ARCH COAL INC
Form 10-K
March 01, 2011

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-K

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

For the fiscal year ended December 31, 2010

Commission file number: 1-13105

(Exact name of registrant as specified in its charter)

Delaware	**43-0921172**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
One CityPlace Drive, Ste. 300, St. Louis, Missouri (Address of principal executive offices)	**63141** (Zip code)

Registrant s telephone number, including area code: (314) 994-2700

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, $.01 par value	New York Stock Exchange Chicago Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such filed). Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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. (Check one):

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant (excluding outstanding shares beneficially owned by directors, officers and treasury shares) as of June 30, 2010 was approximately $3.2 billion.

On February 22, 2011, 162,474,101 shares of the company s common stock, par value $0.01 per share, were outstanding.

Portions of the company s definitive proxy statement for the annual stockholders meeting to be held on April 28, 2011 are incorporated by reference into Part III of this Form 10-K.

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EX-101 LABELS LINKBASE DOCUMENT
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If you are not familiar with any of the mining terms used in this report, we have provided explanations of many of them under the caption Glossary of Selected Mining Terms on page 28 of this report. Unless the context otherwise requires, all references in this report to Arch, we, us, or our are to Arch Coal, Inc. and its subsidiaries.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, such as our expected future business and financial performance, and are intended to come within the safe harbor protections provided by those sections. The words anticipates, believes, could, estimates, expects, intends, may, plans, predicts, projects, other comparable words and phrases identify forward-looking statements, which speak only as of the date of this report. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Actual results may vary significantly from those anticipated due to many factors, including:

- market demand for coal and electricity;
- geologic conditions, weather and other inherent risks of coal mining that are beyond our control;
- competition within our industry and with producers of competing energy sources;
- excess production and production capacity;
- our ability to acquire or develop coal reserves in an economically feasible manner;
- inaccuracies in our estimates of our coal reserves;
- availability and price of mining and other industrial supplies;
- availability of skilled employees and other workforce factors;
- disruptions in the quantities of coal produced by our contract mine operators;
- our ability to collect payments from our customers;
- defects in title or the loss of a leasehold interest;
- railroad, barge, truck and other transportation performance and costs;
- our ability to successfully integrate the operations that we acquire;
- our ability to secure new coal supply arrangements or to renew existing coal supply arrangements;
- our relationships with, and other conditions affecting, our customers;
- the deferral of contracted shipments of coal by our customers;
- our ability to service our outstanding indebtedness;
- our ability to comply with the restrictions imposed by our credit facility and other financing arrangements;

the availability and cost of surety bonds;

failure by Magnum Coal Company, which we refer to as Magnum, a subsidiary of Patriot Coal Corporation, to satisfy certain below-market contracts that we guarantee;

our ability to manage the market and other risks associated with certain trading and other asset optimization strategies;

terrorist attacks, military action or war;

our ability to obtain and renew various permits, including permits authorizing the disposition of certain mining waste;

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existing and future legislation and regulations affecting both our coal mining operations and our customers coal usage, governmental policies and taxes, including those aimed at reducing emissions of elements such as mercury, sulfur dioxides, nitrogen oxides, particulate matter or greenhouse gases;

the accuracy of our estimates of reclamation and other mine closure obligations;

the existence of hazardous substances or other environmental contamination on property owned or used by us; and

the other factors affecting our business described below under the caption Risk Factors.

All forward-looking statements in this report, as well as all other written and oral forward-looking statements attributable to us or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements contained in this section and elsewhere in this report. See Items 1A Risk Factors, 7 Management s Discussion and Analysis of Financial Condition and Results of Operations and 7A Quantitative and Qualitative Disclosures About Market Risk for additional information about factors that may affect our businesses and operating results. These factors are not necessarily all of the important factors that could affect us. These risks and uncertainties, as well as other risks of which we are not aware or which we currently do not believe to be material, may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

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PART I

ITEM 1. BUSINESS.

Introduction

We are one of the world s largest coal producers. For the year ended December 31, 2010 we sold approximately 162.8 million tons of coal, including approximately 6.9 million tons of coal we purchased from third parties, representing roughly 15% of U.S. coal supply. We sell substantially all of our coal to power plants, steel mills and industrial facilities. At December 31, 2010, we operated, or contracted out the operation of, 23 active mines located in each of the major low-sulfur coal-producing regions of the United States. The locations of our mines and access to export facilities enable us to ship coal to most of the major coal-fueled power plants, industrial facilities and steel mills located within the United States and on four continents worldwide.

Significant federal and state environmental regulations affect the demand for coal. Existing environmental regulations limiting the emission of certain impurities caused by coal combustion and new regulations have had, and are likely to continue to have, a considerable impact on our business. For example, certain federal and state environmental regulations currently limit the amount of sulfur dioxide that may be emitted as a result of combustion. As a result, we focus on mining, processing and marketing coal with low sulfur content.

Despite these and other regulations, we expect worldwide coal demand to increase over time, particularly in developing countries such as China and India, where electricity demand is increasing at a much faster rate than in developed parts of the world. Although the global economic recession has had a significant impact on certain regions, we expect worldwide energy demand to increase over the next 20 years. As a result of its availability, stability and affordability, coal is likely to satisfy a large portion of that demand.

Our History

We were organized in Delaware in 1969 as Arch Mineral Corporation. In July 1997, we merged with Ashland Coal, Inc., a subsidiary of Ashland Inc. that was formed in 1975. As a result of the merger, we became one of the largest producers of low-sulfur coal in the eastern United States.

In June 1998, we expanded into the western United States when we acquired the coal assets of Atlantic Richfield Company, which we refer to as ARCO. This acquisition included the Black Thunder and Coal Creek mines in the Powder River Basin of Wyoming, the West Elk mine in Colorado and a 65% interest in Canyon Fuel Company, which operates three mines in Utah. In October 1998, we acquired a leasehold interest in the Thundercloud reserve, a 412-million-ton federal reserve tract adjacent to the Black Thunder mine.

In July 2004, we acquired the remaining 35% interest in Canyon Fuel Company. In August 2004, we acquired Triton Coal Company s North Rochelle mine adjacent to our Black Thunder operation. In September 2004, we acquired a leasehold interest in the Little Thunder reserve, a 719-million-ton federal reserve tract adjacent to the Black Thunder mine.

In December 2005, we sold the stock of Hobet Mining, Inc., Apogee Coal Company and Catenary Coal Company and their four associated mining complexes (Hobet 21, Arch of West Virginia, Samples and Campbells Creek) and approximately 455.0 million tons of coal reserves in Central Appalachia to Magnum.

On October 1, 2009, we acquired Rio Tinto s Jacobs Ranch mine complex in the Powder River Basin of Wyoming, which included 345 million tons of low-cost, low-sulfur coal reserves, and integrated it into the Black Thunder mine.

Coal Characteristics

In general, end users characterize coal as steam coal or metallurgical coal. Heat value, sulfur, ash, moisture content, and volatility in the case of metallurgical coal, are important variables in the marketing and

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transportation of coal. These characteristics help producers determine the best end use of a particular type of coal. The following is a description of these general coal characteristics:

Heat Value. In general, the carbon content of coal supplies most of its heating value, but other factors also influence the amount of energy it contains per unit of weight. The heat value of coal is commonly measured in Btus. Coal is generally classified into four categories, ranging from lignite, subbituminous, bituminous and anthracite, reflecting the progressive response of individual deposits of coal to increasing heat and pressure. Anthracite is coal with the highest carbon content and, therefore, the highest heat value, nearing 15,000 Btus per pound. Bituminous coal, used primarily to generate electricity and to make coke for the steel industry, has a heat value ranging between 10,500 and 15,500 Btus per pound. Subbituminous coal ranges from 8,300 to 13,000 Btus per pound and is generally used for electric power generation. Lignite coal is a geologically young coal which has the lowest carbon content and a heat value ranging between 4,000 and 8,300 Btus per pound.

Sulfur Content. Federal and state environmental regulations, including regulations that limit the amount of sulfur dioxide that may be emitted as a result of combustion, have affected and may continue to affect the demand for certain types of coal. The sulfur content of coal can vary from seam to seam and within a single seam. The chemical composition and concentration of sulfur in coal affects the amount of sulfur dioxide produced in combustion. Coal-fueled power plants can comply with sulfur dioxide emission regulations by burning coal with low sulfur content, blending coals with various sulfur contents, purchasing emission allowances on the open market and/or using sulfur-dioxide emission reduction technology.

All of our identified coal reserves have been subject to preliminary coal seam analysis to test sulfur content. Of these reserves, approximately 83% consist of compliance coal, while an additional 6% could be sold as low-sulfur coal. The balance is classified as high-sulfur coal. Higher sulfur coal can be burned in plants equipped with sulfur-dioxide emission reduction technology, such as scrubbers, and in facilities that blend compliance and noncompliance coal.

Ash. Ash is the inorganic residue remaining after the combustion of coal. As with sulfur, ash content varies from seam to seam. Ash content is an important characteristic of coal because it impacts boiler performance and electric generating plants must handle and dispose of ash following combustion. The composition of the ash, including the proportion of sodium oxide and fusion temperature, are important characteristics of coal and help determine the suitability of the coal to end users. The absence of ash is also important to the process by which metallurgical coal is transformed into coke for use in steel production.

Moisture. Moisture content of coal varies by the type of coal, the region where it is mined and the location of the coal within a seam. In general, high moisture content decreases the heat value and increases the weight of the coal, thereby making it more expensive to transport. Moisture content in coal, on an as-sold basis, can range from approximately 2% to over 30% of the coal s weight.

Other. Users of metallurgical coal measure certain other characteristics, including fluidity, swelling capacity and volatility to assess the strength of coke produced from a given coal or the amount of coke that certain types of coal will yield. These characteristics may be important elements in determining the value of the metallurgical coal we produce and market.

The Coal Industry

Global Coal Supply and Demand. Recovery from the 2008 upheaval in the global financial markets continued in 2010. Growth rates varied in 2010 in both emerging market economies and advanced market economies, as countries worked to rebalance their reliance on domestic consumption against export demand growth. Recovering international coal demand led to a substantial rise in the gobal demand for coal from the United States during 2010.

Coal is traded globally and can be transported to demand centers by ship, rail, barge, and truck. Worldwide coal production approximated 6.9 billion tonnes in 2009, up from 6.7 billion tonnes in 2008, according to the International Energy Agency (IEA). China remains the largest producer of coal in the world, producing over

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2.97 billion tonnes in 2009, according to the IEA. China is followed in coal production by the USA at approximately 919 million tonnes and India at nearly 526 million tonnes. China s coal exports have dwindled to approximately 20 million tonnes per year and imports have increased to over 160 million tones per year in 2010 as domestic demands exceed domestic supply. Japan maintained its ranking as the top importer of coal with 183 million tonnes in 2009, followed by China and South Korea at 118 million tonnes.

International demand for coal continues to be driven by growth in electrical power generation. Coal remains the leading fuel for power generation in the IEA s World Energy Outlook scenarios. Coal s share of global electricity generation remains between 41% and 43% through 2035 in the Current Policies Scenario. Growth is most significant in non-OECD countries where electricity from coal grows from approximately 46% of total electricity generation in 2008 to approximately 50% in 2035. China is the world s largest consumer of coal, and China and India together account for 72% of the new coal-fired generation currently under construction and expected to come online in the next five years.

Metallurgical or coking coal is used in the steel making process. The steel industry uses metallurgical coal, which is distinguishable from other types of coal by its high carbon content, low expansion pressure, low sulfur content and various other chemical attributes. As such, the price offered by steel makers for metallurgical coal is generally higher than the price offered by power plants and industrial users for steam coal. Coal is used in nearly 70% of global steel production. In 2010, approximately 1.395 billion tonnes of steel was produced, which represented a recovery of 15% over 2009 reduced levels.

Supplying the global power and steel markets are Australia, historically the world s largest coal exporter with exports of approximately 300 million tonnes in 2010, as well as Indonesia, Russia, United States, Colombia, and South Africa. Indonesia, in particular, has seen substantial growth in its coal exports in the last few years; however, its growing domestic energy demand may result in a decrease in exports as it moves toward greater self-sufficiency. Total U.S. exports were 81 million tonnes in 2010. As global economic conditions continue to improve and growth accelerates, putting pressure on global coal supply networks, we expect the demand for U.S. coal exports to continue to grow.

U.S. Coal Consumption. In the United States, coal is used primarily by power plants to generate electricity, by steel companies to produce coke for use in blast furnaces and by a variety of industrial users to heat and power foundries, cement plants, paper mills, chemical plants and other manufacturing or processing facilities. Coal consumption in the United States increased from 398.1 million tons in 1960 to approximately 1.0 billion tons in 2010, according to the Energy Information Administration s (EIA) Short Term Energy Outlook. Although full-year data for 2010 is not yet available, coal consumption has improved over what was lost during the global downturn that affected U.S. coal consumption in 2009. In 2010, coal consumption in the United States improved through stronger electricity demand driven by both a recovering economy and favorable weather.

The following chart shows historical and projected demand trends for U.S. coal by consuming sector for the periods indicated, according to the EIA:

						Annual
	Actual	**Estimated**	**Forecast**			**Growth**
Sector	**2005**	**2010**	**2011**	**2020**	**2035**	**2009-2035**
			(Tons, in millions)			
Electric power	1,037	977	950	986	1,129	0.7%
Other industrial	60	47	48	49	47	0.1%

Coke plants	23	21	22	22	18	0.6%
Residential/commercial	4	3	3	3	3	–0.2%
Coal-to-liquids				16	105	n/a
Total U.S. coal consumption	1,126	1,048	1,022	1,076	1,302	1.0%

Source: EIA Annual Energy Outlook 2011

EIA Short Term Energy Outlook (January 2011)

EIA Monthly Energy Review (December 2010)

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According to the EIA, coal accounted for approximately 45% of U.S. electricity generation in 2010, and based on a projected 25% growth in electricity demand, coal consumption is expected to grow about 19% by 2035, reaching 1.1 billion tons. These amounts assume no future federal or state carbon emissions legislation is enacted and do not take into account subsequent market conditions. Historically, coal has been considerably less expensive than natural gas or oil.

The following chart shows the breakdown of U.S. electricity generation by energy source for 2010, according to the EIA:

Source: EIA Monthly Flash Estimate of Electric Power Data (January 2011).

Average prices for oil in the United States increased during 2010 following the effects of the worldwide economic recession. Historically, volatile oil prices and global energy security concerns have increased interest in converting coal into liquid fuel, a process known as liquefaction. Liquid fuel produced from coal can be further refined to produce transportation fuels, such as low-sulfur diesel fuel, gasoline and other oil products, such as plastics and solvents. Currently, there are only a limited number of projects moving forward because of lower oil and natural gas prices.

U.S. Coal Production. The United States is the second largest coal producer in the world, exceeded only by China. According to the EIA, there are over 200 billion tons of recoverable coal in the United States. The U.S. Department of Energy estimates that current domestic recoverable coal reserves could supply enough electricity to satisfy domestic demand for approximately 200 years. Annual coal production in the United States has increased from 434 million tons in 1960 to approximately 1.1 billion tons in 2010.

Coal is mined from coal fields throughout the United States, with the major production centers located in the western United States, the Appalachian region and the Illinois Basin.

Major regions in the West include the Powder River Basin and the Western Bituminous region. According to the EIA, coal produced in the western United States increased from 408 million tons in 1994 to an estimated 636 million tons in 2010, as competitive mining costs and regulations limiting sulfur-dioxide emissions have continued to increase demand for low-sulfur coal over this period. The Powder River Basin is located in northeastern Wyoming and southeastern Montana. Coal from this region is sub-bituminous coal with low sulfur content ranging from 0.2% to 0.9% and heating values ranging from 8,000 to 9,500 Btu. The price of Powder River Basin coal is generally less than that of coal produced in other regions because Powder River Basin coal exists in greater abundance, is easier to mine and thus has a lower cost of production. In addition, Powder River Basin coal is generally lower in heat value, which requires some electric power generation facilities to blend it with higher Btu coal or retrofit some existing coal plants to accommodate lower Btu coal. The Western Bituminous region includes Colorado, Utah and southern Wyoming. Coal from this region typically has low sulfur content ranging from 0.4% to 0.8% and heating values ranging from 10,000 to 12,200 Btu.

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Regions in the East include the north, central and southern Appalachian regions. According to the EIA, coal produced in the Appalachian region decreased from 445 million tons in 1994 to an estimated 338 million tons in 2010 primarily as a result of the depletion of economically attractive reserves, permitting issues and increasing costs of production. Central Appalachia includes eastern Kentucky, Tennessee, Virginia and southern West Virginia. Coal mined from this region generally has a high heat value ranging from 11,400 to 13,200 Btu and a low sulfur content ranging from 0.2% to 2.0%. Northern Appalachia includes Maryland, Ohio, Pennsylvania and northern West Virginia. Coal from this region generally has a high heat value ranging from 10,300 to 13,500 Btu and a high sulfur content ranging from 0.8% to 4.0%. Southern Appalachia primarily covers Alabama and generally has a heat content ranging from 11,300 to 12,300 Btu and a sulfur content ranging from 0.7% to 3.0%.

The Illinois Basin includes Illinois, Indiana and western Kentucky and is the major coal production center in the interior region of the United States. According to the EIA, coal produced in the interior region decreased from 180 million tons in 1994 to approximately 105 million tons in 2010. Coal from the Illinois Basin generally has a heat value ranging from 10,100 to 12,600 Btu and has a high sulfur content ranging from 1.0% to 4.3%. Despite its high sulfur content, coal from the Illinois basin can generally be used by some electric power generation facilities that have installed pollution control devices, such as scrubbers, to reduce emissions. Other coal-producing states in the interior include Arkansas, Kansas, Louisiana, Mississippi, Missouri, North Dakota, Oklahoma and Texas.

U.S. Coal Exports and Imports. U.S exports increased substantially over 2009, supported by recovering global economies and continued growth in Chinese and Indian steel markets in particular. This is a trend we expect to continue. Because of this, we believe that the United States will continue to be an increasingly important supplier of coal to the global marketplace in the near term.

Historically, coal imported from abroad has represented a relatively small share of total U.S. coal consumption, and this remained the case in 2010. According to the EIA, coal imports increased from 9 million tons in 1994 to an estimated 19 million tons in 2010. Imports did reach close to 36 million tons in 2007, but have fallen since then. The decline is mostly attributed to more competitive pricing for domestic coal and stronger demand from non-U.S. markets for seaborne coal. Coal is imported into the United States primarily from Colombia, Indonesia and Venezuela. Imported coal generally serves coastal states along the Gulf of Mexico, such as Alabama and Florida, and states along the eastern seaboard. We do not expect imports to be significant in 2011 and beyond, as more and more global coal will likely be directed to Asia.

Coal Mining Methods

The geological characteristics of our coal reserves largely determine the coal mining method we employ. We use two primary methods of mining coal: surface mining and underground mining.

Surface Mining. We use surface mining when coal is found close to the surface. We have included the identity and location of our surface mining operations below under Our Mining Operations General. In 2010, approximately 85% of the coal that we produced came from surface mining operations.

Surface mining involves removing the topsoil then drilling and blasting the overburden (earth and rock covering the coal) with explosives. We then remove the overburden with heavy earth-moving equipment, such as draglines, power shovels, excavators and loaders. Once exposed, we drill, fracture and systematically remove the coal using haul trucks or conveyors to transport the coal to a preparation plant or to a loadout facility. We reclaim disturbed areas as part of our normal mining activities. After final coal removal, we use draglines, power shovels, excavators or loaders to backfill the remaining pits with the overburden removed at the beginning of the process. Once we have replaced the overburden and topsoil, we reestablish vegetation and plant life into the natural habitat and make other improvements that have local community and environmental benefits.

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The following diagram illustrates a typical dragline surface mining operation:

Underground Mining. We use underground mining methods when coal is located deep beneath the surface. We have included the identity and location of our underground mining operations in the table Our Mining Operations General. In 2010, approximately 15% of the coal that we produced came from underground mining operations.

Our underground mines are typically operated using one or both of two different mining techniques: longwall mining and room-and-pillar mining.

Longwall Mining. Longwall mining involves using mechanical shearer to extract coal from long rectangular blocks of medium to thick seams. Ultimate seam recovery using longwall mining techniques can exceed 75%. In longwall mining, we use continuous miners to develop access to these long rectangular coal blocks. Hydraulically powered supports temporarily hold up the roof of the mine while a rotating drum mechanically advances across the face of the coal seam, cutting the coal from the face. Chain conveyors then move the loosened coal to an underground mine conveyor system for delivery to the surface. Once coal is extracted from an area, the roof is allowed to collapse in a controlled fashion. In 2010, approximately 14% of the coal that we produced came from underground mining operations generally using longwall mining techniques.

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The following diagram illustrates a typical underground mining operation using longwall mining techniques:

Room-and-Pillar Mining. Room-and-pillar mining is effective for small blocks of thin coal seams. In room-and-pillar mining, we cut a network of rooms into the coal seam, leaving a series of pillars of coal to support the roof of the mine. We use continuous miners to cut the coal and shuttle cars to transport the coal to a conveyor belt for further transportation to the surface. The pillars generated as part of this mining method can constitute up to 40% of the total coal in a seam. Higher seam recovery rates can be achieved if retreat mining is used. In retreat mining, coal is mined from the pillars as workers retreat. As retreat mining occurs, the roof is allowed to collapse in a controlled fashion. We currently conduct retreat mining in certain underground mines at our Cumberland River and Lone Mountain mining complexes. In 2010, the quantities of coal we recovered from retreat mining represented an insignificant portion of our total coal production. Once we finish mining in an area, we generally abandon that area and seal it from the rest of the mine.

The following diagram illustrates our typical underground mining operation using room-and-pillar mining techniques:

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Coal Preparation and Blending. We crush the coal mined from our Powder River Basin mining complexes and ship it directly from our mines to the customer. Typically, no additional preparation is required for a saleable product. Coal extracted from some of our underground mining operations contains impurities, such as rock, shale and clay, and occurs in a wide range of particle sizes. Each of our mining operations in the Central Appalachia region and a few of our mines in the Western Bituminous region use a coal preparation plant located near the mine or connected to the mine by a conveyor. These coal preparation plants allow us to treat the coal we extract from those mines to ensure a consistent quality and to enhance its suitability for particular end-users. In 2010, our preparation plants processed approximately 80% to 85% of the raw coal we produced in the Central Appalachia region. In addition, depending on coal quality and customer requirements, we may blend coal mined from different locations, including coal produced by third parties, in order to achieve a more suitable product.

The treatments we employ at our preparation plants depend on the size of the raw coal. For course material, the separation process relies on the difference in the density between coal and waste rock where, for the very fine fractions, the separation process relies on the difference in surface chemical properties between coal and the waste minerals. To remove impurities, we crush raw coal and classify it into various sizes. For the largest size fractions, we use dense media vessel separation techniques in which we float coal in a tank containing a liquid of a pre-determined specific gravity. Since coal is lighter than its impurities, it floats, and we can separate it from rock and shale. We treat intermediate sized particles with dense medium cyclones, in which a liquid is spun at high speeds to separate coal from rock. Fine coal is treated in spirals, in which the differences in density between coal and rock allow them, when suspended in water, to be separated. Ultra fine coal is recovered in column flotation cells utilizing the differences in surface chemistry between coal and rock. By injecting stable air bubbles through a suspension of ultra fine coal and rock, the coal particles adhere to the bubbles and rise to the surface of the column where they are removed. To minimize the moisture content in coal, we process most coal sizes through centrifuges. A centrifuge spins coal very quickly, causing water accompanying the coal to separate.

For more information about the locations of our preparation plants, you should see the section entitled Our Mining Operations below.

Our Mining Operations

General. At December 31, 2010, we operated, or contracted out the operation of, 23 active mines at 11 mining complexes located in the United States. We have three reportable business segments, which are based on the low-sulfur coal producing regions in the United States in which we operate the Powder River Basin, the Western Bituminous region and the Central Appalachia region. These geographically distinct areas are characterized by geology, coal transportation routes to consumers, regulatory environments and coal quality. These regional distinctions have caused market and contract pricing environments to develop by coal region and form the basis for the segmentation of our operations. We incorporate by reference the information about the operating results of each of our segments for the years ended December 31, 2010, 2009 and 2008 contained in Note 22 beginning on page F-39.

Our operations in the Powder River Basin are located in Wyoming and include two surface mining complexes (Black Thunder and Coal Creek). Our operations in the Western Bituminous region are located in southern Wyoming, Colorado and Utah and include four underground mining complexes (Dugout Canyon, Skyline, Sufco and West Elk) and one surface mining complex (Arch of Wyoming). Our operations in the Central Appalachia region are located in southern West Virginia, eastern Kentucky and southwestern Virginia and include four mining complexes (Coal-Mac, Cumberland River, Lone Mountain and Mountain Laurel).

In general, we have developed our mining complexes and preparation plants at strategic locations in close proximity to rail or barge shipping facilities. Coal is transported from our mining complexes to customers by means of railroads, trucks, barge lines, and ocean-going vessels from terminal facilities. We currently own or lease under long-term

arrangements a substantial portion of the equipment utilized in our mining operations. We employ sophisticated preventative maintenance and rebuild programs and upgrade our equipment to ensure

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that it is productive, well-maintained and cost-competitive. Our maintenance programs also employ procedures designed to enhance the efficiencies of our operations.

The following map shows the locations of our mining operations:

The following table provides a summary of information regarding our active mining complexes at December 31, 2010, the total sales associated with these complexes for the years ended December 31, 2008, 2009 and 2010 and the total reserves associated with these complexes at December 31, 2010. The amount disclosed below for the total cost of property, plant and equipment of each mining complex does not include the costs of the coal reserves that we have assigned to an individual complex. The information included in the following table describes in more detail our mining operations, the coal mining methods used, certain characteristics of our coal and the method by which we transport coal from our mining operations to our customers or other third parties.

Mining Complex	Captive Mines(1)	Contract Mines(1)	Mining Equipment	Railroad	Tons Sold(2)			Total Cost of Property, Plant and Equipment at December 31, 2010 ($ in millions)	Assigned Reserves (Million tons)
					2008	2009	2010		
					(Million tons)				
Powder River Basin:									
Black Thunder	S		D, S	UP/BN	88.5	81.2	116.2	$ 1,039.2	1,405.7
Coal Creek	S		D, S	UP/BN	11.5	9.8	11.4	149.0	184.8
Western Bituminous:									
Arch of Wyoming	S		L	UP	0.2	0.1	0.1	22.8	14.8
Dugout Canyon	U								

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CHURCH & DWIGHT CO., INC.

SAVINGS AND PROFIT SHARING PLAN FOR
HOURLY EMPLOYEES

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies (concluded):

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Plan management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and assumptions.

Investment valuation and income recognition:

Investments in mutual funds are carried at market as determined by Vanguard Fiduciary Trust Company (the "Trustee"), based upon quoted market prices. The investment in Company common stock is valued at the closing price as quoted by a national exchange. In accordance with this policy, the net gain (loss) for each year is reflected in the statements of changes in net assets available for benefits. The Plan's interest in the collective trust at year-end is valued based on information reported by the investment advisor using the audited financial statements of the collective trust at year end.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded as earned on an accrual basis. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Notes receivable from participants:

Notes receivable from participants are measured at their unpaid balance plus any accrued but unpaid interest. Delinquent participant loans are reclassified as distributions based upon the terms of the Plan document.

Payment of benefits:

Benefits are recorded when paid.

Reclassifications:

Certain amounts in the 2009 Financial Statements have been reclassified to conform to the current year presentation.

Note 3 - Investments:

The following table presents investments that represent 5% or more of the Plan's net assets at December 31, 2010 and 2009:

	2010	2009
Church & Dwight Co., Inc. common stock	$30,153,275	$30,049,926
Vanguard Retirement Savings Trust	16,094,863	15,930,164
T. Rowe Price Blue Chip Growth Fund	7,127,379	6,390,174
Pimco Total Return Bond Fund	5,693,259	-

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CHURCH & DWIGHT CO., INC.

SAVINGS AND PROFIT SHARING PLAN FOR
HOURLY EMPLOYEES

NOTES TO FINANCIAL STATEMENTS

Note 3 - Investments (concluded):

The Plan's investment assets appreciated (depreciated) in fair value as deter−mined by quoted market prices as follows:

	2010	2009
Church & Dwight Co., Inc. common stock	$4,035,365	$2,142,814
Columbia Mid Cap Value Fund	183,233	215,719
Munder Mid Cap Core Growth Shares	499,427	425,402
Neuberger Berman Genesis Fund	440,138	396,035
PIMCO Total Return Bond Fund	(6,331)	222,218
T. Rowe Price Blue Chip Growth Fund	947,602	1,778,240
Thornburg International Value Fund	434,898	742,650
Van Kampen Growth & Income Fund	243,877	399,537
Vanguard S&P 500 Index Fund	149,631	258,692
Vanguard Small Cap Index Fund	143,442	100,665
Vanguard Target Retirement 2005 Fund	8,755	14,929
Vanguard Target Retirement 2010 Fund	70,900	123,399
Vanguard Target Retirement 2015 Fund	219,331	263,335
Vanguard Target Retirement 2020 Fund	220,237	348,407
Vanguard Target Retirement 2025 Fund	250,986	339,646
Vanguard Target Retirement 2030 Fund	252,680	402,777
Vanguard Target Retirement 2035 Fund	217,381	309,438
Vanguard Target Retirement 2040 Fund	164,314	255,707
Vanguard Target Retirement 2045 Fund	104,971	160,000
Vanguard Target Retirement 2050 Fund	71,625	100,911
Vanguard Target Retirement Income Fund	2,803	2,588
Vanguard Wellington Fund	206,564	385,613
Totals	$8,861,829	$9,388,722

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CHURCH & DWIGHT CO., INC.

SAVINGS AND PROFIT SHARING PLAN FOR
HOURLY EMPLOYEES

NOTES TO FINANCIAL STATEMENTS

Note 4 - Nonparticipant-directed investments:
Effective July 1, 2009, the first 1% of the profit sharing contribution percentage is a nonparticipant directed investment and the Company matching contribution for participants with less than 3 years of service are no longer nonparticipant directed investments.

Note 5 - Related party transactions:
The Trustee is provided with the authority to invest, sell, dispose of or otherwise deal with such assets held in trust based on the most recent agreement effective October 1, 2008 with the Company. Certain Plan investments are in shares of mutual funds managed by the Trustee and, therefore, these transactions qualify as party-in-interest transactions.

The Company is also a party-in-interest to the Plan under the definition provided in Section 3 (14) of ERISA. Therefore, the Company's common stock transactions qualify as party-in-interest transactions.

Note 6 - Plan termination:
The Company intends to continue the Plan indefinitely, but reserves the right to terminate it at any time, subject to the provisions of ERISA. Upon termination of the Plan or upon complete discontinuance of contributions, all participants will become fully vested in their account balances under the Plan.

Note 7 - Tax status:
The Internal Revenue Service has determined and informed the Company by letter dated August 20, 2003, that the Plan is qualified and the trust established under the Plan is tax-exempt, under the appropriate sections of the Internal Revenue Code (the “Code”). The Plan has been amended since receiving the determination letter. However, the Plan administrator and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Code. Therefore, they believe that the Plan was qualified and the related trust was tax-exempt as of the financial statement date.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the plan and recognize a tax liability (or asset) if the plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2010 and 2009, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2007.

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CHURCH & DWIGHT CO., INC.
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NOTES TO FINANCIAL STATEMENTS

Note 8 - Risks and uncertainties:
The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

Note 9 - Fair value measurements:
On January 1, 2008, the Plan adopted a Financial Accounting Standards Board (FASB) fair value measurements accounting standard, which defines fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the FASB standard are described as follows:

Level 1:	Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
Level 2:	Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
Level 3:	Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

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SAVINGS AND PROFIT SHARING PLAN FOR
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NOTES TO FINANCIAL STATEMENTS

Note 9 - Fair value measurements (continued):
Financial assets carried at fair value at December 31, 2010 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
Church & Dwight Co., Inc common stock	$30,153,275	-	-	$30,153,275
Mutual funds:				
Mid cap equity securities	3,897,745	-	-	3,897,745
Small cap equity securities	2,562,718	-	-	2,562,718
Large and mid cap value stocks and bonds	2,929,091	-	-	2,929,091
International equities	4,077,447	-	-	4,077,447
Growth and income funds	9,448,500	-	-	9,448,500
Index funds	2,267,908	-	-	2,267,908
Bond funds	5,693,259	-	-	5,693,259
Target date funds	17,029,328	-	-	17,029,328
Money market funds	379,870	-	-	379,870
Common collective trusts	-	-	$16,094,863	16,094,863
Totals	$78,439,141	-	$16,094,863	$94,534,004

Financial assets and liabilities carried at fair value at December 31, 2009 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
Church & Dwight Co., Inc common stock	$30,049,926	-	-	$30,049,926
Mutual funds:				
Mid cap equity securities	2,693,889	-	-	2,693,889
Small cap equity securities	1,822,535	-	-	1,822,535
Large and mid cap value stocks and bonds	2,508,789	-	-	2,508,789
International equities	3,313,089	-	-	3,313,089
Growth and income funds	8,437,761	-	-	8,437,761
Index funds	1,812,425	-	-	1,812,425
Bond funds	4,102,825	-	-	4,102,825
Target date funds	12,924,800	-	-	12,924,800
Money market funds	263,101	-	-	263,101
Common collective trusts	-	-	$15,930,164	15,930,164
Totals	$67,929,140	-	$15,930,164	$83,859,304

Equity securities, mutual funds and company common stock are valued using market prices on active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

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CHURCH & DWIGHT CO., INC.

SAVINGS AND PROFIT SHARING PLAN FOR
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NOTES TO FINANCIAL STATEMENTS

Note 9 - Fair value measurements (concluded):

Level Three Gains and Losses:

Level 3 Assets
Year Ended December 31, 2010

	Common Collective Trust
Balance, beginning of year	$15,930,164
Dividends and interest	444,616
Purchases, sales, issuances and settlements (net)	(279,917)
Balance, end of year	$16,094,863

Common collective trust

The Plan's interest in the common collective trust is valued based on information reported by the investment advisor using the audited financial statements of the common collective trust at year end. The net asset value is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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CHURCH & DWIGHT CO., INC.

SAVINGS AND PROFIT SHARING PLAN FOR
HOURLY EMPLOYEES

NOTES TO FINANCIAL STATEMENTS

Note 10 - Reconciliation of Financial Statements to Form 5500:

The following is a reconciliation of amounts reported in the 2010 and 2009 financial statements to amounts reported in the 2010 and 2009 Form 5500:

		2010		2009
Net assets available for benefits, per the financial statements	$	98,844,139	$	90,131,411
Adjustment from contract value to fair value for full benefit-responsive investment contracts		633,785		344,381
Net assets available for benefits, per Form 5500	$	99,477,924	$	90,475,792
Net appreciation in fair value of investments, per the financial statements	$	8,861,829	$	9,388,721
Adjustment from contract value to fair value for full benefit-responsive investment contracts		289,404		541,768
Net appreciation in fair value of investments, per Form 5500	$	9,151,233	$	9,930,489

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CHURCH & DWIGHT CO., INC.

SAVINGS AND PROFIT SHARING PLAN FOR
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Note 11 - Investment Contract:

The Plan entered into a benefit-responsive investment contract with Vanguard Retirement Services Master Trust (the "Trust"). The Trust maintains contributions in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The guaranteed investment contract issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan.

As described in Note 2, because the guaranteed investment contract is fully benefit-responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to the guaranteed investment contract. Contract value, as reported to the Plan by Vanguard and the Trust, represents contributions made under the contract, plus earnings, less parti−cipant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The crediting interest rate is based on a formula agreed upon with the issuer, but it may not be less than 0% for the contracts with the Trust. Such interest rates are reviewed on a quarterly basis for resetting.

Certain events limit the ability of the Plan to transact at contract value with the issuer. Any event outside the normal operation of the Trust that causes a withdrawal from an investment contract may result in a negative market value adjustment with respect to the withdrawal. Examples of such events include but are not limited to the following: (1) partial or complete legal termination of the Trust or a unit holder, (2) tax disqualification of the Trust or unit holder, and (3) certain Trust amendments if issuers' consent is not obtained. The Plan Administrator does not believe that the occurrence of any such value event, which would limit the Plan's ability to transact at contract value with participants, is probable.

Certain data related to the benefit-responsive contracts in effect in 2010 and 2009 is presented below:

	2010		2009	
Average yields:				
Trust:				
Based on actual earnings	3.58	%	3.31	%
Based on interest rate credited to participants	1.97	%	3.26	%

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CHURCH & DWIGHT CO., INC.

SAVINGS AND PROFIT SHARING PLAN FOR
HOURLY EMPLOYEES
EIN #13-4996950
Plan #006

SCHEDULE OF ASSETS (HELD AT END OF YEAR)
(Schedule H, Line 4i)
DECEMBER 31, 2010

Identity of Issue, Borrower, Lessor or Similar Party	Investment Description	Cost	Current Value
*Church & Dwight Co., Inc.	Common Stock	$ 10,818,655	$ 30,153,275
Columbia Mid Cap Value Fund	Mutual Fund	979,186	1,172,720
Munder Mid Cap Core Growth Shares	Mutual Fund	2,168,659	2,725,025
Neuberger Berman Genesis Fund	Mutual Fund	2,166,427	2,562,718
PIMCO Total Return Bond Fund	Mutual Fund	5,579,355	5,693,259
T. Rowe Price Blue Chip Growth Fund	Mutual Fund	5,621,750	7,127,379
Thornburg International Value Fund	Mutual Fund	3,394,570	4,077,447
Van Kampen Growth & Income Fund	Mutual Fund	2,033,291	2,321,121
*Vanguard S&P 500 Index Fund	Mutual Fund	1,196,224	1,383,741
*Vanguard Small Cap Index Fund	Mutual Fund	720,476	884,167
*Vanguard Target Retirement 2005 Fund	Mutual Fund	123,765	137,334
*Vanguard Target Retirement 2010 Fund	Mutual Fund	783,736	863,875
*Vanguard Target Retirement 2015 Fund	Mutual Fund	2,403,170	2,653,569
*Vanguard Target Retirement 2020 Fund	Mutual Fund	2,172,035	2,468,128
*Vanguard Target Retirement 2025 Fund	Mutual Fund	2,375,628	2,696,496
*Vanguard Target Retirement 2030 Fund	Mutual Fund	2,150,159	2,473,056
*Vanguard Target Retirement 2035 Fund	Mutual Fund	1,858,168	2,153,983
*Vanguard Target Retirement 2040 Fund	Mutual Fund	1,336,402	1,573,006
*Vanguard Target Retirement 2045 Fund	Mutual Fund	933,285	1,098,875
*Vanguard Target Retirement 2050 Fund	Mutual Fund	740,994	861,337
*Vanguard Target Retirement Income Fund	Mutual Fund	45,986	49,669
*Vanguard Prime Money Market	Mutual Fund	379,870	379,870
*Vanguard Wellington Fund	Mutual Fund	2,568,225	2,929,091
*Vanguard Retirement Savings Trust	Collective Trust	15,461,078	16,094,863
		68,011,094	94,534,004
*Notes receivable from participants (various maturity dates with interest	Loan	1,589,912	1,589,912

rates ranging from 4.25% to 9.25%)		
Totals	$ 69,601,006	$ 96,123,916

* Party-in-interest.
See Report of Independent Registered Public Accounting Firm.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Church & Dwight Co., Inc. Profit Sharing Plan for Hourly Employees

Date: June 29, 2011

By: /s/ Jacquelin J. Brova
Name: Jacquelin J. Brova
Title: Executive Vice President, Human Resources
Church & Dwight Co., Inc.