SUPERVALU INC
Form 10-Q
January 14, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period (12 weeks) ended December 1, 2001.

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission file number 1-5418

SUPERVALU INC.
(Exact name of registrant as specified in its Charter)

DELAWARE	41-0617000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

11840 VALLEY VIEW ROAD, EDEN PRAIRIE, MINNESOTA	55344
(Address of principal executive offices)	(Zip Code)

(952) 828-4000
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

The number of shares outstanding of each of the issuer's classes of Common Stock as of January 8, 2002 is as follows:

Title of Each Class	Shares Outstanding
Common Shares	132,413,300

PART I - FINANCIAL INFORMATION

Item 1: Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF EARNINGS

SUPERVALU INC. and Subsidiaries

(In thousands, except per share data)

	Third quarter (12 weeks)		
	Dec. 1, 2001	% of sales	Dec
Net sales	$4,610,293	100.00%	$5
Costs and expenses			
Cost of sales	4,016,713	87.12	4
Selling and administrative expenses	455,488	9.88	
Interest			
Interest expense	43,666	0.95	
Interest income	4,309	0.09	
Interest expense, net	39,357	0.86	
Total costs and expenses	4,511,558	97.86	5
Earnings before income taxes	98,735	2.14	
Provision for income taxes			
Current	9,660		
Deferred	30,031		
Income tax expense	39,691	0.86	
Net earnings	$ 59,044	1.28%	$
Net earnings per common share- diluted	$ 0.44		$
Net earnings per common share- basic	$ 0.44		$
Weighted average number of common shares outstanding			
Diluted	135,068		
Basic	133,475		
Dividends declared per common share	$ 0.1400		$

All data subject to year-end audit.

See notes to consolidated

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CONSOLIDATED STATEMENTS OF EARNINGS

SUPERVALU INC. and Subsidiaries

(In thousands, except per share data)

	Year-to-date			
	Dec. 1, 2001		% of sales	
Net sales	$	16,257,118	100.00%	$
Costs and expenses				
Cost of sales		14,299,073	87.96	
Selling and administrative expenses		1,537,093	9.46	
Interest				
Interest expense		152,265	0.94	
Interest income		16,609	0.11	
Interest expense, net		135,656	0.83	
Total costs and expenses		15,971,822	98.25	
Earnings before income taxes		285,296	1.75	
Provision for income taxes				
Current		77,202		
Deferred		37,488		
Income tax expense		114,690	0.70	
Net earnings	$	170,606	1.05%	$
Net earnings per common share- diluted	$	1.28		$
Net earnings per common share- basic	$	1.28		$
Weighted average number of common shares outstanding				
Diluted		133,826		
Basic		132,979		
Dividends declared per common share	$	0.4175		$

All data subject to year-end audit. See notes to cons

CONSOLIDATED STATEMENTS OF NET SALES AND EARNINGS

SUPERVALU INC and Subsidiaries

(In thousands)

	Third Quarter (12 weeks) ended				Year-to-
	Dec. 1, 2001		Dec. 2, 2000		Dec. 1, 200
Net Sales					
Retail food	$ 2,194,831		$ 2,158,273		$ 7,172,87
% of total	47.6	%	39.8	%	44.
Food distribution	2,415,462		3,261,965		9,084,24
% of total	52.4	%	60.2	%	55.
Total net sales	$ 4,610,293		$ 5,420,238		$16,257,11
	100.0	%	100.0	%	100.
Earnings					
Retail food	$ 93,484		$ 68,483		$ 278,79
% of sales	4.3	%	3.2	%	3.
Food distribution	54,931		63,722		173,31
% of sales	2.3	%	2.0	%	1.
Subtotal	148,415		132,205		452,11
% of sales	3.2	%	2.4	%	2.
General corporate expenses	(10,323)		(8,948)		(31,15
Total operating earnings	138,092		123,257		420,95
% of sales	3.0	%	2.3	%	2.
Interest income	4,309		5,284		16,60
Interest expense	(43,666)		(49,092)		(152,26
Earnings before income taxes	98,735		79,449		285,29
Provision for income taxes	(39,691)		(31,938)		(114,69

Net earnings	$ 59,044	$ 47,511	$ 170,60

All data subject to year-end audit.

See notes to consolidated

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CONDENSED CONSOLIDATED BALANCE SHEETS

SUPERVALU INC. and Subsidiaries	Third Quarter	Fiscal
(In thousands)	December 1, 2001	Febr
Assets		
Current Assets		
Cash and cash equivalents	$ 11,322	$
Receivables, net	461,782	
Inventories	1,322,430	1
Other current assets	137,376	
Total current assets	1,932,910	2
Long-term receivables	165,224	
Property, plant and equipment, net	2,193,703	2
Goodwill	1,534,956	1
Other assets	339,444	
Total assets	$ 6,166,237	$ 6
Liabilities and Stockholders' Equity		
Current Liabilities		
Notes payable	$ 231,217	$
Accounts payable	1,164,117	1
Current debt and obligations under capital leases	356,594	
Other current liabilities	311,521	
Total current liabilities	2,063,449	2
Long-term debt and obligations under capital leases	1,883,692	2
Other liabilities and deferred income taxes	299,111	
Total stockholders' equity	1,919,985	1

Total liabilities and stockholders' equity	$ 6,166,237	$ 6

All data subject to year-end audit. See notes to consolidated financial s

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

SUPERVALU INC. and Subsidiaries

(In thousands, except per share data)

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Treasury Stock Shares	Treasury Stock Amount	Retained Earnings	C
BALANCES AT FEBRUARY 26, 2000	150,670	$ 150,670	$132,226	(16,008)	$ (308,788)	$1,847,371	
Net earnings	-	-	-	-	-	81,965	
Sales of common stock under option plans	-	-	(3,538)	279	7,095	-	
Cash dividends declared on common stock- $0.5475 per share	-	-	-	-	-	(72,903)	
Compensation under employee incentive plans	-	-	(196)	366	8,271	-	
Purchase of shares for treasury	-	-	-	(2,933)	(48,678)	-	
BALANCES AT FEBRUARY 24, 2001	150,670	$ 150,670	$128,492	(18,296)	$ (342,100)	$1,856,433	
Net earnings						170,606	
Sales of common stock under option plans			(2,862)	900	17,122		
Cash dividends declared on common stock- $0.4175 per share						(55,703)	
Compensation under employee incentive plans			(2,246)	547	9,726		

Purchase of shares for treasury	-	-	-	(150)	(3,000)	-
Other comprehensive loss						
BALANCES AT DECEMBER 1, 2001	150,670	$ 150,670	$123,384	(16,999)	$ (318,252)	$1,971,336

All data subject to year-end audit. See notes to conso

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

SUPERVALU INC. and Subsidiaries

(In thousands)

	Year-to-date (40 weeks ended)	
	December 1, 2001	December 2
Net cash provided by operating activities	$ 437,079	$ 338,
Cash flows from investing activities		
Additions to long-term receivables	(36,471)	(55,
Proceeds received on long-term receivables	30,831	34,
Proceeds from sale of assets	73,243	31,
Purchase of property, plant and equipment	(197,578)	(275,
Other cash used in investing activities	(32,709)	(48,
Net cash used in investing activities	(162,684)	(313,
Cash flows from financing activities		
Net (decrease) increase in checks outstanding	(63,927)	42,
Net (reduction) issuance of short-term notes payable	(347,822)	215,
Proceeds from issuance of long-term debt	218,014	
Repayment of long-term debt	(12,416)	(163,
Dividends paid	(55,195)	(54,
Payment for purchase of treasury stock	(3,000)	(48,
Other cash used in financing activities	(9,123)	(18,
Net cash used in financing activities	(273,469)	(26,
Net increase (decrease) in cash and cash equivalents	926	(1,
Cash and cash equivalents at beginning of period	10,396	10,
Cash and cash equivalents at the end of period	$ 11,322	$ 9,

Supplemental information:		
Pretax LIFO expense	$ 4,372	$ 3,
Pretax depreciation and amortization	$ 257,816	$ 253,
Cash paid during the period for:		
Income taxes	$ 80,351	$ 48,
Interest	$ 147,644	$ 135,

All data subject to year-end audit. See notes to consolidated financial statem

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies

The summary of significant accounting policies is included in the notes to consolidated financial statements set forth in the Annual Report on Form 10-K of SUPERVALU INC. ("SUPERVALU" or the "Company") for its fiscal year ended February 24, 2001 ("fiscal 2001").

Statement of Financial Accounting Standard 133, "Accounting for Derivative Instruments and Hedging Activities," became effective for the Company on February 25, 2001. At that date, the Company's interest rate swap agreements were recorded on its balance sheet at fair value, resulting in recognition of a liability of $23.5 million, a non-current asset of $10.8 million, a debit to other comprehensive loss of $7.7 million, and a deferred tax liability of $5.0 million. On July 6, 2001, the swaps were terminated, which had no material impact to the Company's consolidated financial statements.

Statement of Registrant

The data presented herein is unaudited but, in the opinion of management, includes all adjustments necessary for a fair presentation of the condensed consolidated financial position of the Company and its subsidiaries at December 1, 2001 and December 2, 2000, and the results of the Company's operations and condensed cash flows for the periods then ended. These interim results are not necessarily indicative of the results of the fiscal years as a whole.

Restructure and Other Charges

In the fourth quarter of fiscal 2001, the Company completed a company-wide asset review to identify assets that did not meet return objectives, provide long-term strategic opportunities, or justify additional capital investment. As a result, the Company recorded restructure and other charges of $171.3 million including $89.7 million for asset impairment charges, $52.1 million for lease subsidies, lease cancellation fees, future payments on exited leased facilities and guarantee obligations and $39.8 million for severance and employee related costs, offset by a reduction in the fiscal 2000 reserve of $10.3 million for lease subsidies and future payments on exited leased facilities. These actions include a net reduction of approximately 4,500 employees throughout the organization. Management expects that these actions will be substantially completed by the end of fiscal 2002.

Details of the fiscal 2001 restructure balances, after-tax, for fiscal 2002 follow:

(In thousands, except for employees)	Balance February 24, 2001	Fisc
Consolidation of distribution centers	$41,499	
Exit of non-core retail markets	33,735	
Disposal of non-core assets and other administrative reductions	16,619	
Total restructure and other charges	$91,853	
Employees	4,500	

The reserve at the end of third quarter fiscal 2002 for fiscal 2001 restructure charges was $61.2 million, including $45.7 million for lease subsidies, lease terminations and future payments on exited leased facilities and $15.5 million for employee related costs.

In fiscal 2000, the Company recorded pre-tax restructure and other charges of $103.6 million as a result of an extensive review to reduce costs and enhance efficiencies. This amount was reduced by $10.3 million in fiscal 2001, primarily for a change in estimate for the closure of a remaining facility, which occurred in the second quarter of fiscal 2002. The restructure charges include costs for facility consolidation, non-core store disposal, and rationalization of redundant and certain decentralized administrative functions.

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Details of the fiscal 2000 restructure balances, after-tax, for fiscal 2002 follow:

(In thousands, except for employees)	Balance February 24, 2001	Fiscal 2002 Usage	Balance December 1, 2001
Facility consolidation	$11,472	$4,322	$ 7,150
Non-core store disposal	4,404	1,817	2,587
Infrastructure realignment	1,980	557	1,423
Total restructure and other charges	$17,856	$6,696	$11,160
Employees	463	371	92

The reserve at the end of third quarter fiscal 2002 for fiscal 2000 restructure charges was $11.2 million, including $7.1 million for lease subsidies, lease terminations and future payments on exited leased facilities and $4.1 million for employee related costs.

Notes Payable

On August 16, 2001, the Company entered into an accounts receivable securitization program, under which the Company can borrow up to $200 million on a revolving basis, with borrowings secured by eligible accounts receivable. As of December 1, 2001, the Company had $137.3 million of borrowings outstanding under this program and $194.8 million in eligible receivables pledged as collateral.

In November 2001, the Company sold zero-coupon convertible debentures having an aggregate initial principal amount at maturity of $811 million. The proceeds from the offering, net of approximately $5 million of expenses, were $208 million. The debentures mature in 30 years and are callable at the Company's option on or after October 1, 2006. Holders may require the Company to purchase all or a portion of their debentures on October 1, 2003, October 1, 2006, or October 1, 2011 at a purchase price equal to the accreted value of the debentures, which includes accrued and unpaid cash interest. Each $1,000 debenture will be convertible into 9.6434 shares of the Company's common stock at an initial conversion price of $27.29 per share, if the closing price of the Company's common stock exceeds a specified price (initially, 120% of the conversion price, or $32.75 per share) for a specified period of time in any quarter beginning after February 23, 2002, or otherwise upon the occurrence of certain events. The debentures have an initial yield to maturity of 4.5%, which is being accreted over the life of the debentures using the effective interest method. The Company may pay contingent cash interest for the six-month period commencing November 3, 2006 and for any six-month period thereafter if the average market price of the debentures for a five trading day measurement preceding the applicable six-month period equals 120% or more of the sum of the issue price and accrued original issue discount for the debentures.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

RESULTS FOR THE QUARTER:

For the third quarter of fiscal 2002, the Company achieved sales of $4.6 billion, net earnings of $59.0 million and diluted earnings per share of $0.44. Last year, sales were $5.4 billion, net earnings were $47.5 million and diluted earnings per share were $0.36.

Net sales

Net sales decreased 14.9 percent compared to last year. Retail food sales increased 1.7 percent and food distribution sales decreased 26.0 percent. Retail food sales increased over last year primarily due to new store openings. In addition, same-store sales were positive 0.7 percent for the quarter. Food distribution sales decreased from last year reflecting customer losses, primarily the exit of the Kmart business. The Kmart supply agreement was terminated June 30, 2001. In addition, sales decreased as a result of the impact of restructuring activities.

Gross profit

Gross profit, as a percentage of net sales, was 12.9 percent compared to 10.8 percent last year. The increase was primarily due to the growing proportion of the Company's retail business, which operates at a higher gross profit margin as a percentage of net sales than does the food distribution business. In addition, improved merchandising execution in retail and benefits of restructuring and reconfiguration activities in distribution added to the gross profit percent increase.

Selling and administrative expenses

Selling and administrative expenses as a percentage of net sales, were 9.9 percent for the current quarter compared to 8.5 percent last year. The increase in selling and administrative expenses as a percent of sales was due to the growing proportion of the Company's retail business, which operates at a higher selling and administrative expense as a percentage of sales than does the food distribution business, as well as increases in labor and employee benefit costs.

Operating earnings

The Company's pretax operating earnings (earnings before interest and taxes) were $138.1 million compared to $123.3 million last year, a 12.0 percent increase. Operating earnings before depreciation and amortization were $215.6 million compared with $201.4 million last year, a 7.1 percent increase. Retail food operating earnings increased 36.5 percent to $93.5 million, or 4.3 percent of sales, from last year's $68.5 million, or 3.2 percent of sales. The increase was primarily a result of higher gross profit margins, partially offset by increases in labor and employee benefit costs. Retail food operating earnings before depreciation and amortization increased 24.7 percent to $134.4 million, or 6.1 percent of sales, from last year's $107.8 million, or 5.0 percent of sales. Food distribution operating earnings decreased 13.8 percent to $54.9 million from last year's $63.7 million. The decrease reflects customer losses, primarily the exit of the Kmart business. Operating earnings for distribution, as a percentage of net sales, increased to 2.3 percent this quarter from 2.0 percent in the prior year reflecting the benefits of restructuring and reconfiguration activities. Food distribution operating earnings before depreciation and amortization decreased 10.7 percent to $90.9 million, or 3.8 percent of sales, from last year's $101.8 million, or 3.1 percent of sales.

Interest expense

Interest expense decreased to $43.7 million compared with $49.1 million last year due to lower overall borrowing levels and lower interest rates.

Income taxes

The effective tax rate was 40.2 percent in the third quarter, comparable to last year.

Net earnings

Net earnings increased 24.3 percent to $59.0 million or $0.44 per share - diluted compared with last year's net earnings of $47.5 million or $0.36 per share - diluted. Weighted average shares - diluted increased to 135.1 million compared with last year's 132.7 million.

RESULTS FOR THE YEAR:

Year-to-date for fiscal 2002, the Company achieved sales of $16.3 billion, net earnings of $170.6 million and diluted earnings per share of $1.28. Last year, net sales were $17.7 billion, net earnings were $174.8 million and diluted earnings per share were $1.31.

Net sales

Net sales decreased 8.2 percent compared to last year. Retail food sales increased 2.5 percent, and food distribution sales decreased 15.2 percent. Retail food sales increased over last year primarily due to new store openings. Food distribution sales

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decreased from last year reflecting customer losses, primarily the exit of the Kmart business in the second quarter. In addition, distribution sales decreased as a result of the impact of restructuring activities.

Gross profit

Gross profit as a percentage of net sales was 12.0 percent compared to 10.9 percent last year. This increase was primarily due to the growing proportion of the Company's retail business, which operates at a higher gross profit margin, as a percentage of net sales, than does the food distribution business. In addition, improved merchandising execution in retail and benefits of restructuring and reconfiguration activities in distribution contributed to the increase in the gross profit percent.

Selling and administrative expenses

Selling and administrative expenses as a percentage of sales were 9.5 percent, compared to 8.4 percent last year. The increase in selling and administrative expenses as a percent of sales was due to the growing proportion of the Company's retail business, which operates at a higher selling and administrative expense as a percentage of sales than does the food distribution business, as well as increases in labor and employee benefit costs.

Operating earnings

The Company's pretax operating earnings (earnings before interest and taxes) decreased 3.9 percent to $421.0 million, compared with $438.1 million last year. Operating earnings before depreciation and amortization decreased to $678.8 million compared with $691.5 million last year, a 1.8 percent decrease. Retail food operating earnings increased 5.5 percent to $278.8 million, or 3.9 percent of sales, from last year's $264.2 million, or 3.8 percent of sales. This increase in retail earnings was attributable to improved merchandising execution resulting in an improvement in gross margins. Retail food operating earnings before depreciation and amortization increased 5.0 percent to $410.7 million, or 5.7 percent of sales, from last year's $391.2 million, or 5.6 percent of sales. Food distribution operating earnings decreased 13.9 percent to $173.3 million, or 1.9 percent of sales, from last year's $201.2 million, or 1.9 percent of sales. The decrease in operating earnings reflects customer losses, primarily the exit of the Kmart business. Food distribution operating earnings before depreciation and amortization decreased 8.7 percent to $297.0 million, or 3.3 percent of sales, from last year's $325.3 million, or 3.0 percent of sales.

Interest expense

Interest expense decreased to $152.3 million compared with $162.6 million last year due to lower overall borrowing levels and lower interest rates.

Income taxes

The effective tax rate was 40.2 percent, comparable to last year.

Net earnings

Net earnings decreased 2.4 percent to $170.6 million or $1.28 per share - diluted compared with last year's net earnings of $174.8 million or $1.31 per share - diluted. Weighted average shares - diluted increased to 133.8 million compared with last year's 133.0 million.

Liquidity and Capital Resources

Internally generated funds from operations continued to be the major source of liquidity and capital growth. Cash provided from operations was $437.1 million year-to-date, compared with $338.7 million last year. The increase is reflective of positive impacts on working capital attributable to the exit of the Kmart business as well as restructuring activities. Net cash used in investing activities was $162.7 million, compared with $313.3 million last year. The decrease was primarily due to lower purchases of fixed assets and higher proceeds from sales of assets related to restructuring activities. Net cash used in financing activities was $273.5 million, compared with $26.7 million last year. The increase in cash used in financing activities reflects higher net debt reduction in fiscal 2002.

Management expects that the Company will continue to replenish operating assets and reduce aggregate debt with internally generated funds. The Company has adequate short-term and long-term financing capabilities to fund its capital expenditures plan and acquisitions as the opportunities arise. SUPERVALU will continue to use short-term and long-term debt as a supplement to internally generated funds to finance its activities. Maturities of debt issued will depend on management's views with respect to the relative attractiveness of interest rates at the time of issuance.

The Company has entered into revolving credit agreements with various financial institutions, which are available for general corporate purposes and for the issuance of letters of credit. A $400 million revolving credit agreement expires in October 2002 and a $300 million 364-day agreement expires in August 2002. Both credit facilities have rates tied to LIBOR plus 0.650 to 1.400 percent, based on the Company's credit ratings. As of December 1, 2001, letters of credit outstanding under the credit facilities were $111 million and the unused available credit under these facilities was $548 million. The Company also has $137.3 million outstanding under an accounts receivable securitization program. Outstanding borrowings under the revolving credit facilities and the accounts receivable securitization facility are reflected in Notes Payable on the consolidated balance sheet.

In November 2001, the Company sold zero-coupon convertible debentures having an aggregate initial principal amount at maturity of $811 million. The proceeds from the offering, net of $5 million of expenses, were $208 million and were used to pay down notes payable. The debentures mature in 30 years and are callable at the Company's option on or after October 1, 2006. Holders may require the Company to purchase all or a portion of their debentures on October 1, 2003, October 1, 2006, or October 1, 2011 at a purchase price equal to the accreted value of the debentures, which includes accrued and unpaid cash interest. The debentures have an initial yield to maturity of 4.5%, which is being accreted over the life of the debentures using the effective interest method. See Item 1 "Consolidated Financial Statements - Notes Payable" for a further description of these debentures.

In the third quarter, the Board of Directors authorized the repurchase of up to five million shares of the Company's common stock to offset the issuance of shares over time under the Company's employee benefit plans and to replace the 1996 share repurchase program.

Company-Wide Asset Review

In the fourth quarter of fiscal 2001, the Company completed a company-wide asset review to identify assets that did not meet return objectives, provide long-term strategic opportunities, or justify additional capital investment. As a result, the Company recorded charges of $240.1 million pre-tax, or $153.9 million after tax. The charges are net of a $10.3 million reversal of the fiscal 2000 restructure charge.

The restructure and other charges of $171.3 million include $89.7 million for asset impairment charges, $52.1 million for lease subsidies, lease cancellation fees, future payments on exited leased facilities and guarantee obligations and $39.8 million for severance and employee related costs, offset by a reduction in the fiscal 2000 reserve of $10.3 million for lease subsidies and future payments on exited leased facilities. These actions include a net reduction of approximately 4,500 employees throughout the organization. Management expects that these actions will be substantially completed by the end of fiscal 2002.

The reserve at the end of third quarter fiscal 2002 for fiscal 2001 restructure charges was $61.2 million, including $45.7 million for lease subsidies, lease terminations and future payments on exited leased facilities and $15.5 million for employee related costs.

The reserve at the end of third quarter fiscal 2002 for fiscal 2000 restructure charges was $11.2 million, including $7.1 million for lease subsidies, lease terminations and future payments on exited leased facilities and $4.1 million for employee related costs.

New accounting standards

In June 2001, the Financial Accounting Standards Board approved Statement of Financial Accounting Standard No. 141, "Business Combinations" and Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that all business combinations initiated after June 30, 2001 be accounted for under the purchase

method and addresses the initial recognition and measurement of goodwill and other intangible assets acquired in a business combination. SFAS No. 142 requires companies to cease amortizing goodwill that existed at June 30, 2001. For the Company, this amortization of existing goodwill will cease on February 23, 2002. Any goodwill resulting from an acquisition completed after June 30, 2001 will not be amortized. SFAS No. 142 also establishes a new method of testing goodwill for impairment on an annual basis or on an interim basis if an event occurs or circumstances change that would reduce the fair value of a reporting unit below its carrying value. The adoption of SFAS No. 142 will result in the discontinuation of amortization of goodwill and goodwill will be tested for impairment under the new standard beginning in the first quarter of fiscal 2003. The Company is currently evaluating the provisions of SFAS No. 142 and has not yet determined the effect that adoption of this standard will have on its consolidated financial statements.

In June 2001, the Financial Accounting Standards Board issued Statement No. 143, "Accounting for Asset Retirement Obligations," which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Company is currently analyzing the effect this standard will have on its consolidated financial statements and plans to adopt the provisions of Statement No. 143 in the first quarter of fiscal 2004.

In August 2001, the Financial Accounting Standards Board approved Statement of Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The Company is currently analyzing the effect this standard will have on its consolidated financial statements and plans to adopt the provisions of SFAS No. 144 in the first quarter of fiscal 2003.

Cautionary Statements for Purposes of the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995

The information in this Quarterly Report includes forward-looking statements. The Company's businesses are subject to certain risks and uncertainties that could cause actual results to differ materially from those discussed in such forward looking statements. These include, but are not limited to:

- competitive practices in the retail food and food distribution industries,
- the nature and extent of the consolidation of the retail food and food distribution industries and our ability to grow through acquisitions and assimilate acquired entities,
- our ability to attract and retain customers for our food distribution business and to control food distribution costs,
- general economic or political conditions that affect consumer buying habits generally or acts of terror directed at the food industry that affect consumer behavior,
- potential work disruptions from labor disputes or national emergencies,
- the timing and implementation of certain restructuring activities we have announced, including our consolidation of certain distribution facilities, our exit from certain non-core markets and our disposition of under-performing stores,
- the availability of favorable credit and trade terms, and
- other risk factors inherent in the food distribution and retail businesses.

These risks and uncertainties are set forth in further detail in Exhibit 99(i) to this report. Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update such statement to reflect events or circumstances arising after such date.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes in market risk for the Company in the period covered by this report.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

There are no material pending legal proceedings, other than ordinary routine litigation incidental to the business of the Registrant.

Item 2. Changes in Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits filed with this Form 10-Q:

(11) Computation of Earnings Per Common Share.

(99)(i) Cautionary Statements for Purposes of the Safe Harbor Provisions of the Securities Litigation Reform Act.

(b) Reports on Form 8-K:

None

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.

SUPERVALU INC. (Registrant)

Dated: January 14, 2002 By: /s/ Pamela K. Knous

Pamela K. Knous
Executive Vice President,
Chief Financial Officer
(Authorized officer of Registrant)

EXHIBIT INDEX

Exhibit

(11) Computation of Earnings Per Common Share

(99)(i) Cautionary Statements for Purposes of the Safe Harbor Provisions of the Securities Litigation Reform Act