli Flats* line. In Arnott s, sales increased primarily due to currency, gains in *Shapes* and *Vita-Weat* savory crackers and *Tim Tam* chocolate biscuits, partly offset by a decline in other sweet biscuit products.

In the International Soup, Sauces and Beverages segment, sales decreased 4%. In Europe, sales declined primarily due to currency, as well as lower sales in France and Germany, partly offset by higher sales in Belgium. Sales in Latin America declined. In Asia Pacific, sales increased primarily due to currency and gains in Australian soup. In Canada, sales increased due to currency, partially offset by lower soup and beverage sales due to increased promotional spending to be more competitive with other simple meal and beverage products.

In the North America Foodservice segment, sales declined 1%, or $1 million, due to volume declines.

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Gross Profit

Gross profit, defined as Net sales less Cost of products sold, decreased by $33 million in 2011. As a percent of sales, gross profit decreased from 40.5% in 2010 to 39.4% in 2011. The 1.1 percentage point decrease was due to the impact of cost inflation and other factors, including higher plant costs and depreciation (approximately 1.8 percentage points); increased promotional spending (approximately 1.2 percentage points); and mix (approximately 0.1 percentage point), partially offset by productivity improvements (approximately 1.9 percentage points); and higher selling prices (approximately 0.1 percentage point).

Marketing and Selling Expenses

Marketing and selling expenses as a percent of sales were 13.7% in 2011 and 14.0% in 2010. Marketing and selling expenses decreased 3% in 2011 from 2010. The decrease was primarily due to lower advertising expenses (approximately 1 percentage point); lower selling expenses (approximately 1 percentage point); and cost savings in marketing overhead (approximately 1 percentage point). Advertising expenses were lower in U.S. soup and sauces, partially offset by increases in U.S. beverages and Pepperidge Farm.

Administrative Expenses

Administrative expenses as a percent of sales were 7.2% in 2011 and 6.9% in 2010. Administrative expenses increased by 3% in 2011 from 2010, primarily due to pension and employee benefit costs (approximately 4 percentage points of the total change); information systems related costs (approximately 2 percentage points); costs associated with the corporate headquarters facility (approximately 1 percentage point); and the impact of currency (approximately 1 percentage point), partially offset by lower compensation costs (approximately 5 percentage points).

Operating Earnings

Segment operating earnings decreased 8% in 2011 from 2010.

An analysis of operating earnings by segment follows:

	2011	2010	% Change
	(Millions)		
U.S. Soup, Sauces and Beverages	**$ 220**	$ 259	(15)%
Baking and Snacking	**81**	73	11
International Soup, Sauces and Beverages	**69**	74	(7)
North America Foodservice	**21**	17	24
	391	423	(8)%
Corporate	**(32)**	(32)	
	$ 359	$ 391	

Earnings from the U.S. Soup, Sauces and Beverages segment decreased 15% in 2011 versus 2010 primarily due to the 4% decline in net sales and a reduction in gross margin percentage. The decline in gross margin percentage reflects the higher level of promotional spending, which did not deliver the anticipated volume gains, and modest cost inflation, partly offset by productivity improvements.

Earnings from the Baking and Snacking segment increased 11% in 2011 versus 2010 primarily due to gains in Pepperidge Farm. Earnings gains in Pepperidge Farm were primarily due to improved volume performance and gains on commodity hedging contracts. Earnings in Arnott s were comparable to a year ago as the impact of currency offset a decline in the business.

In the International Soup, Sauces and Beverages segment, earnings declined 7% in 2011 versus 2010. The decline reflects lower earnings in Europe and Canada. In Europe, earnings were negatively impacted by lower net pricing, currency and cost inflation, partly offset by productivity improvements. Earnings declined in Canada reflecting lower net sales, which were negatively impacted by increased promotional spending to improve our competitiveness with other simple meals and beverages, partly offset by favorable foreign currency transaction rates.

Earnings from the North America Foodservice segment increased $4 million, or 24%, in 2011 versus 2010. The increase in earnings reflected the impact of favorable foreign currency transaction rates and the benefit of cost reduction efforts.

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Interest Expense/Income

Interest expense increased to $34 million from $27 million in the prior year, primarily due to an increase in fixed-rate debt.

Taxes on Earnings

The effective tax rate was 27.1% for the current quarter and 29.0% for the year-ago quarter. The decrease in the effective tax rate was primarily due to lower taxes on foreign earnings.

SIX-MONTH DISCUSSION AND ANALYSIS

Sales

An analysis of net sales by reportable segment follows:

	2011	2010	% Change
	(Millions)		
U.S. Soup, Sauces and Beverages	**$ 2,125**	$ 2,208	(4)%
Baking and Snacking	**1,070**	1,019	5
International Soup, Sauces and Beverages	**793**	811	(2)
North America Foodservice	**311**	318	(2)
	$ 4,299	$ 4,356	(1)%

An analysis of percent change of net sales by reportable segment follows:

	U.S. Soup, Sauces and Beverages	Baking and Snacking	International Soup, Sauces and Beverages	North America Foodservice	Total
Volume and Mix	%	2%	1%	(4)%	%
Price and Sales Allowances	(1)	1		1	
Increased Promotional Spending (1)	(3)	(1)	(2)		(2)
Currency		3	(1)	1	1
	(4)%	5%	(2)%	(2)%	(1)%

(1) Represents revenue reductions from trade promotion and consumer coupon redemption programs.

In the U.S. Soup, Sauces and Beverages segment, sales declined 4%. U.S. Soup sales decreased 5% due primarily to increased promotional spending, which did not deliver anticipated volume gains. During this year, the overall competitive environment remained challenging throughout the U.S. food industry. In response, the company maintained higher levels of promotional support.

Sales of *Campbell s* condensed soups decreased 4% primarily due to declines in eating varieties. Sales of eating varieties were negatively impacted by promotional discounting in ready-to-serve soups. Sales of condensed cooking varieties also declined.

Sales of ready-to-serve soups decreased 9%, primarily due to increased promotional spending, which did not deliver anticipated volume gains. The company increased promotional spending, primarily on *Campbell s Chunky* soups, to be more competitive with other simple meal alternatives.

Broth sales increased 2% due to a strong holiday performance.

Within the U.S. Soup, Sauces and Beverages segment, beverage sales increased 5% on solid volume gains, benefitting from increased promotional spending and advertising. Strong sales gains in *V8 V-Fusion* juice, which benefitted from new product launches, and *V8 Splash* juice drinks were slightly offset by lower sales in *V8* vegetable juice. Sales of *Prego* pasta sauce declined due to increased promotional spending. Earlier in the period, the company increased promotional spending by offering greater discounts for trade merchandising events to be more competitive in the category. Sales of *Pace* Mexican sauce declined primarily due to private label distribution gains, primarily in mass merchandisers.

In the Baking and Snacking segment, sales increased 5%. Pepperidge Farm sales increased reflecting strong growth in *Goldfish* snack crackers and *Baked Naturals* crackers and bakery products, including stuffing, bread, and the expansion of the *Deli Flats* line.

In Arnott s, sales increased primarily due to currency, gains in *Shapes*, *Vita-Weat,* and *Cruskits* savory crackers, partly offset by declines in *Tim Tam* chocolate biscuits and other sweet biscuit products.

In the International Soup, Sauces and Beverages segment, sales decreased 2%. In Europe, sales declined primarily due to currency. Sales in Latin America declined. In Asia Pacific, sales increased primarily due to currency and volume-driven gains in Australia. In Canada, sales increased due to currency and volume gains, partially offset by increased promotional spending on soup and beverage products to be more competitive with other simple meal and beverage products.

In the North America Foodservice segment, sales decreased 2% primarily due to volume declines.

Gross Profit

Gross profit, defined as Net sales less Cost of products sold, decreased by $62 million in 2011. As a percent of sales, gross profit decreased from 41.2% in 2010 to 40.3% in 2011. The 0.9 percentage point decrease was due to the impact of cost inflation and other factors, including higher plant costs and depreciation (approximately 1.7 percentage points); and increased promotional spending (approximately 1.4 percentage points), partially offset by productivity improvements (approximately 1.7 percentage points); favorable mix (approximately 0.4 percentage point); and higher selling prices (approximately 0.1 percentage point).

Marketing and Selling Expenses

Marketing and selling expenses as a percent of sales were 13.2% in 2011 and 13.4% in 2010. Marketing and selling expenses decreased 3% in 2011 from 2010. The decrease was primarily due to lower selling expenses (approximately 2 percentage points) and cost savings in marketing overhead (approximately 1 percentage point). The lower selling expenses primarily resulted from a reorganization of the company s U.S. sales teams and expanded use of sales brokers in the fourth quarter of 2010.

Administrative Expenses

Administrative expenses as a percent of sales were 6.8% in 2011 and 6.5% in 2010. Administrative expenses increased by 4% in 2011 from 2010, primarily due to an increase in pension and health care benefit costs (approximately 2 percentage points of the total change); costs associated with the corporate headquarters facility (approximately 1 percentage point); information systems related costs (approximately 1 percentage point); higher general administrative costs (approximately 1 percentage point); and the impact of currency (approximately 1 percentage point), partially offset by lower compensation costs (approximately 2 percentage points).

Operating Earnings

Segment operating earnings decreased 7% in 2011 from 2010.

An analysis of operating earnings by segment follows:

	2011	2010	% Change
	(Millions)		
U.S. Soup, Sauces and Beverages	**$ 515**	$ 590	(13)%
Baking and Snacking	**181**	173	5
International Soup, Sauces and Beverages	**120**	118	2
North America Foodservice	**44**	43	2
	860	924	(7)%
Corporate	**(57)**	(55)	
	$ 803	$ 869	

Earnings from the U.S. Soup, Sauces and Beverages segment decreased 13% in 2011 primarily due to lower net sales and a lower gross margin percentage. The increased promotional spending in U.S. Soup negatively impacted margins. In the second half of the year, the company plans to reduce the level of promotional spending while increasing its reliance on advertising and brand-building initiatives.

Earnings from the Baking and Snacking segment increased 5% due to higher earnings at Pepperidge Farm. Gains in Pepperidge Farm earnings were primarily due to volume gains, productivity improvements and higher selling prices, which more than offset the

impact of cost inflation. Earnings in Arnott s were comparable to 2010 as the impact of currency offset lower earnings in the business. Earnings in Arnott s were negatively impacted by cost inflation and higher administrative costs, partly offset by productivity improvements.

Earnings from the International Soup, Sauces and Beverages segment increased 2% in 2011 versus 2010 as volume gains, primarily in Canada, and productivity savings were partly offset by higher promotional spending and inflation.

Earnings from the North America Foodservice segment increased 2%, or $1 million, reflecting the impact of favorable foreign currency transaction rates and the benefit of cost reduction efforts.

Interest Expense/Income

Interest expense increased to $66 million from $55 million in the prior year, primarily due to an increase in fixed-rate debt.

Taxes on Earnings

The effective tax rate was 30.2% for the current period and 31.0% for the year-ago period. The decrease in the effective tax rate was primarily due to lower taxes on foreign earnings.

LIQUIDITY AND CAPITAL RESOURCES

The company expects that foreseeable liquidity and capital resource requirements, including cash outflows to repurchase shares, pay dividends and fund pension plan contributions, will be met through anticipated cash flows from operations; long-term borrowings under its shelf registration statement; short-term borrowings, including commercial paper; and cash and cash equivalents. The company expects that its sources of financing are adequate to meet its future liquidity and capital resource requirements. The cost and terms of any future financing arrangements may be negatively impacted by capital and credit market disruptions and will depend on the market conditions and the company s financial position at the time.

The company generated cash from operations of $483 million in 2011, compared to $496 million last year. The benefit of lower pension contributions in 2011 was mostly offset by higher working capital requirements and lower earnings.

Capital expenditures were $74 million in 2011 compared to $103 million a year ago. Capital expenditures in 2011 included a number of smaller projects, the largest of which were the expansion of beverage production capacity (approximately $4 million), the ongoing implementation of SAP in Australia and New Zealand (approximately $3 million), expenditures at the company s corporate headquarters (approximately $3 million) and expansion of Pepperidge Farm s production capacity (approximately $2 million). Capital expenditures are expected to total approximately $275 million in 2011.

Excluding shares owned and tendered by employees to satisfy tax withholding requirements on the vesting of restricted shares and for stock option exercises, the company repurchased 16 million shares at a cost of $573 million during the six-month period ended January 30, 2011 and 7 million shares at a cost of $213 million during the six-month period ended January 31, 2010. Approximately 13.0 million of the shares repurchased in the current year and approximately 3.6 million of the shares repurchased in the prior-year period were repurchased pursuant to the company s June 2008 publicly announced share repurchase program. Approximately $94 million remains available under the June 2008 repurchase program as of January 30, 2011. In addition to the June 2008 publicly announced share repurchase program, the company also purchased shares to offset the impact of dilution from shares issued under the company s stock compensation plans. The company expects to continue this practice in the future. See Unregistered Sales of Equity Securities and Use of Proceeds for more information.

At January 30, 2011, the company had $1,184 million of short-term borrowings due within one year and $24 million of standby letters of credit issued on behalf of the company. The company has a $975 million committed 364-day revolving credit facility that matures in September 2011. The company also has a $975 million committed revolving credit facility that matures in September 2013. The facilities remained unused at January 30, 2011, except for $24 million of standby letters of credit issued on behalf of the company. The agreements support the company s commercial paper programs. In February 2011, the company repaid $700 million of maturing fixed-rate notes with the proceeds from commercial paper borrowings.

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In November 2008, the company filed a registration statement with the Securities and Exchange Commission that registered an indeterminate amount of debt securities. Under the registration statement, the company may issue debt securities, depending on market conditions.

The company is in compliance with the covenants contained in its revolving credit facilities and debt securities.

SIGNIFICANT ACCOUNTING ESTIMATES

The consolidated financial statements of the company are prepared in conformity with accounting principles generally accepted in the United States. The preparation of these financial statements requires the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the periods presented. Actual results could differ from those estimates and assumptions. The significant accounting policies of the company are described in Note 1 to the Consolidated Financial Statements. The significant accounting estimates are described in Management s Discussion and Analysis included in the 2010 Annual Report on Form 10-K, as supplemented by the expanded discussion of trade and consumer promotion programs described below.

Trade and consumer promotion programs To drive volume, the company offers various sales incentive programs to customers and consumers, such as cooperative advertising programs, feature price discounts, in-store display incentives and coupons. The cost of these programs is classified as a reduction of revenue. The mix between promotion programs, which are classified as reductions in revenue, and advertising or other marketing activities, which are classified as marketing and selling expenses, fluctuates between periods based on the company s overall marketing plans, and such fluctuations have an impact on revenues. The recognition of the costs for trade and consumer promotion programs involves the use of judgment related to performance and redemption estimates. Estimates are made based on historical experience and other factors. Actual expenses may differ if the level of redemption rates and performance vary from estimates. Typically, programs that are offered have a very short duration. Historically, the difference between actual experience compared to estimated redemptions and performance has not been significant to the quarterly or annual financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the Financial Accounting Standards Board (FASB) issued authoritative guidance that changed the consolidation model for variable interest entities (VIE). The revised guidance requires an enterprise to qualitatively assess the determination of the primary beneficiary, or consolidator of a VIE, based on whether the entity has the power to direct matters that most significantly impact the activities of the VIE, and has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The revised guidance also amended the consideration of kick-out rights in determining if an entity is a VIE and requires an ongoing reconsideration of the primary beneficiary. It also amends the events that trigger a reassessment of whether an entity is a VIE. The provisions are effective for the first quarter of fiscal 2011. The adoption did not have a material impact on the company s consolidated financial statements.

In January 2010, the FASB issued additional authoritative guidance related to fair value measurements and disclosures. The guidance requires a roll forward, separately presenting information about purchases, sales, issuances and settlements on a gross basis, rather than net, of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). The roll forward information must be provided by the company for the first quarter of fiscal 2012, as the provision is effective for annual reporting periods beginning after December 15, 2010 and for interim reporting periods within those years.

In November 2010, the FASB issued additional authoritative guidance clarifying the required disclosures of supplementary pro forma information for business combinations. The guidance is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010.

In December 2010, the FASB issued additional authoritative guidance on accounting for goodwill. The guidance clarifies the impairment test for reporting units with zero or negative carrying amounts. The guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2011. The adoption is not expected to have a material impact on the company s consolidated financial statements.

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FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements that reflect the company s current expectations regarding future results of operations, economic performance, financial condition and achievements of the company. The company tries, wherever possible, to identify these forward-looking statements by using words such as anticipate, believe, estimate, expect, will and similar expressions. One can also identify them by the fact that they do not relate strictly to historical or current facts. These statements reflect the company s current plans and expectations and are based on information currently available to it. 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.

The company wishes to caution the reader that the following important factors and those important factors described in other Securities and Exchange Commission filings of the company, or in the company s 2010 Annual Report on Form 10-K, could affect the company s actual results and could cause such results to vary materially from those expressed in any forward-looking statements made by, or on behalf of, the company:

- the impact of strong competitive response to the company s efforts to leverage its brand power with product innovation, promotional programs and new advertising, and of changes in consumer demand for the company s products;
- the risks in the marketplace associated with trade and consumer acceptance of product improvements, shelving initiatives, new product introductions, and pricing and promotional strategies;
- the company s ability to achieve sales and earnings guidance, which is based on assumptions about sales volume, product mix, the development and success of new products, the impact of marketing, promotional and pricing actions, product costs and currency;
- the company s ability to realize projected cost savings and benefits;
- the company s ability to successfully manage changes to its business processes, including selling, distribution, manufacturing, information management systems and the integration of acquisitions;
- the increased significance of certain of the company s key trade customers;
- the impact of inventory management practices by the company s trade customers;
- the impact of fluctuations in the supply and inflation in energy, raw and packaging materials cost;
- the impact associated with portfolio changes and completion of acquisitions and divestitures;
- the uncertainties of litigation described from time to time in the company s Securities and Exchange Commission filings;
- the impact of changes in currency exchange rates, tax rates, interest rates, debt and equity markets, inflation rates, economic conditions and other external factors; and
- the impact of unforeseen business disruptions in one or more of the company s markets due to political instability, civil disobedience, armed hostilities, natural disasters or other calamities.

This discussion of uncertainties is by no means exhaustive but is designed to highlight important factors that may impact the company s outlook. The company disclaims any obligation or intent to update forward-looking statements made by the company in order to reflect new information, events or circumstances after the date they are made.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For information regarding the company s exposure to certain market risk, see Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in the 2010 Annual Report on Form 10-K. There have been no significant changes in the company s portfolio of financial instruments or market risk exposures from the fiscal 2010 year-end.

Item 4. CONTROLS AND PROCEDURES

a. Evaluation of Disclosure Controls and Procedures

The company, under the supervision and with the participation of its management, including the President and Chief Executive Officer and the Senior Vice President Chief Financial Officer and Chief Administrative Officer, has evaluated the effectiveness of the company s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of January 30, 2011 (Evaluation Date). Based on such evaluation, the President and Chief Executive Officer and the Senior Vice President Chief Financial Officer and Chief Administrative Officer have concluded that, as of the Evaluation Date, the company s disclosure controls and procedures are effective.

b. Changes in Internal Controls

During the quarter ended January 30, 2011, there were no changes in the company s internal control over financial reporting that materially affected, or were reasonably likely to materially affect, such internal control over financial reporting.

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PART II

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased(1)	Average Price Paid Per Share(2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(3)	Approximate Dollar Value of Shares that may yet be Purchased Under the Plans or Programs ($ in Millions)(3)
11/1/10 11/30/10	1,303,433(4)	$ 35.30(4)	897,770	$ 421
12/1/10 12/31/10	5,850,889(5)	$ 34.39(5)	5,203,567	$ 242
1/1/11 1/30/11	4,908,924(6)	$ 34.79(6)	4,262,315	$ 94
Total	12,063,246	$ 34.65	10,363,652	$ 94

(1) Includes (i) 1,654,948 shares repurchased in open-market transactions to offset the dilutive impact to existing shareowners of issuances under the company s stock compensation plans, (ii) 33,708 shares owned and tendered in connection with stock option exercises, and (iii) 10,938 shares owned and tendered by employees to satisfy tax withholding obligations on the vesting of restricted shares. Unless otherwise indicated, shares owned and tendered by employees to satisfy tax withholding obligations were purchased at the closing price of the company s shares on the date of vesting.

(2) Average price paid per share is calculated on a settlement basis and excludes commission.

(3) During the second quarter of fiscal 2011, the company had one publicly announced share repurchase program. Under this program, which was announced on June 30, 2008, the company s Board of Directors authorized the purchase of up to $1.2 billion of company stock through the end of fiscal 2011. In addition to the publicly announced share repurchase program, the company expects to continue to purchase shares, under separate authorization, as part of its practice of buying back shares sufficient to offset shares issued under incentive compensation plans.

(4) Includes (i) 396,730 shares repurchased in open-market transactions at an average price of $35.56 to offset the dilutive impact to existing shareowners of issuances under the company s stock compensation plans, and (ii) 8,933 shares owned and tendered by employees at an average price per share of $36.20 to satisfy tax withholding requirements on the vesting of restricted shares.

(5) Includes (i) 621,320 shares repurchased in open-market transactions at an average price of $34.40 to offset the dilutive impact to existing shareowners of issuances under the company s stock compensation plans, (ii) 23,997 shares owned and tendered at an average price per share of $35.33 in connection with stock option exercises, and (iii) 2,005 shares owned and tendered by employees at an average price per share of $34.25 to satisfy tax withholding requirements on the vesting of restricted shares.

(6) Includes (i) 636,898 shares repurchased in open-market transactions at an average price of $34.79 to offset the dilutive impact to existing shareowners of issuances under the company s stock compensation plans, and (ii) 9,711 shares owned and tendered at an average price per share of $34.55 in connection with stock option exercises.

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Item 6. EXHIBITS

10(a)	First Amendment to the Campbell Soup Company Mid-Career Hire Pension Plan, effective as of December 31, 2010.
10(b)	Campbell Soup Company Supplemental Retirement Plan (formerly known as Deferred Compensation Plan II), as amended and restated effective as of January 1, 2011.
10(c)	First Amendment to the Campbell Soup Company Supplemental Employee s Retirement Plan, effective as of December 31, 2010.
31(a)	Certification of Douglas R. Conant pursuant to Rule 13a-14(a).
31(b)	Certification of B. Craig Owens pursuant to Rule 13a-14(a).
32(a)	Certification of Douglas R. Conant pursuant to 18 U.S.C. Section 1350.
32(b)	Certification of B. Craig Owens pursuant to 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: March 9, 2011

CAMPBELL SOUP COMPANY

By: /s/ B. Craig Owens
B. Craig Owens
Senior Vice President Chief Financial Officer and Chief Administrative Officer

By: /s/ Ellen Oran Kaden
Ellen Oran Kaden
Senior Vice President Law and Government Affairs

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