

Foodservice

The Foodservice reporting segment includes branded and customized food products, including meals, entrees, sauces, and a variety of custom-manufactured culinary products, that are packaged for sale to restaurants and other foodservice establishments primarily in the United States.

Pinnacle Foods

The Pinnacle Foods reporting segment includes branded and private-labeled food products, in various temperature states, sold in various retail and foodservice channels in the United States and Canada. Results of the Pinnacle Foods segment reflect activity beginning on October 26, 2018, the date of the Pinnacle acquisition.

Commercial

The Commercial reporting segment included commercially branded and private label food and ingredients, which were sold primarily to commercial, restaurant, foodservice, food manufacturing, and industrial customers. The segment's primary food items included a variety of vegetable, spice, and frozen bakery goods, which were sold under brands such as *Spicetec Flavors & Seasonings*[®]. The Spicetec and JM Swank businesses were sold in the first quarter of fiscal 2017. These businesses comprised the entire Commercial segment following the presentation of Lamb Weston as discontinued operations.

Presentation of Derivative Gains (Losses) from Economic Hedges of Forecasted Cash Flows in Segment Results

Derivatives used to manage commodity price risk and foreign currency risk are not designated for hedge accounting treatment. We believe these derivatives provide economic hedges of certain forecasted transactions. As such, these derivatives are generally recognized at fair market value with realized and unrealized gains and losses recognized in general corporate expenses. The gains and losses are subsequently recognized in the operating results of the reporting segments in the period in which the underlying transaction being economically hedged is included in earnings. In the event that management determines a particular derivative entered into as an economic hedge of a forecasted commodity purchase has ceased to function as an economic hedge, we cease recognizing further gains and losses on such derivatives in corporate expense and begin recognizing such gains and losses within segment operating results, immediately.

The following table presents the net derivative gains (losses) from economic hedges of forecasted commodity consumption and the foreign currency risk of certain forecasted transactions associated with continuing operations, under this methodology:

(\$ in millions)	Fiscal Years Ended		
	May 26, 2019	May 27, 2018	May 28, 2017
Net derivative gains (losses) incurred	\$ (3.6)	\$ (0.9)	\$ 0.6
Less: Net derivative gains (losses) allocated to reporting segments	(1.8)	(7.1)	5.7
Net derivative gains (losses) recognized in general corporate expenses	<u>\$ (1.8)</u>	<u>\$ 6.2</u>	<u>\$ (5.1)</u>
Net derivative gains (losses) allocated to Grocery & Snacks	\$ (2.1)	\$ 0.2	\$ 3.4
Net derivative gains (losses) allocated to Refrigerated & Frozen	(1.1)	(0.3)	0.8
Net derivative gains (losses) allocated to International Foods	2.8	(6.9)	1.6
Net derivative losses allocated to Foodservice	(0.6)	(0.1)	—
Net derivative losses allocated to Pinnacle Foods	(0.8)	—	—
Net derivative losses allocated to Commercial	—	—	(0.1)
Net derivative gains (losses) included in segment operating profit	<u>\$ (1.8)</u>	<u>\$ (7.1)</u>	<u>\$ 5.7</u>

As of May 26, 2019, the cumulative amount of net derivative gains from economic hedges that had been recognized in general corporate expenses and not yet allocated to reporting segments was \$1.4 million. This amount reflected net gains of \$1.0 million incurred during the fiscal year ended May 26, 2019, as well as net gains of \$0.4 million incurred prior to fiscal 2019. Based on our forecasts of the timing of recognition of the underlying hedged items, we expect to reclassify to segment operating results gains of \$0.9 million in fiscal 2020 and \$0.5 million in fiscal 2021 and thereafter.