

FRESH DEL MONTE PRODUCE INC

Form 10-K/A

February 25, 2009

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K
(Amendment No. 1)

(Mark One)

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

For the fiscal year ended December 26, 2008

OR

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 1-14706

FRESH DEL MONTE PRODUCE INC.

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(Exact Name of Registrant as Specified in Its Charter)

The Cayman Islands
(State or Other Jurisdiction of

N/A
(I.R.S Employer

Incorporation or Organization)

Identification No.)

c/o Walkers Corporate Services Limited

Walker House, 87 Mary Street

George Town, Grand Cayman, KY1-9002

Cayman Islands
(Address of Registrant's Principal Executive Offices)

N/A
(Zip Code)

(305) 520-8400

(Registrant's telephone number including area code)

Please send copies of notices and communications from the Securities and Exchange Commission to:

c/o Del Monte Fresh Produce Company

241 Sevilla Avenue

Coral Gables, Florida 33134

(Address of Registrant's U.S. Executive Offices)

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

Title of Each Class

Ordinary Shares, par value \$0.01 per share

Name of Each Exchange on Which Registered

New York Stock Exchange

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

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

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

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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 No

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

The aggregate market value of Ordinary Shares held by non-affiliates at June 27, 2008, the last business day of the registrant's most recently completed second quarter, was \$967,072,660 based on the number of shares held by non-affiliates of the registrant and the reported closing price of Ordinary Shares on June 27, 2008 of \$23.25. The registrant does not have non-voting common stock outstanding.

As of February 13, 2009, there were 63,553,211 Ordinary Shares of Fresh Del Monte Produce Inc. issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for the 2009 Annual General Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year are incorporated by reference in Part III of this report.

Table of Contents**EXPLANATORY NOTE**

Fresh Del Monte Produce Inc. (the Company) is filing this amendment to its Annual Report on Form 10-K for the fiscal year ended December 26, 2008, as filed with the Securities and Exchange Commission on February 24, 2009, to correct an inadvertent error in the signature page to provide all of the required signatures and to correct typographical errors in the consent of Ernst & Young LLP included as Exhibit 23.1.

TABLE OF CONTENTS

	Page
<u>PART I</u>	
Item 1. <u>Business</u>	1
Item 1A. <u>Risk Factors</u>	13
Item 1B. <u>Unresolved Staff Comments</u>	18
Item 2. <u>Properties</u>	18
Item 3. <u>Legal Proceedings</u>	20
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	20
<u>PART II</u>	
Item 5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	21
Item 6. <u>Selected Financial Data</u>	23
Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23
Item 7A. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	36
Item 8. <u>Financial Statements and Supplementary Data</u>	38
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	95
Item 9A. <u>Controls and Procedures</u>	95
Item 9B. <u>Other Information</u>	95
<u>PART III</u>	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	96
Item 11. <u>Executive Compensation</u>	96
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	96
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	96
Item 14. <u>Principal Accounting Fees and Services</u>	96
<u>PART IV</u>	
Item 15. <u>Exhibits and Financial Statement Schedules</u>	97
<u>SIGNATURES</u>	101
<u>EXHIBIT INDEX</u>	102

Table of Contents

Forward-Looking Statements

In this Annual Report (the Report), references to \$ and dollars are to United States dollars. References in this Report to Fresh Del Monte, we, our and us refer to Fresh Del Monte Produce Inc. and its subsidiaries, unless the context indicates otherwise. Percentages and certain amounts contained herein have been rounded for ease of presentation. Any discrepancies in any table between totals and the sums of amounts listed are due to rounding. As used herein, references to years ended 2006 through 2008 are to fiscal years ended December 29, 2006, December 28, 2007 and December 26, 2008, respectively.

This Report, information included in future filings by us and information contained in written material, press releases and oral statements, issued by or on behalf of us contains, or may contain, statements that constitute forward-looking statements. In this Report, these statements appear in a number of places and include statements regarding the intent, belief or current expectations of us or our officers (including statements preceded by, followed by or that include the words believes, expects, anticipates or similar expressions) with respect to various matters, including without limitation (i) the impact of the current global recessionary environment, which could persist throughout and beyond 2009, including our ability to command premium prices for certain of our principal products, (ii) the impact of governmental initiatives in the United States and abroad to stabilize the financial markets and spur economic activity, including the effects of significant government monetary or other market interventions on inflation, price controls and foreign exchange rates, (iii) our anticipated cash needs in light of our liquidity and financing plans, including the availability and terms of debt financing if credit markets remained constrained, (iv) the continued ability of our distributors and suppliers to have access to sufficient liquidity to fund their operations, (v) our ability to successfully integrate acquisitions into our operations, (vi) trends and other factors affecting our financial condition or results of operations, including consumer demand for branded products such as ours, particularly if consumers become more price-conscious in the current economic environment, as well as anticipated price and expense levels, the impact of weather on crop quality and yields, the impact of prices for petroleum based products and the availability of sufficient labor during peak growing and harvesting seasons, (vii) our plans for expansion of our business (including through acquisitions) and cost savings, (viii) the impact of foreign currency fluctuations, (ix) the impact of competition and (x) the timing and cost of resolution of pending legal and environmental proceedings. All forward-looking statements in this Report are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements.

The forward-looking statements are not guarantees of future performance and involve risks and uncertainties. It is important to note that our actual results may differ materially from those in the forward-looking statements as a result of various factors. The accompanying information contained in this Report, identifies important factors that could cause our actual results to differ materially from those in the forward-looking statements.

The volume data included in this Report has been obtained from our records. Except for volume data for Fresh Del Monte, the market share, volume and consumption data contained in this Report have been compiled by us based upon data and other information obtained from third-party sources, primarily from the Food and Agriculture Organization of the United Nations (the FAO), and from our surveys of customers and other company-compiled data. Except as otherwise indicated, volume data contained in this Report is shown in millions of 40-pound equivalent boxes.

Table of Contents

PART I

Item 1. Business

History and Development of Fresh Del Monte

Our legal name is Fresh Del Monte Produce Inc., and our commercial name is Del Monte Fresh Produce. We are an exempted holding company, incorporated under the laws of the Cayman Islands on August 29, 1996. At December 26, 2008, the close of our most recent fiscal year, we were 26.7% owned by IAT Group Inc. (IAT), which was in turn 100% beneficially owned by members of the Abu-Ghazaleh family. At that date, members of the Abu-Ghazaleh family directly owned 7.7% of our outstanding ordinary shares.

On February 20, 2009, each of the Abu-Ghazaleh family members entered into a repurchase agreement with IAT, pursuant to which IAT repurchased a substantial majority of its ordinary shares held by the family in exchange for a pro-rata distribution of a portion of its assets, which consists entirely of our ordinary shares. After giving effect to this transaction, IAT owned 6.7% of our ordinary shares and members of the Abu-Ghazaleh family directly own 27.3% of our outstanding ordinary shares. We expect that IAT will repurchase the remainder of its outstanding ordinary shares in the first quarter of 2009 (other than a single share to be held by Mr. Mohammad Abu-Ghazaleh pending liquidation of IAT) in exchange for a distribution of the remainder of our ordinary shares owned by IAT. Once this repurchase is complete, members of the Abu-Ghazaleh family will hold all of their interest in the Company directly.

Our principal executive office is located at Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9002, Cayman Islands. The address of our U.S. executive office is located at c/o Del Monte Fresh Produce Company, 241 Sevilla Avenue, Coral Gables, Florida 33134. Our telephone number at our U.S. executive office is (305) 520-8400. Our Internet address is <http://www.freshdelmonte.com>. The electronic version of this Annual Report on Form 10-K, along with other information about us and our operations, financial information, other documents filed with the Securities and Exchange Commission (the SEC) and other useful information about us can be found on our Web site. Information on our Web site is not a part of this Report on Form 10-K.

Our global business, conducted through subsidiaries, is primarily the worldwide sourcing, transportation and marketing of fresh and fresh-cut produce together with prepared food products in Europe, Africa and the Middle East. We source our products (bananas, pineapples, melons, tomatoes, grapes, apples, pears, peaches, plums, nectarines, cherries and kiwi) primarily from Central and South America, Africa and the Philippines. We also source products from North America and Europe. We distribute our products in North America, Europe, Asia, the Middle East, North Africa and South America. Our products are sourced from company-owned farms, through joint venture arrangements and through supply contracts with independent growers.

On June 6, 2008, we acquired all of the shares of Desarollo Agroindustrial de Frutales, S.A., a producer of high quality bananas in Costa Rica; all of the shares of Frutas de Exportacion, S.A., a major producer of gold pineapples in Costa Rica; and all of the shares of an affiliated sales and marketing company, collectively known as Caribana . The purchase price for Caribana was \$403.0 million plus \$2.9 million for acquisition related expenses, financed with \$88.5 million in cash on hand and drawings under our syndicated revolving credit facility (the Credit Facility). As a result of this acquisition, our land holdings in Costa Rica increased by approximately 13,000 hectares of quality farm land producing approximately 13 million boxes of bananas and 11 million boxes of gold pineapples annually. We also acquired state-of-the-art packing facilities, as well as modern farming equipment. Caribana 's extensive production area substantially increases our presence in the banana market and further strengthens our number one position in the gold pineapple market. The close proximity of Caribana 's production and packing operations to our existing farms provides the potential for significant operating efficiencies and synergies. This transaction positions us to capitalize on the growing global demand for fresh produce and rapidly expand our reach into existing and new markets.

On June 27, 2008, we acquired certain operating assets, excluding land, of Melones de Costa Rica, S.A. (MCR). MCR is a 50% owned unconsolidated subsidiary that produces melons for us in Costa Rica. MCR continues to own the land which is leased to us on a long-term basis. This transaction provides us more control of production and secures this melon volume. Total area under production is approximately 2,300 hectares with an estimated annual production of three million boxes. The purchase price was approximately \$8.3 million of which \$3.8 million was paid during the third quarter of 2008 using operating cash flows and available borrowings under the Credit Facility and the remaining \$4.5 million will be paid in 2009.

During the third quarter of 2008, we acquired two additional melon operations in Guatemala. The assets acquired comprised principally farming equipment, packing sheds and materials and supplies inventory. This transaction complements our existing melon operations in Guatemala by increasing our production capabilities and provides the potential for increased operating efficiencies and synergies combined with close proximity to the U.S. market. Total area under production is approximately 1,500 hectares producing two crops annually on leased land with an

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estimated annual production of 4.5 million boxes. The purchase price was \$13.9 million of which \$8.9 million was paid using operating cash flows and available borrowings under the Credit Facility and the remaining \$5.0 million will be paid in 2009.

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Our capital expenditures totaled \$101.5 million in 2008, consisting of \$59.4 million principally for distribution centers in Saudi Arabia and South Korea and for expansion of production facilities in the Philippines, Guatemala and Brazil related to the banana segment, \$23.1 million principally for expansion of production facilities in Costa Rica, the Philippines and Chile related to the other fresh produce segment and \$19.0 million principally for production facilities in Jordan and Kenya related to the prepared food segment. Our capital expenditures for 2007 consisted of \$81.4 million primarily for expansion of distribution and manufacturing facilities in the Middle East and expansion of production facilities in Kenya, Brazil and the Philippines. Our capital expenditures for 2006 consisted primarily of new distribution and manufacturing facilities in the Middle East and expansion of production operations

Table of Contents

in the Philippines, Brazil, Chile and Kenya for a total of \$102.1 million. Principal capital expenditures planned for 2009 consist of expansion of our distribution facilities in the Middle East and expansion of our production facilities in Costa Rica, Guatemala and Kenya. We expect to fund our planned capital expenditures of approximately \$120.0 million in 2009 through operating cash flows and borrowings under credit facilities.

Business Overview

We are one of the world's leading vertically integrated producers, marketers and distributors of high-quality fresh and fresh-cut fruit and vegetables, as well as a leading producer and distributor of prepared fruit and vegetables, juices, beverages and snacks in Europe, Africa and the Middle East. We market our products worldwide under the DEL MONTE® brand, a symbol of product innovation, quality, freshness and reliability since 1892. Our global sourcing and logistics network allows us to provide regular delivery of consistently high quality fresh produce, juices, beverages, processed fruit and vegetables and value-added services to our customers.

We have leading market positions in key fresh produce categories. We believe we are:

the number one marketer of fresh pineapples worldwide, including our *Del Monte Gold*® *Extra Sweet* pineapple, with an estimated market share in excess of 30% in 2008;

a leading marketer of branded melons in the United States and the United Kingdom;

a leading marketer of fresh-cut fruit in the United States;

the third largest marketer of bananas worldwide, with an estimated 14% market share in 2008;

a leading re-packer of tomatoes in the United States with an estimated 4% market share in 2008;

a leading year-round marketer of branded grapes in the United States;

a leading marketer of branded non-tropical fruit in selected markets;

a leading marketer for canned fruit and pineapple in many Western European markets; and

a leading marketer of ambient (i.e. unrefrigerated) juices and juice drinks in the U.K. market.

We source and distribute our products on a global basis. Our products are grown primarily in Central and South America, Africa and the Philippines. We also source products from North America and Europe. Our products are sourced from company-controlled farms and independent growers. We transport our fresh produce to markets using our fleet of 21 owned and 11 chartered refrigerated vessels, and we operate four port facilities in the United States. At year-end 2008, we operated 44 distribution centers, generally with cold storage and ripening facilities in our key markets worldwide, including the United States, the United Kingdom, Germany, Japan, South Korea, Hong Kong, Poland and the United Arab Emirates. We also operate a total of 13 fresh-cut facilities in the United States, the United Kingdom, Japan and the United Arab Emirates, some of which are located within our distribution centers. Through our vertically integrated network, we manage the transportation and distribution of our products in a continuous temperature-controlled environment. This enables us to preserve quality and freshness, and to optimize product shelf life, while ensuring timely and year-round distribution. Furthermore, our position as a volume producer and shipper of bananas allows us to lower our average per-box logistics cost and to provide regular deliveries of our premium fresh fruit to meet the increasing demand for year-round supply.

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We market and distribute our products to retail stores, food clubs, wholesalers, distributors and foodservice operators in more than 90 countries around the world. North America is our largest market, accounting for 46% of our net sales in 2008. Europe, Asia and the Middle East regions are our other major markets, accounting for 30%, 12% and 8% of our net sales in 2008, respectively. Our distribution centers and fresh-cut facilities address the growing demand from supermarket chains, club stores, mass merchandisers and independent grocers to provide value-added services, including the preparation of fresh-cut produce, ripening, customized sorting and packing, just-in-time and direct-store-delivery and in-store merchandising and promotional support. Large national retail chains are increasingly choosing fewer suppliers ones that can serve all of their needs on a national basis and there is a significant opportunity for a company with a full fresh and fresh-cut produce line, a well recognized brand, a consistent supply of quality produce and national distribution network to become the preferred supplier to these large retail customers. We believe that we are uniquely positioned to become this preferred supplier, and our goal is to achieve this status by creating a leading position in fresh-cut produce, expanding our banana, pineapple and melon business and diversifying our other fresh produce selections. Over the past four years, we have transformed our company from a fresh and fresh-cut produce company into a multinational prepared food company with a product line that now includes prepared fruit and vegetables, juices, beverages and snacks in Europe, Africa and the Middle East.

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Our strategy is focused on a combination of maximizing revenues from our existing infrastructure, entering new markets and strict cost control initiatives. We plan to continue to capitalize on the growing global demand for fresh produce and expand our reach into existing and new markets. We expect sales growth of fresh produce in key markets by increasing sales volume and per unit sales prices as permitted by market conditions. Our Caribana and melon farms acquisitions have substantially increased our own production capability of bananas, pineapples and melons and provide the potential for significant operating efficiencies and synergies. In addition, our number one position in the gold pineapple market has been further strengthened. We plan additional investments in growth markets, such as the Middle East, by adding distribution facilities and expanding our value-added services. We also plan to increase production in our Dubai fresh-cut facility and expand the processed meat product offerings from our new Jordan meat plant into other regional markets.

Table of Contents**Products Sourcing and Production**

Our products are grown and sourced primarily in Central and South America, Africa and the Philippines. We also source products from North America and Europe. In 2008, 46% of the fresh produce we sold was grown on company-controlled farms and the remaining 54% was acquired through supply contracts with independent growers.

We produce, source, distribute and market a broad array of fresh produce throughout the world, primarily under the DEL MONTE® brand, as well as under other proprietary brands, such as UTC® and Rosy®. We also produce, distribute and market prepared fruits and vegetables, juices, beverages and snacks under the DEL MONTE® brand, as well as other proprietary brands, such as Fruit Express®, Just Juicē®, Fruitini®, and other regional trademarks in Europe, Africa and the Middle East.

The following table indicates our net sales by product for the last three years:

	December 26, 2008		Years ended December 28, 2007		December 29, 2006	
	(U.S. dollars in millions)					
Net sales by product category:						
Bananas	\$ 1,420.2	40%	\$ 1,199.0	35%	\$ 1,112.5	35%
Other fresh produce:						
Gold pineapples	458.2	13%	428.7	13%	395.6	12%
Fresh-cut produce	319.2	9%	328.8	10%	337.4	10%
Non-tropical fruit	286.1	8%	273.8	8%	256.0	8%
Melons	221.1	6%	250.9	7%	243.4	8%
Tomatoes	140.0	4%	156.9	5%	175.1	5%
Vegetables	78.8	2%	107.1	3%	133.4	4%
Other fruit	56.4	2%	68.7	2%	81.3	3%
Total other fresh produce	1,559.8	44%	1,614.9	48%	1,622.2	50%
Prepared food	412.4	12%	429.4	13%	367.5	11%
Other products and services	138.6	4%	122.2	4%	112.1	4%
Total	\$ 3,531.0	100%	\$ 3,365.5	100%	\$ 3,214.3	100%

See Note 22, *Business Segment Data*, to the Consolidated Financial Statements included in Item 8. *Financial Statements and Supplementary Data* for further information.

Bananas

Bananas are the leading internationally traded fresh fruit in terms of volume and dollar sales and the best-selling fresh fruit in the United States. Europe and North America are the world's largest banana markets and Asia is the third largest market. According to the latest published statistics from the Food and Agriculture Organization of the United Nations (FAO), in 2006, Europe, North America, Asia and the Middle East consumed 17.3, 9.5, 4.2 and 1.8 billion pounds of bananas, respectively. Bananas are a key produce department product due to their high turnover and the premium margins realized by grocers.

Bananas have a relatively short growing cycle and are grown in tropical locations with humid climates and heavy rainfall, such as Central and South America, the Caribbean, the Philippines and Africa. Bananas are grown throughout the year in these locations, although demand and prices fluctuate based on the relative supply of bananas and the availability of seasonal and alternative fruit.

We believe that we are the world's third largest marketer of bananas with an estimated 14% market share in 2008. Our banana sales in North America, Europe, Asia and the Middle East accounted for approximately 41%, 28%, 21% and 9% of our net sales of bananas in 2008, respectively. We produced 37% of the banana volume we sold in 2008 on company-controlled farms, and we purchased the remainder from

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independent growers. As a result of our Caribana acquisition, on an annualized basis, we have increased our total company-controlled banana volume by approximately 34%.

Bananas are the best-selling fresh produce item, as well as a high margin product for many of our customers. Accordingly, our ability to provide our customers with a year-round supply of high quality DEL MONTE® bananas is important to maintaining our existing customer relationships and attracting new customers. Our position as a volume shipper of bananas has also allowed us to make regular shipments of a wide array of other fresh produce, such as pineapples, melons and plantains, reducing our average per-box logistics costs and maintaining higher quality produce with a longer shelf life.

Table of Contents

We produce bananas on company-controlled farms in Costa Rica, Guatemala, Brazil, Cameroon, and the Philippines and we purchase bananas from independent growers in Costa Rica, Ecuador, Colombia, Guatemala and the Philippines. Although our supply contracts are primarily long-term, we also make purchases in the spot market, primarily in Ecuador. In Ecuador and Costa Rica, there are minimum export prices for the sale of bananas, which are established by the respective governments and reviewed by them on a periodic basis.

Due in part to limitations in the Philippines on foreign ownership of land, we purchase the majority of bananas in the Philippines through long-term contracts with independent growers. Approximately 75% of our Philippine-sourced bananas are supplied by one grower, representing 16% of the supplier's industry volume in 2008. In the Philippines, we have leased approximately 3,000 hectares of land where we have planted Highland bananas for the Asia market.

Gold Pineapples

Pineapples are grown in tropical and sub-tropical locations, including the Philippines, Costa Rica, Hawaii, Thailand, Malaysia, Brazil, Indonesia and various countries in Africa. In contrast to bananas, pineapples have a long growing cycle of 18 months, and require re-cultivation after one to two harvests. Pineapple growing thus requires a higher level of capital investment, as well as greater agricultural expertise.

While there are many varieties of pineapple, historically the principal variety was the Champaka pineapple, which is the traditional conical shaped pineapple with a light yellow flesh. The success of the premium pineapples, such as our *Del Monte Gold® Extra Sweet* pineapple, which has enhanced taste, golden shell color, bright yellow flesh and higher vitamin C content has replaced the Champaka and other traditional pineapple varieties in popularity and demand and has led to increased competition.

Since the introduction of our *Del Monte Gold® Extra Sweet* pineapple, our share of the worldwide fresh pineapple market has grown significantly and currently we believe we have in excess of 30% of the worldwide market share with slightly higher volumes this year. This market share excludes the pineapple we sell in the fresh-cut format. Pineapple sales in North America, Europe, Asia and the Middle East accounted for 50%, 33%, 15% and 2% of our net sales of pineapples in 2008, respectively.

From 1996 to 2008, our volume of the *Del Monte Gold® Extra Sweet* pineapple increased from two and a half million boxes to 25 million boxes. Based on FAO data, for the 10 year period from 1996 to 2006, the volume of pineapple sales in the United States, Europe, Asia and the Middle East has increased by 383%, 180%, 75% and 261%, respectively. We believe that a substantial portion of this growth is due to our introduction of the *Del Monte Gold® Extra Sweet* pineapple. As a result of our Caribana acquisition and our continued expansion of existing pineapple operations, we expect to continue to increase the sales volume of our extra sweet pineapples in the near future with extra sweet pineapples grown in Costa Rica and the Philippines.

The principal production and procurement areas for our gold pineapples are Costa Rica, Brazil and the Philippines. Given the complexity of pineapple cultivation relative to our bananas, a higher percentage of the fresh pineapples we sell (82% by volume in 2008) are produced on company-controlled farms. Our Caribana acquisition has increased our total company-controlled *Del Monte Gold® Extra Sweet* pineapple volume by approximately 35% on an annualized basis.

Fresh-Cut Produce

Fresh-cut produce first gained prominence in many U.S. and European markets with the introduction of washed and cut vegetables. While packaged salads continue to lead the category of fresh-cut produce sales, the category has expanded significantly to include gold extra sweet pineapple, assorted melons, mango, grapes, citrus and assorted vegetable produce items that are washed, cut and packaged in a ready-to-use form. Market expansion has been driven largely by consumer demand for fresh, healthy and ready-to-eat food alternatives, as well as significant demand from foodservice operators. Within this market, we believe that there will be increasing differentiation between companies active primarily in the packaged salad market and other companies, like us, that can offer a wide variety of fresh-cut fruit and vegetable items.

The majority of fresh-cut produce is sold to consumers through retail store and club store settings, as well as non-conventional settings such as convenience stores, gas stations and airports. We believe that outsourcing by food retailers will increase, particularly as food safety regulations become more stringent and retailers demand more value-added services. This trend should benefit large branded suppliers like us, who are better positioned to invest in fresh-cut facilities and to service regional and national chains and foodservice operators, as well as supercenters, mass merchandisers and club stores. We also believe that large branded suppliers will benefit from merchandising, branding and other marketing strategies for fresh-cut products, similar to those used for branded processed food products, which depend substantially on product differentiation.

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We believe that the fresh-cut produce market continues to be one of the fastest-growing categories in the fresh produce segment, largely due to consumer trends favoring healthy and conveniently packaged ready-to-eat foods. We established a platform in this industry through acquisitions and by building upon our existing fresh-cut pineapple business. We believe that our experience in this

Table of Contents

market, coupled with our sourcing and logistics capabilities and the DEL MONTE® brand, have enabled us to achieve a leading position in this highly fragmented market. Based on the latest supermarket scan data as supplied by an independent market data provider for 2008, we believe that we are now the market leader in branded fresh-cut fruit in the United States. Our fresh-cut fruit products include pineapple, melons, grapes, citrus, apples, mango, kiwi and other fruit items. The fruit we use in our fresh-cut operations are sourced within our integrated system of company-controlled farms and from GAP-certified (good agricultural practices) independent growers. We also offer fresh-cut vegetables for prepared salads, such as coleslaw and potato salad. We purchase all of our vegetables for these purposes from GAP-certified independent growers in the United States and in Europe. Our purchase contracts for both fruit and vegetables are typically short-term but vary by produce item. Our fresh-cut products are sold in the United States, the United Kingdom, the Middle East and Japan.

Non-Tropical Fruit

Non-tropical fruit includes grapes, apples, pears, peaches, plums, nectarines, apricots, avocados and kiwis. Generally, non-tropical fruit grows on trees, bushes or vines that shed their leaves seasonally. Approximately 44% of our non-tropical fruit net sales are from the sale of grapes. Fresh grapes are a favorite quick, easy and healthy snack among consumers young and old. In addition to their delicious taste, a growing body of research on fresh grapes suggests that grapes may offer significant health benefits as well. Fresh grapes are a well-known fruit worldwide, fitting into almost any lifestyle. Based on recent study by the United States Department of Agriculture (USDA), Economic Research Service, since 1992, fresh grape consumption has grown 13% in the United States and, on average, Americans now consume 8.0 pounds of fresh grapes each year. Fresh grapes are also processed for the production of wine, raisins, juices and canned products. The higher production cost and higher product value of fresh grapes result from more intensive production practices than are required for grapes grown for processing. While California supplies the majority of total grape volumes, imports have made fresh grapes available year-round in the United States, with shipments mostly from Chile. Most U.S. production is marketed from May to October. Chilean grapes dominate the market from December to April.

We sell a variety of non-tropical fruit, including all of the types referred to above. Non-tropical fruit sales in North America, Europe, the Middle East, Asia and South America accounted for approximately 61%, 13%, 10%, 10% and 6% of our total net sales of non-tropical fruit in 2008, respectively. We obtain our supply of non-tropical fruit from company-owned farms in Chile and from independent growers in Chile, the United States, Mexico, Spain, Italy, and New Zealand. In Chile, we purchase non-tropical fruit from independent growers and also produce a variety of non-tropical fruit on approximately 6,400 acres of company-owned or leased land. In Spain, we have our own sourcing operations, ensuring a consistent supply of high quality non-tropical fruit during the growing season. Purchase contracts for non-tropical fruit are typically made on an annual basis.

Melons

Based on FAO data, for the 10 year period from 1996 to 2006, the volume of imports of cantaloupes and other melons has significantly increased in North America and in the Middle East. Melons are one of the highest volume fresh produce items, and this category includes many varieties, such as cantaloupe, honeydew and watermelon. During the summer and fall growing seasons in the United States and Europe, demand is met in large part by local suppliers of unbranded or regionally branded melons. By contrast, in North America and Europe, imports significantly increase, and melons command premium pricing from October to May. Melons are grown in temperate and tropical locations and have a relatively short growing cycle.

We sell a variety of melons including cantaloupe, honeydew, watermelon and specialty melons, which we introduced to meet the different tastes and expectations of consumers in Europe. Cantaloupes represented over 76% of our melon sales volume in 2008. We are a significant producer and distributor of melons from October to May in North American and European regions by sourcing melons from our company-controlled farms and independent growers in Central and South America, where production generally occurs during this period. Melons sold in North America and Europe from October to May generally command a premium price due to the relative scarcity of melons and alternative fruit. Melon sales in North America and Europe accounted for 74% and 25% of our net sales of melons in 2008, respectively. In terms of volume, we produced 81% of the melons we sold in 2008 on company-controlled farms and purchased the remainder from independent growers.

We are able to provide our customers with a year-round supply of melons from diverse sources. For example, we supply the North American market during its summer season with melons from Arizona, California and the East Coast of the United States, and we supply the European market during its summer season with melons from Spain.

We have devoted significant research and development efforts towards maintaining our expertise in melons, especially cantaloupes. Melon crop yields are highly sensitive to weather conditions and are adversely affected by high levels of precipitation during the growing period of the fruit. We have developed specialized melon growing technology that we believe has reduced our exposure to the risk of intemperate weather conditions and significantly increased our yields.

Table of Contents

Tomatoes

The United States is one of the largest producers of tomatoes in the world, ranking second only to China. Mexico and Canada are also important suppliers of fresh tomatoes within North America. Based on USDA statistics, annual per capita consumption of fresh tomatoes in the United States has increased by 8.6% over the past decade to approximately 20 pounds per person. Based on an industry publication, fresh tomatoes remain a top performer for food retailers, generating approximately 6.8% of a retailers produce sales.

We source our fresh tomatoes mainly from the United States, Mexico and Canada. The tomato category is highly fragmented with many suppliers, re-packers and wholesalers in various geographic regions of the United States. We believe that we have approximately 4% market share in 2008. As a high volume item, tomatoes are important for our network of distribution and re-packing facilities. This product category allows us to add value through leveraging our purchase volumes to reduce costs and perform the sorting, packaging and custom labeling locally, in addition to delivering on a just-in-time basis to retail chains and foodservice customers. With our fresh-cut fruit and vegetable facilities, we can add additional value by incorporating tomatoes into our consumer packaged products.

Vegetables

We distribute and market a variety of vegetables including mainly potatoes, onions, bell peppers and cucumbers. While we sell bulk product, we also use our size and distribution network to find opportunities to add value such as sorting and packaging. We source our vegetables from independent growers in North and Central America.

Other Fruit

We produce, distribute and market a variety of other fruit, including strawberries, plantains and mangos, as well as various other varieties of fruit. We source these other fruit items from company-controlled farms and independent growers in Costa Rica, Colombia, Guatemala and the United States.

Prepared Food

We have a royalty-free perpetual license to use the Del Monte trademark in connection with the production, manufacture, sale and distribution of prepared foods and beverages in over 100 countries throughout Western, Eastern and Central Europe, Africa and the Middle East. Del Monte has operated in Europe for over 75 years, is the premier brand associated with fruit-based or fruit-derived products and is the leading brand for canned fruit and pineapple in many Western European markets. Del Monte has had a presence in the United Kingdom, the largest market, since 1926 and is perceived to be a quality brand with high consumer awareness. Del Monte has a reputation with both consumers and retailers for value, quality and reliability.

We produce, distribute and market prepared pineapple, peaches, apricots, fruit cocktail, pears, tomatoes and other fruit and vegetables. Our deciduous prepared food products, which include peaches, apricots, pears and fruit cocktail are principally sourced from our own facilities in Greece and South Africa. Our tomato products are sourced from our own facilities in Greece together with independent producers in Europe and the Middle East. Our prepared pineapple products are primarily sourced from our own facility in Kenya and are also sourced under a long-term supply agreement with an independent producer in the Philippines. These products are sold primarily under the DEL MONTE® label and under the buyers own label for major retailers. We also distribute and market beverages including ambient juices and juice drinks as well as various snacks. In 2007, beverages were sourced from our own facilities in the United Kingdom and from independent producers. During the first quarter of 2008, we discontinued beverage production in our Kings Lynn, facility in the United Kingdom and outsourced this production. We believe that outsourcing the production of our beverage products will reduce costs and increase our competitiveness in the U.K. market. We also produce and market industrial products that are composed of fruit that has been processed in our production facilities in the form of purees, pulps and concentrates for further processing (yogurt, cake manufacture, pizza, etc.) and for sale to the foodservice industry worldwide. We expect to continue investing in new product development to increase revenue, defend our premium price position and maintain market leadership in our product categories. In recent years, we have expanded our offerings in the snack category by offering multiple varieties and sizes of fruit in plastic pots and various frozen juice stick bars and smoothie products, targeting the convenience store and foodservice trade in selected European and Middle East markets.

Our prepared food segment also includes our Jordanian Food business. This business includes a state-of-the-art poultry farm, grain mill, a poultry processing facility and a meat processing plant in Jordan. It is the leading provider of poultry products to retail stores and foodservice operators in that country. The newly established meat processing operation provides meat products for the Jordanian market and will be exporting to other Middle East markets.

Table of Contents

Other Products and Services

Our other products and services include our third-party ocean freight business, our third-party plastics and box manufacturing business and our Argentine grain business. Our third-party ocean freight business allows us to generate incremental revenue on vessels' return voyages to our product sourcing locations and when space is available on outbound voyages to our major markets, which reduces our overall shipping costs. Our plastics and box manufacturing business produces bins, trays, bags and boxes. Although this business is intended mainly to satisfy internal packaging requirements, we also sell these products to third parties.

In addition, we grow grain on leased farms in Argentina, including corn. We own and operate grain silos in Argentina for the storage of our grain and that grown by third parties, which may be held for future sales.

Logistics Operations

We market and distribute our products to retail stores, foodservice operators, wholesalers and distributors in more than 100 countries around the world. As a result, we conduct complex logistics operations on a global basis, transporting our products from the countries in which they are grown to the many markets in which they are sold worldwide. Maintaining fruit at the appropriate temperature is an important factor in preventing premature ripening and optimizing product quality and freshness. Consistent with our reputation for high quality fresh produce, we must preserve our fresh fruit in a continuous temperature-controlled environment, beginning with the harvesting of the fruit in the field through its distribution to our end markets.

We have a fully integrated logistics network, which includes land and sea transportation through a broad range of refrigerated environments in vessels, port facilities, containers, trucks and warehouses. Our objective is to maximize utilization of our logistics network to lower our average per-box logistics cost, while remaining sufficiently flexible to redeploy capacity or shipments to meet fluctuations in demand in our key markets. We believe that our control of the logistics process is a competitive advantage because we are able to continuously monitor and maintain the quality of our produce and ensure timely and regular distribution to customers on a year-round basis. Because logistics costs are also our largest expense other than our cost of products, we devote substantial resources to managing the scheduling and availability of various means of reliable transportation.

We transport our fresh produce to markets worldwide using our fleet of 21 owned and 11 chartered refrigerated vessels. We believe that our fleet of owned vessels has been a cost-effective means of reducing our exposure to the volatility of the charter market. All of the 11 chartered vessels are chartered on a three-year basis. We also lease refrigerated containers under capital, rather than operating leases, which we believe is a more cost-effective means of managing our container requirements.

Our logistics system is supported by various information systems. As a vertically integrated food company, managing the entire distribution chain from the field to the customer requires the technology and infrastructure to be able to meet our customers' complex delivery needs.

Sales and Marketing

Our sales and marketing activities are conducted by our sales force located at our sales offices worldwide and at each of our distribution centers. Our commercial efforts are supported by marketing professionals located in key markets and regional offices. A key element of our sales and marketing strategy is to use our distribution centers as a means of providing value-added services for our customers. As a result, we have made significant investments in our network of distribution centers and plan additional investments through 2009. Our planned investments in distribution centers for 2009 are primarily concentrated in the Middle East, where we believe that a strong presence will allow us to service a greater proportion of customers' needs and to capture a greater proportion of these expanding fresh and fresh-cut produce markets. Investments in our network will include new distribution centers with banana ripening, cooling, re-packing and other value-added service facilities.

We actively support our customers through technical training in the handling of fresh produce, in-store merchandising support, joint promotional activities, market research and inventory and other logistical support. Since most of our customers carry only one branded product for each fresh produce item, our marketing and promotional efforts for fresh produce emphasize trade advertising and in-store promotions.

During 2008, one customer, Wal-Mart, Inc. (including its affiliates), accounted for approximately 13% of our total net sales. These sales are reported in our banana, other fresh produce and prepared food segments. No other customer accounted for 10% or more of our net sales. In 2008, the top 10 customers accounted for approximately 36% of our net sales.

The level of marketing investment necessary to support the prepared food business is significantly higher than that required for the fresh produce and fresh-cut fruit and vegetable business. We have utilized a variety of promotional tools to build the

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DEL MONTE® brand and engage consumers in key markets in Europe, Africa and the Middle East. During 2007, we implemented a new strategy for the prepared food business in certain key European markets consisting of utilizing exclusive distributors to perform product distribution, sales and marketing activities. Under these agreements, the sales, warehousing, logistics, marketing and promotion

Table of Contents

functions are all performed by the distributor. This strategy of utilizing a single distributor per country has enabled us to significantly reduce distribution and sales and marketing expenses. In addition, we plan to expand our prepared food business by entering new markets in Eastern Europe and the Middle East and by expanding our offerings in the snack category introducing various frozen stick bars and smoothie products, targeting the convenience store and foodservice trade in selected European and Middle East markets.

North America

In 2008, 46% of our net sales were made in North America. In North America, we have established a highly integrated sales and marketing network that builds on our ability to control transportation and distribution throughout our extensive logistics network. We operate a total of 22 distribution centers and fresh-cut facilities in the United States. Our distribution centers have ripening capabilities and other value-added services. We also operate four port facilities, which include cold storage facilities.

Our logistics network provides us with a number of sales and marketing advantages. For example, because we are able to maintain the quality of our fresh produce in a continuous temperature-controlled environment, we are under less pressure to fully sell a shipment prior to its arrival at port. We are thus better able to manage the timing of our sales to optimize margins. Our ability to off-load shipments for cold storage and distribution throughout our network also improves ship utilization by minimizing in-port docking time. Our logistics network also allows us to manage our inventory among distribution centers to respond more effectively to fluctuations in customer demand in the regions we serve.

We have sales professionals in locations throughout the United States and in Canada. We sell to leading grocery stores and other retail chains, wholesalers, mass merchandisers, supercenters, foodservice operators, club stores and distributors in North America. These large customers typically take delivery of our products at the port facilities, which we refer to as FOB delivery. We also service these large customers, as well as an increasing number of smaller regional chains and independent grocers, through our distribution centers.

Europe

In 2008, 30% of our net sales were made in Europe. We distribute our products throughout Europe. In the United Kingdom, where we operate four distribution centers and two fresh-cut facilities, our products are distributed to leading retail chains, smaller regional customers as well as to wholesalers and distributors through direct sales and distribution centers. In Northern Europe, we distribute our fresh produce products through our own marketing entities with operations located in Germany and The Netherlands and our prepared food products through independent distributors in Belgium and our operations in Germany. These entities distribute our products in Germany, Austria, Benelux (Belgium, the Netherlands, and Luxembourg), Scandinavia (Denmark, Finland, Iceland, Norway and Sweden), Switzerland, Hungary and Russia. In Germany, we operate three distribution centers. In Poland, we operate two distribution centers. In Southern Europe, we distribute our fresh produce through an independent marketing company. During 2007, we restructured various prepared food operations and have transitioned to utilizing exclusive distributors to perform product distribution and sales and marketing activities in certain key European markets. Under these agreements, the sales, warehousing, logistics, marketing and promotion functions are all performed by the distributors. As a result of this restructuring plan, we significantly reduced our sales and marketing staff in the United Kingdom and closed our sales offices in Belgium and Italy. This strategy of utilizing a single distributor per country has enabled us to significantly reduce distribution, sales and marketing expenses

Middle East and North Africa

In the Middle East and North Africa markets, we distribute our products through independent distributors and company-operated distribution facilities. We recently increased our sales of Philippine-sourced bananas in the Middle East market through distributors and established our own direct sales initiatives. Our distribution/manufacturing center in Dubai, United Arab Emirates (UAE) is a state-of-the-art facility with just-in-time delivery capabilities that includes banana ripening and cold storage facilities, fresh-cut fruit and vegetables operations and an ultra fresh and chilled juice manufacturing operation. We plan to distribute these products in the rapidly growing UAE and to export them to other Middle East countries. We also operate a distribution center in Abu-Dhabi, UAE that includes banana ripening and cold storage facilities. In Saudi Arabia, we are in the process of an expansion program that includes the construction of three distribution centers with banana ripening and cold storage facilities. Two of the distribution centers are scheduled to be completed in 2009 and the third is planned for completion in 2010. These distribution centers are strategically located throughout the country and will provide our fresh produce products to this growing market. In addition, we market and distribute prepared food products in the UAE, Jordan, Saudi Arabia and various other Middle East and North African markets. We have recently established a presence in Egypt where we market and distribute prepared food. In Jordan, we own a state-of-the-art poultry farm, grain mill and poultry slaughter and processing facility. We believe we are the leading provider of poultry products to retail stores and foodservice operators in that country. We recently expanded the Jordanian food business with the addition of a meat processing operation that provides meat products for the local market and for export to other Middle East markets. We believe that the Middle East and North Africa markets represent an area for rapid sales development of our fresh and prepared food products. Utilizing our extensive knowledge of this region, we plan to capitalize on this opportunity with increased focus and investments in these markets.

Table of Contents

Asia

We distribute our products in Asia through direct marketing and large distributors. Our principal markets in this region are Japan, South Korea, mainland China and Hong Kong. In Japan, we distributed approximately 87% of the products we sold in 2008 through direct sales and the remainder through Japan's largest fresh produce wholesaler, which distributes our products on a sales commission basis. Our products are distributed from four distribution centers located at strategic ports in Japan with cold storage and banana ripening operations.

We also engage in direct sales and marketing activities in South Korea and Hong Kong. In other Asian markets, including mainland China, we sell to local distributors. We have one distribution center and banana ripening facility in Hong Kong. In South Korea, we have three distribution centers, that utilize state-of-the-art ripening technology, which we believe is not otherwise available in that market. This increases our ability to offer value-added services to our customers.

South America

We also distribute our products in South America. We have direct sales and marketing activities in strategic markets and also utilize local distributors in this region. Our sales in these markets focus mainly on non-tropical fruit including grapes, bananas, melons and pineapples.

Competition

We compete based on a variety of factors, including the appearance, taste, size, shelf life and overall quality of our fresh produce, price and distribution terms, the timeliness of our deliveries to customers and the availability of our produce items. The fresh produce business is highly competitive, and the effect of competition is intensified because our products are perishable. Competition in the sale of bananas, pineapples, melons and the other fresh fruit and vegetables that we sell comes from competing producers and distributors. Our sales are also affected by the availability of seasonal and alternative produce. While historically our main competitors have been multinational banana and pineapple producers, our significantly increased product offering in recent years has resulted in additional competition from a variety of companies. These companies include local and regional producers and distributors in each of our fresh produce and fresh-cut product categories.

The extent of competition varies by product. In the pineapple, grape and non-tropical fruit markets, we believe that the high degree of capital investment and cultivation expertise required, as well as the longer length of the growing cycle, makes it relatively difficult to enter the market. However, in recent years we have experienced an increase in competition with our *Del Monte Gold® Extra Sweet* pineapple which has affected our results.

In the banana market, we continue to face competition from a limited number of large multinational companies. At times, particularly when demand is greater than supply, we also face competition from a large number of relatively small banana producers. Unlike pineapples, grapes and non-tropical fruit, there are few barriers to entry into the banana market. Supplies of bananas can be increased relatively quickly due to bananas relatively short growing cycle and the limited capital investment required for banana growing. As a result of supply and demand, as well as seasonal factors, banana prices fluctuate significantly.

In the melon market, we compete with producers and distributors of both branded and unbranded melons. From June to October, the peak North American and European melon-growing season, many growers enter the market with less expensive unbranded or regionally branded melons due to the relative ease of growing melons during this period, the short growth cycle and reduced transportation costs resulting from the proximity of the melon farms to the markets. These factors permit many smaller domestic growers to enter the market.

The fresh-cut produce market is highly fragmented, and we compete with a wide variety of local and regional distributors of branded and unbranded fresh-cut produce and, in the case of certain fresh-cut vegetables, a small number of large, branded producers and distributors. In this market, however, we believe that our principal competitive challenge is to capitalize on the growing trend of retail chains and independent grocers to outsource their own on-premises fresh-cut operations. We believe that our sales strategy, which emphasizes not only our existing sources of fresh produce, but also a full range of value-added services, food safety standards and national distribution, positions us to gain an increasing share of this market.

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The processed fruit and beverage markets are mature markets characterized by high levels of competition and consumer awareness. Consumer choices are driven by price and/or quality. Large retailers with their buyers own label (BOL) products appeal to price conscious consumers while brand names are the key differentiator for quality-focused consumers. In the processed food and beverage markets in Europe, Africa and the Middle East, we compete with various local producers, large retailers with their BOL products, as well as with large international branded companies. It is in the branded section that our processed foods products, specifically ambient juices and juice drinks in the United Kingdom and canned fruit and pineapple in many European countries, hold a leading position in the markets. The mature state of the market in Western Europe, together with the strength and sophistication of the large retailers there, account in part for the increasing presence of BOL products in many food categories. In the past few years, we have faced increased competitive pressure, particularly in the U.K. market, for branded processed food and beverage products. At the same time, our marketing and distribution costs in these European markets have increased. In order to reduce costs and increase our competitiveness in the processed food business, during 2007, we implemented a new strategy in certain key European markets

Table of Contents

consisting of utilizing exclusive distributors to perform product distribution and sales and marketing activities. Under these agreements, the sales, warehousing, logistics, marketing and promotion functions are all performed by the distributor. This strategy, taking advantage of lower cost and established marketing and distribution networks, has enabled us to significantly reduce costs and increase our competitiveness in these mature markets.

Quality Assurance

To ensure the consistent high quality of our products, we have a quality assurance group that maintains detailed quality specifications for all our products so that they meet or exceed minimum regulatory requirements. Our specifications require extensive sampling of our fresh produce at each stage of the production and distribution processes to ensure high quality and proper sizing, as well as to identify the primary sources of any defects. Our fresh produce is evaluated based on both external appearance and internal quality, using size, color, porosity, translucence and sweetness as criteria. Only fresh produce meeting our stringent quality specifications is sold under the DEL MONTE® brand.

We are able to maintain the high quality of our products by growing a substantial portion of our own produce and working closely with our independent growers. We insist that all produce supplied by our independent growers meet the same stringent quality requirements as produce grown on our farms. Accordingly, we monitor our independent growers to ensure that their produce will meet agricultural and quality control standards, offer technical assistance on certain aspects of production and packing and, in some cases, manage the farms. The quality assurance process begins on the farms and continues as harvested products enter our packing facilities. Where appropriate, we cool the fresh produce at our packing facilities to maximize quality and optimize shelf life. As an indication of our commitment to quality, many of our operations have received certificates of compliance from the International Standards of Operation, in environmental compliance (14001) and production processes (9001). In 2003, we became the world's first multinational fresh produce company to receive Eurepgap certification. We believe that this certification is among the more difficult food certifications to achieve, and signals to European retailers and consumers that the fresh produce from our certified operations are of the highest quality and that it meets the strictest food safety standards.

Government Regulation

Agriculture and the sale and distribution of fresh produce are subject to extensive regulation by government authorities in the countries where the produce is grown and the countries where such produce is marketed. We have internal policies and procedures to comply with the most stringent regulations applicable to our products, as well as a technical staff to monitor pesticide usage and compliance with applicable laws and regulations. We believe we are in material compliance with these laws and regulations.

We are also subject to various government regulations in countries where we market our products. The countries in which we market a material amount of our products are the United States, the countries of the European Union (the EU), Japan, China, South Korea, Jordan and the UAE. These government regulations include:

sanitary regulations, particularly in the United States and the countries of the EU;

regulations governing pesticide use and residue levels, particularly in the United States, United Kingdom, Germany and Japan; and

regulations governing traceability, packaging and labeling, particularly in the United States and the countries of the EU.

Any failure to comply with applicable regulations could result in an order barring the sale of part or all of a particular shipment of our products or, in an extreme case, the sale of any of our products for a specified period. In addition, we believe there has been an increasing emphasis on the part of consumers, as well as retailers, wholesalers, distributors and foodservice operators, on food safety issues, which could result in our business and operations being subject to increasingly stringent food safety regulations or guidelines.

Although the fresh-cut produce industry is not currently subject to any specific governmental regulations, we cannot predict whether or when any regulation will be implemented or the scope of any possible regulation.

During 2006, an investigation of a low level contamination of canned pineapple product from our Kenya operation was concluded, in which such low level contamination was confirmed. In connection with that matter, we launched a product withdrawal and disposal program with respect to Kenya canned pineapple prepared food products, which resulted in charges of \$16.6 million related to contaminated inventory on hand

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and destruction costs. No contamination was detected in any other canned pineapple product tested as part of the investigation. The withdrawal was confined to certain European countries. In addition, during 2006, we recorded \$2.2 million in sales claims related to product returns from customers as a result of the Kenya product withdrawal and disposal program. During 2007, we incurred an additional \$1.1 million in sales claims related to product returns by customers and \$0.2 million in additional destruction costs and received \$3.0 million in insurance proceeds. During 2008, there were no additional costs incurred related to this matter.

Table of Contents

European Union Banana Import Regulations

On May 2, 2001, the European Commission adopted a new regulation, which revised a banana import system based on the agreement reached by the EU with the United States government on April 11, 2001. The new system became effective on July 1, 2001 and maintained the use of banana import licenses within the tariff quotas determined by the European Commission until December 31, 2005. In late November 2005, the EU agreed to reform its controversial banana import license regime. Latin America banana exporters and the United States long have complained that the EU's banana trading system favored African, Caribbean and Pacific countries (ACP) in violation of global trade rules. From January 1, 2006, the quotas controlling import volumes of third country (almost exclusively Latin American) bananas coming into the EU have been eliminated. Importers are now required to pay a 176 euros per ton tariff and a small guarantee of 15 euros per ton. Import licenses have been eliminated, but an import certificate is still required. The EU agreed to retain a duty-free quota of 775,000 tons per annum for bananas from ACP countries. Until March 2006, import licenses for ACP countries were issued according to historical trading patterns. From that date however, 60% of the ACP banana quotas were imported under the first-come, first-served system and 40% under the license system based on historical reference. From January 1, 2007, the ACP banana import license quota system was further adjusted to 81% of the ACP banana quotas to be imported under the first-come, first-served system and 19% under the license system based on historical reference. In December 2007, most of the ACP countries, including Cameroon, signed a bilateral agreement with the EU that allows bananas duty free access to the EU market without any quantitative limitation commencing on January 1, 2008.

Environmental Matters

The management, use and disposal of some chemicals and pesticides are an inherent aspect of our production operations. These activities and other aspects of production are subject to various environmental laws and regulations, depending upon the country of operation. In addition, in some countries of operation, environmental laws can require the investigation and, if necessary, remediation of contamination related to past or current operations. We are not a party to any dispute or legal proceeding relating to environmental matters where we believe that the risk associated with the dispute or legal proceeding would be material, except as described in Item 3. *Legal Proceedings* and Note 18, *Litigation* to the Consolidated Financial Statements included in Item 8. *Financial Statements and Supplementary Data* in connection with the Kunia Well Site.

On May 10, 1993, the EPA identified a certain site at our plantation in Hawaii for potential listing on the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended. See Item 3. *Legal Proceedings* and Note 18, *Litigation* to the Consolidated Financial Statements included in Item 8. *Financial Statements and Supplementary Data*.

Research and Development, Patents and Licenses, Etc.

Our research and development programs have led to improvements in agricultural and growing practices and product packaging technology. These programs are directed mainly at reducing the cost and risk of pesticides, using natural biological agents to control pests and diseases, testing new varieties of our principal fruit varieties for improved crop yield and resistance to wind damage and improving post harvest handling. We have also been seeking to increase the productivity of low-grade soils for improved banana growth and experimenting with various other types of fresh produce. Our research and development efforts are conducted by our staff of professionals and include studies conducted in laboratories, as well as on-site field analyses and experiments. Our research and development professionals are located at our production facilities and in the United States, and we provide our growers with access to improved technologies and practices. We operate research and development facilities in the San Francisco Bay area of California and Costa Rica where we conduct various research activities relating to the development of new fruit varieties.

Some of the research and development projects include:

the development of the *Del Monte Gold[®] Extra Sweet* pineapple and other pineapple and melon varieties; and

improved irrigation methods and soil preparation for melon planting.

Our total corporate research and development expenses were \$3.5 million, \$3.1 million and \$2.9 million for 2008, 2007 and 2006, respectively, and are included in selling, general and administrative expenses in the Consolidated Financial Statements.

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We have the exclusive right to use the DEL MONTE® brand for fresh fruit, fresh vegetables and other fresh and fresh-cut produce and certain other specified products on a royalty-free basis under a worldwide, perpetual license from Del Monte Corporation, an unaffiliated company that owns the DEL MONTE® trademark. Del Monte Corporation and several other unaffiliated companies manufacture, distribute and sell under the DEL MONTE® brand canned or processed fruit, vegetables and other produce, as well as dried fruit, snacks and other products. Our licenses allow us to use the trademark DEL MONTE and the words DEL MONTE in association with any design or logotype associated with the brand. The licenses also give us certain other trademarks and trademark rights, on or in connection with the production, manufacture, sale and distribution of fresh fruit, fresh vegetables, other fresh produce and certain other specified products. In addition, the licenses allow us to use certain patents and trade secrets in connection with the production, manufacture, sale and distribution of our fresh fruit, fresh vegetables, other fresh produce and certain other specified products.

Table of Contents

We have a royalty-free perpetual license to use the DEL MONTE® trademark in connection with the production, manufacture, sale and distribution of all food and beverage products in Europe, Africa and the Middle East.

We also sell produce under several other brands for which we have obtained registered trademarks, including UTC®, Rosy®, Fruit Express®, Just Juice®, Fruitini® and other regional brands.

Seasonality

In part as a result of seasonal sales price fluctuations, we have historically realized most of our net sales and a majority of our gross profit during the first two calendar quarters of the year. The sales price of any fresh produce item fluctuates throughout the year due to the supply of and demand for that particular item, as well as the pricing and availability of other fresh produce items, many of which are seasonal in nature. For example, the production of bananas is continuous throughout the year and production is usually higher in the second half of the year, but the demand for bananas varies because of the availability of other fruit. As a result, demand for bananas is seasonal and generally results in higher sales prices during the first six months of the calendar year. We make most of our sales of non-tropical fruit from October to May. In the melon market, the entry of many growers selling unbranded or regionally branded melons during the peak North American and European melon growing season results in greater supply, and therefore lower sales prices, from June to October. As a result of greater demand during the fourth quarter, the prepared food business is expected to have higher net sales and gross profit during this period. These seasonal fluctuations are illustrated in the following table, which presents certain unaudited quarterly financial information for the periods indicated:

	Years ended	
	December 26, 2008	December 28, 2007
Net sales:		
First quarter	\$ 894.9	\$ 836.0
Second quarter	972.2	924.2
Third quarter	832.9	757.1
Fourth quarter	831.0	848.2
Total	\$ 3,531.0	\$ 3,365.5
Gross profit:		
First quarter	\$ 96.9	\$ 99.1
Second quarter	99.6	119.6
Third quarter	79.0	67.8
Fourth quarter	68.5	78.4
Total	\$ 344.0	\$ 364.9

Employees

At year-end 2008, we employed approximately 40,000 persons worldwide, substantially all of whom are year-round employees. Approximately 90% of these persons are employed in production locations. We believe that our overall relationship with our employees and unions is satisfactory.

Table of Contents**Organizational Structure**

We are organized under the laws of the Cayman Islands and, as set forth in our Amended and Restated Memorandum of Association, we are a holding company for the various subsidiaries that conduct our business on a worldwide basis. Our significant subsidiaries, all of which are wholly owned, are:

Subsidiary	Country of Incorporation
Corporación de Desarrollo Agrícola Del Monte S.A.	Costa Rica
Compañía de Desarrollo Bananero de Guatemala, S.A.	Guatemala
Del Monte Fresh Produce Brasil Ltda.	Brazil
Del Monte Fresh Produce (Chile) S.A.	Chile
Del Monte Fresh Produce International Inc.	Liberia
Del Monte Fresh Produce N.A., Inc.	USA
Del Monte Fresh Produce (U.K.) Ltd.	U.K.
Fresh Del Monte Ship Holdings Ltd.	Cayman Islands
Fresh Del Monte Japan Company Ltd.	Japan
Del Monte (Germany) GmbH	Germany
Del Monte Fresh Produce (Korea) Ltd.	South Korea
Del Monte Europe Ltd.	U.K.
Del Monte Kenya Ltd.	Kenya
Del Monte Hellas S.A.	Greece
Del Monte Foods (U.A.E.) FZE	United Arab Emirates
National Poultry PLC	Jordan
Del Monte Fruits South Africa (Proprietary) Ltd.	South Africa

Web site Access to Reports

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports can be viewed on the Company's Web site at www.freshdelmonte.com as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC.

In addition, copies of our annual report may be obtained free of charge at Fresh Del Monte Produce Inc., upon written request to attention: Investor Relations c/o Del Monte Fresh Produce Company, 241 Sevilla Avenue, Coral Gables, Florida 33134.

Item 1A. Risk Factors

We are subject to many risks and uncertainties that may affect our future financial performance and our stock price. Some of the risks and uncertainties that may cause our financial performance to vary or that may materially or adversely affect our financial performance or stock price are discussed below.

We could realize losses and suffer liquidity problems due to declines in sales prices for bananas, pineapples and other fresh produce.

Our profitability depends largely upon our profit margins and sales volumes of bananas, pineapples and other fresh produce. In 2006, 2007 and 2008, banana sales accounted for the most significant portion of our total net sales, and pineapple sales accounted for the most significant portion of our total gross profit.

Supplies of bananas can be increased relatively quickly due to the banana's relatively short growing cycle and the limited capital investment required for banana growing. As a result of imbalances in supply and demand and import regulations, banana prices fluctuate, consequently, our operating results could be adversely affected.

Sales prices for bananas, pineapples and other fresh produce are difficult to predict. It is possible that sales prices for bananas and pineapples will decline in the future, and sales prices for other fresh produce may also decline. In recent years, there has been increasing consolidation among food retailers, wholesalers and distributors. We believe the increasing consolidation among food retailers may contribute to further downward pressure on our sales prices. In the event of a decline in sales prices or sales volumes, we could realize significant losses, experience

liquidity problems and suffer a weakening in our financial condition. A significant portion of our costs is fixed, so that fluctuations in the sales prices have an immediate impact on our profitability. Our profitability is also affected by our production costs which may increase due to factors beyond our control.

Table of Contents

Due to fluctuations in the supply of and demand for fresh produce, our results of operations are seasonal, and we realize a greater portion of our net sales and gross profit during the first two quarters of each year.

In part as a result of seasonal sales price fluctuations, we have historically realized a substantial majority of our gross profit during the first two quarters of each year. The sales price of any fresh produce item fluctuates throughout the year due to the supply of and demand for that particular item, as well as the pricing and availability of other fresh produce items, many of which are seasonal in nature. For example, the production of bananas is continuous throughout the year and production is usually higher in the second half of the year, but the demand for bananas during that period varies because of the availability of seasonal and alternative fruit. As a result, demand for bananas is seasonal and generally results in higher sales prices during the first six months of each calendar year. In the melon market, the entry of many growers selling unbranded or regionally branded melons during the peak North American and European melon growing season results in greater supply, and therefore, lower sales prices from June to October. In North American and European regions, we realize most of our sales and gross profit for melons, grapes and non-tropical fruit from October to May. In the prepared food business, we historically realize the largest portion of our net sales and gross profit in the third and fourth quarters of the year.

Crop disease or severe weather conditions could result in substantial losses and weaken our financial condition.

Crop disease or severe weather conditions from time to time, including floods, droughts, windstorms and hurricanes, may adversely affect our supply of one or more fresh produce items, reduce our sales volumes and increase our unit production costs. This is particularly true in the case of our premium pineapple product, the *Del Monte Gold*[®] *Extra Sweet* pineapple, because a substantial portion of our production is grown in one region in Costa Rica. Since a significant portion of our costs are fixed and contracted in advance of each operating year, volume declines due to production interruptions or other factors could result in increases in unit production costs, which could result in substantial losses and weaken our financial condition. We have experienced crop disease, insect infestation or severe weather conditions from time to time, including hurricanes, droughts and floods in our sourcing locations. When crop disease, insect infestations or severe weather conditions destroy crops planted on our farms or our suppliers' farms, we may lose our investment in those crops or our purchase fruit cost may increase. During 2008, we experienced severe floods in our Brazil and Costa Rica banana operations resulting in approximately \$14.3 million in asset impairments and additional operating costs.

The fresh produce and prepared food markets in which we operate are highly competitive.

The fresh produce and prepared food business is highly competitive, and the effect of competition is intensified because most of our products are perishable. In banana and pineapple markets, we compete principally with a limited number of multinational and large regional producers. In the case of our other fresh fruit and vegetable products, we compete with numerous small producers, as well as regional competitors. Our sales are also affected by the availability of seasonal and alternative fresh produce. The extent of competition varies by product. To compete successfully, we must be able to strategically source fresh produce and prepared food of uniformly high quality and sell and distribute it on a timely and regular basis. In addition, our profitability has depended primarily on our gross profit on the sale of our *Del Monte Gold*[®] *Extra Sweet* pineapples. Increased competition in the production and sale of *Del Monte Gold*[®] *Extra Sweet* pineapples has adversely affected our results. We expect these competitive pressures to continue.

We are subject to material currency exchange risks because our operations involve transactions denominated in various currencies.

We conduct operations in many areas of the world involving transactions denominated in a variety of currencies, and our results of operations, as expressed in dollars, may be significantly affected by fluctuations in rates of exchange between currencies. Although a substantial portion of our net sales (42% in 2008) are denominated in non-dollar currencies, we incur a significant portion of our costs in dollars. Although we periodically enter into currency forward contracts as a hedge against currency exposures, we may not enter into these contracts during any particular period or these contracts may not adequately offset currency fluctuations. We generally are unable to adjust our non-dollar local currency sales prices to compensate for fluctuations in the exchange rate of the dollar against the relevant local currency. In addition, there is normally a time lag between our incurrence of costs and collection of the related sales proceeds. Accordingly, if the dollar appreciates relative to the currencies in which we receive sales proceeds, our operating results may be negatively affected. Our costs are also affected by fluctuations in the value, relative to the U.S. dollar, of the currencies of countries in which we have significant production operations, with a weaker dollar resulting in increased production costs.

Our strategy of diversifying our product line and increasing the value-added services that we provide to our customers may not be successful.

We are diversifying our product line through acquisitions and internal growth. In addition, we have expanded our service offerings to include a higher proportion of value-added services, such as the preparation of fresh-cut produce, ripening, customized sorting and packing, direct-to-store delivery and in-store merchandising and promotional support. This represents a significant departure from our traditional business

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of delivering our products to our customers at the port. In recent periods, we have made significant investments in distribution centers, fresh-cut and prepared food facilities through capital expenditures and acquisitions. We may not be successful in anticipating the demand for these products and services, in establishing the requisite infrastructure to meet customer demands or the provision of these value-added services.

Table of Contents

During recent years, we incurred significant asset impairment and other charges as a result of our continuing efforts to align our diversified product lines to market demand. If we are not successful in these diversification efforts, our business, financial condition or results of operations could be further materially and adversely affected.

Increased prices for fuel, packaging materials or short-term refrigerated vessel charter rates could increase our costs significantly.

Our costs are determined in large part by the prices of fuel and packaging materials, including containerboard, plastic, resin and tin plate. We may be adversely affected if sufficient quantities of these materials are not available to us. Any significant increase in the cost of these items could also materially and adversely affect our operating results. Other than the cost of our products (including packaging), sea and inland transportation costs represent the largest component of cost of products sold.

During 2006, the cost of fuel increased 21% and containerboard increased by 17%, as compared with 2005. During 2007, the cost of fuel further increased by 17% and containerboard had a slight increase as compared with 2006. During 2008, fuel prices increased an additional 42% and containerboard increased 11%. These increases in the cost of fuel and containerboard have negatively impacted our results of operations by adding approximately \$47.5 million to our cost of products sold in 2008 as compared to 2007. In addition, we are subject to the volatility of the short-term charter vessel market because approximately one-third of our refrigerated vessels are chartered rather than owned. These charters are primarily short-term, typically for periods of one to three years. Charter rates have generally increased during 2007 and 2008 as compared with the relevant prior year and are expected to further increase during 2009. As a result, a significant increase in short-term charter rates would materially and adversely affect our results.

We are subject to the risk of product contamination and product liability claims.

The sales of our products involve the risk of injury to consumers. Such injuries may result from tampering by unauthorized personnel, product contamination or spoilage, including the presence of foreign objects, substances, chemicals, or residues introduced during the growing, packing, storage, handling or transportation phases. While we are subject to governmental inspection and regulations and believe our facilities comply in all material respects with all applicable laws and regulations, including internal product safety policies, we cannot be sure that consumption of our products will not cause a health-related illness in the future or that we will not be subject to claims or lawsuits relating to such matters. Even if a product liability claim is unsuccessful, the negative publicity surrounding any assertion that our products caused illness or injury could adversely affect our reputation with existing and potential customers and our brand image. In addition, claims or liabilities of this sort might not be covered by our insurance or by any rights of indemnity or contribution that we may have against others. We maintain product liability insurance in an amount that we believe is adequate. However, we cannot be sure that we will not incur claims or liabilities for which we are not insured or that exceed the amount of our insurance coverage, resulting in significant cash outlays that would materially and adversely affect our results. During 2006, we incurred \$16.6 million in charges to costs of product sold related to a product recall and withdrawal program as a result of low level contamination of our Kenya canned pineapple products. During 2007, we incurred an additional \$1.1 million in sales claims related to product returns by customers and \$0.2 million in additional destructions costs and received \$3.0 million in insurance recovery. During 2008, there were no additional costs incurred related to this matter.

We are subject to legal and environmental risks that could result in significant cash outlays.

We are involved in several legal and environmental matters that, if not resolved in our favor, could require significant cash outlays and could materially and adversely affect our results of operations and financial condition. In addition, we may be subject to product liability claims if personal injury results from the consumption of any of our products. In addition, although the fresh-cut produce market is not currently subject to any specific governmental regulations, we cannot predict whether or when any regulation will be implemented or the scope of any possible regulation.

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The U.S. Environmental Protection Agency (the EPA) has placed a certain site at our former plantation in Oahu, Hawaii on the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980. Under an order entered into with the EPA, we completed a remedial investigation and engaged in a feasibility study to determine the extent of the environmental contamination. The remedial investigation report was finalized on January 21, 1999 and approved by the EPA in February 1999. A final draft feasibility study was submitted for EPA review in December 1999 and updated in December 2001 and October 2002, and approved by the EPA on April 22, 2003. On September 25, 2003, the EPA issued the Record of Decision (ROD). The EPA estimates in the ROD that the remediation costs associated with the clean up of our plantation will range from \$12.9 million to \$25.4 million. Certain portions of the EPA's estimates have been discounted using a 5% interest rate. The undiscounted estimates are between \$14.8 million to \$28.7 million. As of December 26, 2008, there is \$19.6 million included in other noncurrent liabilities and \$0.5 million included in accounts payable and accrued expenses in our consolidated balance sheet relating to the Kunia well site clean-up. We expect to expend approximately \$0.5 million per year on this matter for the next five years. See Item 3. *Legal Proceedings* and Note 18, *Litigation* to the Consolidated Financial Statements included in Item 8. *Financial Statements and Supplementary Data*. In addition, we are involved in several actions in U.S. and non-U.S. courts involving allegations by numerous Central American and Philippine plaintiffs that they were injured by exposure to a nematocide containing the chemical Dibromochloropropane (DBCP) during the 1970's. See Item 3. *Legal Proceedings* and Note 18, *Litigation* to the Consolidated Financial Statements included in Item 8. *Financial Statements and Supplementary Data*.

Table of Contents

Environmental and other regulation of our business could adversely impact us by increasing our production cost or restricting our ability to import certain products into the United States.

Our business depends on the use of fertilizers, pesticides and other agricultural products. The use and disposal of these products in some jurisdictions are subject to regulation by various agencies. A decision by a regulatory agency to significantly restrict the use of such products that have traditionally been used in the cultivation of one of our principal products could have an adverse impact on us. For example, most uses of methyl bromide, a pesticide used for fumigation of imported produce (principally melons) for which there is currently no known substitute, were phased out in the United States in 2006, however, various exemptions will allow its use offshore until 2010. Also, under the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Food, Drug and Cosmetic Act and the Food Quality Protection Act of 1996, the EPA is undertaking a series of regulatory actions relating to the evaluation and use of pesticides in the food industry. These actions and future actions regarding the availability and use of pesticides could have an adverse effect on us. In addition, if a regulatory agency were to determine that we are not in compliance with a regulation in that agency's jurisdiction, this could result in substantial penalties and a ban on the sale of part or all of our products in that jurisdiction.

We are exposed to political, economic and other risks from operating a multinational business.

Our business is multinational and subject to the political, economic and other risks that are inherent in operating in numerous countries. These risks include those of adverse government regulation, including the imposition of import and export duties and quotas, currency restrictions, expropriation and potentially burdensome taxation. For example, banana import regulations have in prior years restricted our access to the EU banana market and increased the cost of doing business in the EU. This banana import license system expired on December 31, 2005. From January 1, 2006, the quotas controlling import volumes of Latin American bananas imported into the EU have been eliminated and replaced with a tariff of 176 euros per ton. The effect of this new tariff-only system on the European banana market has resulted in increased supply to this market, which in turn had the effect of reducing our per unit net sales prices. The potential risks of operating a multinational business may be greater in countries where our activities are a significant factor in the country's economy, which is particularly true of our banana, pineapple and melon operations in Costa Rica and our banana and melon operations in Guatemala and our prepared pineapple operation in Kenya.

We have a contract to purchase all of the banana production from an entity controlled by the Government of Cameroon. In 2007, we signed a new banana purchasing agreement with our Cameroon partner, effective May 1, 2008 and terminating on December 31, 2008 with automatic one-year renewal and a cancellation notice period of 12 months. This contract was automatically renewed for 2009. The Government of Cameroon has declared again its intention to privatize these banana plantations in the future. Since bananas produced in Cameroon benefit from certain banana import preferences and tax exemptions in the EU, privatization may have a negative effect on our results of operations.

Costa Rica and Ecuador, countries in which we operate, have established minimum export prices for bananas that are used as the reference point in banana purchase contracts from independent producers, thus limiting our ability to negotiate lower purchase prices. These minimum export price requirements could potentially increase the cost of sourcing bananas in countries that have established such requirements.

We are also subject to a variety of government regulations in countries where we market our products, including the United States, the countries of the EU, Japan, South Korea and China. Examples of the types of regulation we face include:

sanitary regulations;

regulations governing pesticide use and residue levels; and

regulations governing packaging and labeling.

If we fail to comply with applicable regulations, it could result in an order barring the sale of part or all of a particular shipment of our products or, possibly, the sale of any of our products for a specified period. Such a development could result in significant losses and could weaken our financial condition.

The distribution of our fresh produce in Southern Europe could be adversely affected if we fail to maintain our distribution arrangement.

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We import and distribute a substantial portion of our fresh produce in Southern Europe through a marketing entity with which we have an exclusive arrangement. If we were to discontinue this exclusive arrangement, our ability to import and distribute our fresh produce products in Southern Europe and the Mediterranean region may be affected. On June 16, 2008, as a result of continuing disagreements with this distributor related to operating performance, we delivered our formal notice that we will cease all business with them by December 31, 2011. We are continuing to negotiate with this distributor in order to establish a revised distribution agreement. Our inability to successfully establish a new agreement could affect the distribution of our fresh produce products in Southern Europe and the Mediterranean region and may have a negative effect on our results of operations.

Table of Contents

Acts or omissions of other companies could adversely affect the value of the DEL MONTE® brand.

We depend on the DEL MONTE® brand in marketing our products. We share the DEL MONTE® brand with unaffiliated companies that manufacture, distribute and sell canned or processed fruit and vegetables, dried fruit, snacks and other products. Acts or omissions by these companies, including an instance of food-borne contamination or disease, may adversely affect the value of the DEL MONTE® brand. Our reputation and the value of the DEL MONTE® brand may be adversely affected by negative consumer perception of this brand.

Our success depends on the services of our senior executives, the loss of whom could disrupt our operations.

Our ability to maintain our competitive position is dependent to a large degree on the services of our senior management team. We may not be able to retain our existing senior management personnel or attract additional qualified senior management personnel.

Our acquisition and expansion strategy may not be successful.

Our growth strategy is based in part on growth through acquisitions or expansion, which poses a number of risks. We may not be successful in identifying appropriate acquisition candidates, consummating acquisitions on satisfactory terms or integrating any newly acquired or expanded business with our current operations. We may issue ordinary shares, incur long-term or short-term indebtedness, spend cash or use a combination of these for all or part of the consideration paid in future acquisitions or to expand our operations. The execution of our acquisition and expansion strategy may entail repositioning or similar actions that in turn requires us to record impairments, restructuring and other charges. Any such charges would reduce our earnings.

Our indebtedness could limit our financial and operating flexibility and subject us to other risks.

Our ability to obtain additional debt financing or refinance our debt in the future for working capital, capital expenditures or acquisitions may be limited either by financial considerations or due to covenants in existing loan agreements. Our principal working capital revolving credit facility expires on November 10, 2009. We may not be able to successfully renew the Credit Facility on beneficial terms. The Credit Facility has an outstanding balance of \$349.7 million as of December 26, 2008. If we are not successful in renewing the Credit Facility on favorable terms, our borrowing costs will increase and adversely affect our financial condition.

Our ability to meet our financial obligations will depend on our future performance, which will be affected by prevailing economic conditions and financial, business and other factors, some of which are beyond our control. Our ability to meet our financial obligations also may be adversely affected by the seasonal nature of our business, the cyclical nature of agricultural commodity prices, the susceptibility of our product sourcing to crop disease or severe weather conditions and other factors.

Since we are an exempted holding company, our ability to meet our financial obligations depends primarily on receiving sufficient funds from our subsidiaries. The payment of dividends or other distributions to us by our subsidiaries may be restricted by the provisions of our credit agreements and other contractual requirements and by applicable legal restrictions on payment of dividends.

If we were unable to meet our financial obligations, we would be forced to pursue one or more alternative strategies, such as selling assets, restructuring or refinancing our indebtedness or seeking additional equity capital, strategies which might not be successful. Additional sales of our equity capital could substantially dilute the ownership interest of existing shareholders.

Our Credit Facility imposes operating and financial restrictions on our activities. Our failure to comply with the obligations under this facility, including maintenance of financial ratios, could result in an event of default, which, if not cured or waived, would permit acceleration of the indebtedness due under the facility.

We are controlled by our principal shareholders.

Members of the Abu-Ghazaleh family, including our Chairman and Chief Executive Officer and two of our directors, are our principal shareholders. Together, as of February 13, 2009, they beneficially own approximately 34% of our outstanding ordinary shares, and our Chairman and Chief Executive Officer holds, and is expected to continue to hold, an irrevocable annual proxy to vote all of these shares. We expect our principal shareholders to continue to use their interest in our ordinary shares to direct our management, to control the election of our entire board of directors, to determine the method and timing of the payment of dividends, to determine substantially all other matters requiring shareholder approval and to control us. The concentration of our beneficial ownership may have the effect of delaying, deterring or preventing a change in control, may discourage bids for the ordinary shares at a premium over their market price and may otherwise adversely affect the market price of the ordinary shares.

Table of Contents

A substantial number of our ordinary shares are available for sale in the public market, and sales of those shares could adversely affect our share price.

Future sales of our ordinary shares by our principal shareholders, or the perception that such sales could occur, could adversely affect the prevailing market price of our ordinary shares. Of the 63,553,211 ordinary shares outstanding as of February 13, 2009, 21,601,364 ordinary shares are owned by the principal shareholders and are restricted securities. These restricted ordinary shares can be registered upon demand and are eligible for sale in the public market without registration under the Securities Act of 1933, subject to compliance with the resale volume limitations and other restrictions of Rule 144 under the Securities Act.

Our organizational documents contain a variety of anti-takeover provisions that could delay, deter or prevent a change in control.

Various provisions of our organizational documents and Cayman Islands law may delay, deter or prevent a change in control of us that is not approved by our board of directors. These provisions include:

a classified board of directors;

a prohibition on shareholder action through written consents;

a requirement that general meetings of shareholders be called only by a majority of the board of directors or by the Chairman of the Board;

advance notice requirements for shareholder proposals and nominations;

limitations on the ability of shareholders to amend, alter or repeal our organizational documents; and

the authority of the board of directors to issue preferred shares with such terms as the board of directors may determine.

In addition, a change of control would constitute an event of default under the Credit Facility, which would have a material adverse effect on us. These provisions also could delay, deter or prevent a takeover attempt.

Our shareholders have limited rights under Cayman Islands law.

We are incorporated under the laws of the Cayman Islands, and our corporate affairs are governed by our Memorandum and Articles of Association and by the Companies Law (As Revised) of the Cayman Islands. Principles of law relating to matters, such as the validity of corporate procedures, the fiduciary duties of our management, directors and controlling shareholders and the rights of our shareholders differ from those that would apply if we were incorporated in a jurisdiction within the United States. Further, the rights of shareholders under Cayman Islands law are not as clearly established as the rights of shareholders under legislation or judicial precedent applicable in most U.S. jurisdictions. As a result, our public shareholders may have more difficulty in protecting their interests in the face of actions by the management, directors or controlling shareholders than they might have as shareholders of a corporation incorporated in a U.S. jurisdiction. In addition, there is doubt as to whether the courts of the Cayman Islands would enforce, either in an original action or in an action for enforcement of judgments of U.S. courts, liabilities that are predicated upon the U.S. federal securities laws.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following table summarizes the approximate plantation acreage under production that are owned or leased by us and the principal products grown on such plantations by location as of the end of 2008:

Location	Acres Under Production		Products
	Acres Owned	Acres Leased	
Costa Rica	41,200	3,800	Bananas, Pineapples
Guatemala	7,600	7,900	Bananas, Melons
Brazil	7,100		Bananas, Melons, Pineapples
Chile	5,600	800	Non-Tropical Fruit
Kenya		10,700	Pineapples
Philippines	200	13,400	Bananas, Pineapples
United States		4,800	Melons

We also lease land in Argentina on a seasonal basis for our grain operations. Our significant properties include the following:

Table of Contents

North America

We operate a total of 22 distribution centers in the United States, of which nine are also fresh-cut facilities. We own seven of our distribution centers, including a 200,000 square foot distribution center in Dallas, Texas, a distribution center in Plant City, Florida and a repack facility in Winder, Georgia. The remaining 15 distribution centers are leased from third parties. All of our distribution centers have ripening capabilities and/or other value-added services. Also included are two stand-alone fresh-cut facilities that we own in Kankakee, Illinois and Portland, Oregon. In addition, we lease four port facilities that include cold storage capabilities.

Europe

We operate four distribution centers, mostly under leases from third parties, in the United Kingdom and own one and lease two distribution centers in Germany, where our products are distributed to leading retail chains. We also own and operate two fresh-cut facilities in the United Kingdom. In Poland, we operate two distribution centers that are leased from third parties and include ripening facilities and other value added services. We own and operate a production facility for prepared fruit and vegetables, tomato products and snacks in Larissa, Greece. As part of our restructuring program, we closed our beverage production facility in Kings Lynn, United Kingdom during the first quarter of 2008.

Asia

Our products are distributed from four leased distribution centers located at strategic ports in Japan with cold storage and banana ripening operations. In addition, we own two distribution centers in South Korea and lease a distribution center in Hong Kong. Our Korean distribution centers include state-of-the art ripening technology and other value-added services. We also own and operate one fresh-cut facility in Japan.

South America

We own and operate grain silos in Argentina. In Uruguay, we own approximately 9,600 acres of which 7,400 acres contain a citrus plantation that is leased to a third party on a five-year basis.

Africa

We own and operate a warehouse and cannery in Thika, Kenya. In Tulbagh, South Africa, we own and operate a production facility for prepared non-tropical fruit. The total amount of land owned in South Africa is approximately 700 acres. The warehouse and administrative office in Firgrove, South Africa was closed during the fourth quarter of 2006 and sold in 2007.

Middle East

In Jordan, we own a poultry farm, a grain mill and a poultry slaughter and processing plant. In addition, during the third quarter of 2007, we opened a new meat processing plant. We also own a combined distribution/manufacturing center in Dubai, UAE. This state-of-the-art facility includes banana ripening and cold storage facilities, fresh-cut fruit and vegetable operations and an ultra fresh and chilled juice manufacturing operation. In addition, we operate a distribution center under an operating lease from a third party in Abu-Dhabi, UAE that includes banana ripening and cold storage facilities. In Saudi Arabia, we are in the process of an expansion program that includes the construction of three owned distribution centers with banana ripening and cold storage facilities. Two of the distribution centers are scheduled to be completed in 2009 and the third is planned for completion in 2010.

Maritime and Other Equipment (including Containers)

We own a fleet of 21 and charter another 11 refrigerated vessels. In addition, we own or lease other related equipment including approximately 4,400 refrigerated container units and 150 trucks and refrigerated trailers used to transport our fresh produce in the United States.

Other Properties

We own our U.S. executive headquarters building in Coral Gables, Florida, our Central America regional headquarters building in San Jose, Costa Rica and our South America regional headquarters building in Santiago, Chile. We own our office space in Guatemala City, Guatemala and Amman, Jordan. Our remaining office space in North America, Europe, Asia, Central and South America is principally leased from third parties.

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We believe that our property, plant and equipment are well maintained, in good operating condition and adequate for their present needs. Except as noted in Item 3. *Legal Proceedings* and Note 18, *Litigation* to the Consolidated Financial Statements included in Item 8. *Financial Statements and Supplementary Data*, we know of no other environmental issues that may affect the utilization of our property plant and equipment. For further information with respect to our property, plant and equipment, see Note 8, *Property, Plant and Equipment* in the Notes to Consolidated Financial Statements filed as part of this Report.

Table of Contents

Principal capital expenditures planned for 2009 consist of approximately \$120.0 million principally for expansion of our distribution and manufacturing facilities in the Middle East and expansion of our production facilities in the Philippines, Central and South America and Kenya. We expect to fund our capital expenditures in 2009 through operating cash flows and borrowings under the Credit Facility.

Item 3. Legal Proceedings

See Note 18, *Litigation*, to the Consolidated Financial Statements included in Item 8. *Financial Statements and Supplementary Data*.

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

None.

Table of Contents**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**
Ordinary Share Prices and Related Matters

Our ordinary shares are traded solely on the New York Stock Exchange, under the symbol FDP, and commenced trading on October 24, 1997, the date of our initial public offering.

The following table presents the high and low sales prices of our ordinary shares for the periods indicated as reported on the New York Stock Exchange Composite Tape:

	High	Low
Five most recent financial years		
Year ended December 31, 2004	\$ 29.63	\$ 22.62
Year ended December 30, 2005	\$ 33.94	\$ 21.90
Year ended December 29, 2006	\$ 23.04	\$ 14.81
Year ended December 28, 2007	\$ 37.55	\$ 14.51
Year ended December 26, 2008	\$ 39.20	\$ 14.33
2007		
First quarter	\$ 20.05	\$ 14.51
Second quarter	\$ 25.66	\$ 19.10
Third quarter	\$ 29.58	\$ 22.52
Fourth quarter	\$ 37.55	\$ 27.68
2008		
First quarter	\$ 37.90	\$ 30.17
Second quarter	\$ 39.20	\$ 23.25
Third quarter	\$ 25.30	\$ 21.00
Fourth quarter	\$ 25.24	\$ 14.33
Most recent six months		
August 2008	\$ 25.05	\$ 22.05
September 2008	\$ 25.06	\$ 21.00
October 2008	\$ 22.53	\$ 14.33
November 2008	\$ 25.24	\$ 19.21
December 2008	\$ 23.94	\$ 22.24
January 2009	\$ 26.04	\$ 22.04

Dividend Policy

In 2006, we paid regular quarterly cash dividends of \$0.20 per share in the first and second quarters and \$0.05 per share in the third and fourth quarter for a total of \$0.50 per share for the year. On October 31, 2006, we announced that the regular cash dividend of \$0.05 per share will be suspended. Because we are an exempted holding company, our ability to pay dividends and to meet our debt service obligations depends primarily on receiving sufficient funds from our subsidiaries. Pursuant to the Credit Facility, we may declare and pay dividends and distributions in cash solely out of and up to 50% of our net income for the year immediately preceding the year in which the dividend or distribution is paid; provided that we may declare dividends in cash solely out of and up to 70% of our net income for the fiscal year immediately preceding the year in which the dividend or distribution is paid if after giving effect to such dividend payment we have a leverage ratio of 2.50 to 1.00 for such year. It is possible that countries in which one or more of our subsidiaries are located could institute exchange controls, which could prevent those subsidiaries from remitting dividends or other payments to us. Dividends are payable when, as and if declared by our board of directors, and we cannot assure you that dividends will be paid in the future.

Table of Contents

Shareholders

As of February 13, 2009, we had 100 shareholders of record, which excludes shareholders whose shares were held by brokerage firms, depositories and other institutional firms in street name .

Performance Graph

The following graph compares the cumulative five-year total return attained by shareholders on Fresh Del Monte Produce Inc.'s common stock relative to the cumulative total returns of the S&P 500 index and the S&P 500 Food Products index. The graph tracks the performance of a \$100 investment in our common stock and in each of the indexes (with the reinvestment of all dividends) from December 31, 2003 to December 31, 2008.

* \$100 invested on 12/26/03 in stock or on 12/31/03 in index-including reinvestment of dividends. Indexes calculated on month-end basis.

	12/26/03	12/31/04	12/30/05	12/29/06	12/28/07	12/26/08
Fresh Del Monte Produce Inc.	100.00	128.42	101.65	68.38	155.28	108.55
S&P 500	100.00	110.88	116.33	134.70	142.10	89.53
S&P 500 Food Products	100.00	119.20	111.63	136.34	142.20	116.09

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Table of Contents**Item 6. Selected Financial Data**

Our fiscal year end is the last Friday of the calendar year or the first Friday subsequent to the end of the calendar year, whichever is closest to the end of the calendar year.

The following selected consolidated financial information for the years ended December 31, 2004, December 30, 2005, December 29, 2006, December 28, 2007 and December 26, 2008 is derived from our audited Consolidated Financial Statements for the applicable year, prepared in accordance with accounting principles generally accepted in the United States.

The following selected financial data should be read in conjunction with Item 7 *Management's Discussion and Analysis of Financial Condition and Results of Operations* and our Consolidated Financial Statements and accompanying Notes contained in Item 8 *Financial Statements and Supplementary Data* in this Report.

	Years ended				
	December 26, 2008	December 28, 2007	December 29, 2006	December 30, 2005	December 31, 2004 ^(a)
(U.S. Dollars in millions, except share and per share data)					
Statement of Income Data:					
Net sales	\$ 3,531.0	\$ 3,365.5	\$ 3,214.3	\$ 3,259.7	\$ 2,906.0
Cost of products sold	3,187.0	3,000.6	3,024.9	2,944.7	2,641.3
Gross profit	344.0	364.9	189.4	315.0	264.7
Selling, general and administrative expenses	162.5	176.8	201.6	190.9	131.0
Asset impairment and other charges, net	18.4	12.5	105.3	3.1	5.4
Operating income (loss)	163.1	175.6	(117.5)	121.0	128.3
Interest expense, net	13.1	25.9	25.6	16.1	8.2
Other income (expense), net	12.5	31.5	0.4	(3.1)	6.9
Income (loss) before income taxes	162.5	181.2	(142.7)	101.8	127.0
Provision for (benefit from) income taxes	4.8	1.4	(0.5)	(8.3)	(12.2)
Net income (loss)	\$ 157.7	\$ 179.8	\$ (142.2)	\$ 110.1	\$ 139.2
Net income (loss) per ordinary share - Basic	\$ 2.49	\$ 3.07	\$ (2.46)	\$ 1.90	\$ 2.42
Net income (loss) per ordinary share - Diluted	\$ 2.48	\$ 3.06	\$ (2.46)	\$ 1.90	\$ 2.41
Dividends declared per ordinary share	\$	\$	\$ 0.50	\$ 0.80	\$ 0.80
Weighted average number of ordinary shares:					
Basic	63,344,941	58,490,281	57,819,416	57,926,466	57,487,131
Diluted	63,607,786	58,772,718	57,819,416	58,077,282	57,803,158
Balance Sheet Data (at period end):					
Cash and cash equivalents	\$ 27.6	\$ 30.2	\$ 39.8	\$ 24.5	\$ 42.1
Working capital	200.2	491.2	436.7	419.7	299.9
Total assets	2,651.0	2,185.7	2,089.6	2,128.3	2,076.5
Total debt	512.8	238.6	469.9	360.8	363.5
Shareholders' equity	1,496.9	1,364.8	1,026.3	1,164.6	1,069.2

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- (a) Effective December 30, 2006, the first day of our 2007 year, we adopted FSP AUG AIR-1, *Accounting for Planned Major Maintenance Activities*, which provides guidance on the accounting for planned major maintenance activities, such as vessel dry-dock activities. We have applied FSP AUG AIR-1 retrospectively to the years ended December 29, 2006 and December 30, 2005. The consolidated statements of operations have not been adjusted for the year ended December 31, 2004. We believe the effect is not material to that year. See Note 2, *Summary of Significant Accounting Policies* to our Consolidated Financial Statements.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We are one of the world's leading vertically integrated producers, marketers and distributors of high-quality fresh and fresh-cut fruit and vegetables, as well as a leading producer and marketer of prepared fruit and vegetables, juices, beverages and snacks in Europe, Africa and the Middle East. We market our products worldwide under the DEL MONTE® brand, a symbol of product innovation, quality, freshness and reliability since 1892. Our global sourcing and logistics system allows us to provide regular

Table of Contents

delivery of consistently high quality produce and value-added services to our customers. Our major producing operations are located in North, Central and South America, Asia and Africa. Production operations are aggregated on the basis of our products: bananas, other fresh produce, prepared foods and other products and services. Other fresh produce includes pineapples, melons, tomatoes, non-tropical fruit (including grapes, apples, pears, peaches, plums, nectarines, apricots, avocados, and kiwis), fresh-cut produce and other fruit and vegetables. Prepared foods include prepared fruit and vegetables, juices, beverages, snacks, poultry and meat products. Other products and services includes a third-party ocean freight business, a plastic product and box manufacturing business and a grain business.

Strategy

Our strategy is focused on a combination of maximizing revenues from our existing infrastructure, entering new markets and strict cost control initiatives. We plan to continue to capitalize on the growing global demand for fresh produce and expand our reach into existing and new markets. We expect sales growth of fresh produce in key markets by increasing sales volume and per unit sales prices as permitted by market conditions. Our Caribana and melon farms acquisitions have substantially increased our production capability of bananas, pineapples and melon and provide the potential for significant operating efficiencies and synergies. In addition, our number one position in the gold pineapple market has been further strengthened. We plan additional investments in growth markets, such as the Middle East, by adding distribution facilities and expanding our value-added services. We also plan to continue to increase production in our Dubai fresh-cut facility and expand the processed meat product offerings from our new Jordan meat plant into other regional markets.

Net Sales

Our net sales are affected by numerous factors, including mainly the balance between the supply of and demand for our produce and competition from other fresh produce companies. Our net sales are also dependent on our ability to supply a consistent volume and quality of fresh produce to the markets we serve. For example, seasonal variations in demand for bananas as a result of increased supply and competition from other fruit are reflected in the seasonal fluctuations in banana prices, with the first six months of each year generally exhibiting stronger demand and higher prices, except in those years where an excess supply exists. During 2008, generally, bananas were in short supply at certain times of the year, which contributed to a 14% improvement in our worldwide per unit sales prices. Also contributing to this increase in banana per unit sales prices was the stronger euro and Japanese yen as compared to the U.S. dollar. In addition, principally as a result of the Caribana acquisition, we were able to increase banana sales volume by approximately 4%. In the processed foods business, we generally realize the largest portion of our net sales and gross profit in the third and fourth quarters of the year. As a result of a continued short supply of industry volumes of canned pineapples during 2008, we experienced higher per unit sales prices for this product.

Since our financial reporting currency is the U.S. dollar, our net sales are significantly affected by fluctuations in the value of the currency in which we conduct our sales versus the dollar, with a weak dollar versus such currencies resulting in increased net sales in dollar terms. Including the effect of our foreign currency hedges, net sales for 2008 were positively impacted by approximately \$29.5 million, as compared to 2007, principally as a result of a stronger euro and Japanese yen, partially offset by a weaker British pound and Korean won, versus the U.S. dollar.

Our net sales growth in recent years has been achieved primarily through increased sales volume in existing markets of other fresh produce, primarily pineapples, melons and non-tropical fruit, and favorable pricing on our *Del Monte Gold® Extra Sweet* pineapple combined with increased sales volume of bananas in existing and new markets. During 2008, our sales growth was positively affected by higher sales volume of bananas and gold pineapples that resulted from our Caribana acquisition. Also contributing to our sales growth has been the new products including tomatoes and prepared food, combined with expansion of value-added services, such as banana ripening. Our net sales growth in recent years is also attributable to a broadening of our product line with the expansion of our fresh-cut produce business and our expansions into new markets. We expect our net sales growth to continue to be driven by increased sales volumes in our banana, other fresh produce and the prepared food segments. As a result of our 2008 acquisitions and expansion of our production of banana, gold pineapple and melon operations, we expect an increase in net sales of these products in North America, Europe and the Middle East. In the Middle East, we expect net sales to increase due to increased sales of our fresh produce and prepared food product offerings. We also expect to increase our sales by developing new products in the prepared food segment, such as various frozen juice stick bars and smoothie products, targeting the convenience store and foodservice trade in selected European and Middle East markets.

Cost of Products Sold

Cost of products sold is principally composed of two elements, product and logistics costs. Product cost for our produce is primarily composed of cultivation (the cost of growing crops), harvesting, packaging, labor, depreciation and farm administration. Product cost for produce obtained from independent growers is composed of produce and packaging costs. Logistics costs include land and sea transportation and expenses related to port facilities and distribution centers. Sea transportation cost is the most significant component of logistics costs and is comprised of the cost of vessel operating expenses and chartering refrigerated vessels. Vessel operating expenses for our owned vessels include operations, maintenance, depreciation, insurance, fuel (the cost of which is subject to commodity price fluctuations), and port charges. For chartered vessels, operating expenses include the cost of chartering the vessels, fuel and port charges. Variations in containerboard prices, which affect the cost of boxes and other packaging materials, and fuel prices, can have a significant impact on our product cost and our profit margins.

Table of Contents

Containerboard, plastic, resin and fuel prices have historically been volatile. During 2007, the cost of fuel increased by 17% and containerboard increased slightly as compared with 2006 and during 2008 fuel prices increased an additional 42% and containerboard increased 11%. This increase in containerboard and fuel prices has added approximately \$47.5 million to cost of products sold in 2008 as compared to 2007. During 2008, we also experienced a significant amount of cost increases on our products due to higher fertilizer and other raw material prices.

In general, changes in our volume of products sold can have a disproportionate effect on our gross profit. Within any particular year, a significant portion of our cost of products sold is fixed, both with respect to our operations and with respect to the cost of produce purchased from independent growers from whom we have agreed to purchase all the products they produce. Accordingly, higher volumes produced on company-owned farms directly reduce the average per-box cost, while lower volumes directly increase the average per-box cost. In addition, because the volume that will actually be produced on our farms and by independent growers in any given year depends on a variety of factors, including weather, that are beyond our control or the control of our independent growers, it is difficult to predict volumes and per-box costs.

Since our financial reporting currency is the U.S. dollar, our costs are affected by fluctuations in the value of the currency in which we have significant operations versus the dollar, with a weak dollar versus those currencies resulting in increased costs. During 2008, cost of product sold was negatively impacted by approximately \$17.4 million as a result of a weaker U.S. dollar versus the various currencies in which we have significant operations.

Asset Impairment and Other Charges

Asset impairment and other charges were \$18.4 million in 2008 as compared with \$12.5 million in 2007, an increase of \$5.9 million. In 2008, we recorded asset impairment totaling \$11.3 million as a result of extensive flood damage at our banana farms in Brazil and Costa Rica and \$10.0 million principally due to the closure of under-utilized distribution centers and the previously announced closure of our beverage production operation in the United Kingdom combined with related contract termination costs related to the banana and prepared food segments. During 2008, we also recorded a net benefit of approximately \$2.9 million related to the previously announced closing of our Hawaii pineapple operations related to the other fresh produce segment.

Asset impairment and other charges were \$12.5 million in 2007 as compared with \$105.3 million in 2006, a decrease of \$92.8 million. In 2007, we recorded asset impairment charges totaling \$15.5 million related to exit activities in the prepared food and other fresh produce segments, principally in Europe and South America. In addition, as a result of the decision to exit all production activities in Hawaii in 2006, we recorded a net gain of \$4.4 million during 2007 related to the other fresh produce segment. This net gain consists principally of a curtailment gain related to the U.S. based post-retirement health plan, partially offset by additional severance and other exit activity charges. Also included in asset impairment and other charges in 2007, were other charges of \$1.4 million principally related to exit activities in the prepared food segment in Europe.

In 2006, we recorded asset impairment charges totaling \$84.0 million consisting of the following: a) \$21.7 million, as a result of continued operating losses due to underutilization of production facilities and machinery in Europe and Africa related to the prepared food segment; b) \$27.6 million, primarily as a result of asset impairment tests for indefinite-lived intangible assets in the United Kingdom due to discontinued unprofitable product lines in the prepared food and other fresh produce segments and in the United States as the result of lower volume expectations in the other fresh produce segment; c) \$17.4 million, as a result of continued operating losses and underutilization of facilities in Africa, Europe and the United States related to the other fresh produce and banana segments; d) \$9.3 million, due to underutilized definite-lived intangible assets in the North America transportation business related to the non-produce segment and in Europe related to the other fresh produce segment; and e) \$8.0 million for the write-off of capitalized software costs in Europe and the United States due to discontinued usage. In addition, 2006 asset impairment and other charges include \$11.4 million of net employee termination benefits charges and \$9.9 million of contractual obligations charges related to the other fresh produce and processed food segments as a result of the accelerated closure of our Hawaii operations, the closure of our Italy juice plant and the closure and sale of our U.K. fresh-cut salad operation.

Selling, General and Administrative Expenses

Selling, general and administrative expenses primarily include the costs associated with selling in countries where we have our own sales force, advertising and promotional expenses, professional fees, general corporate overhead and other related administrative functions.

Interest Expense

Interest expense consists primarily of interest on borrowings under working capital facilities that we maintain and interest on other long-term debt primarily for capital lease obligations. In 2008, our average outstanding debt level decreased slightly, which, combined with lower interest rates, resulted in lower interest expense. During 2009, we expect to renew the Credit Facility.

Table of Contents***Other Income, Net***

Other income, net, primarily consists of equity gains and losses in unconsolidated companies, together with currency exchange gains or losses and other miscellaneous income and expense items such as insurance recoveries and gain and losses from sales of investments and property, plant and equipment. During 2008, principally as a result of our disposal of non-productive assets, we recorded gains of \$7.5 million from sales of property plant and equipment. In addition, during 2008, we recorded currency exchange gains totaling \$6.5 million that resulted primarily from favorable exchange rate movements in the euro, Japanese yen and other currencies versus the U.S. dollar.

During 2008, we entered into derivative instruments not designated as hedging instruments in order to minimize the impact of fluctuation in foreign exchange relative to the euro, British pound and Japanese yen on our balance sheet, also referred to as economic hedges. We recognized a net gain of \$2.5 million related to these derivative instruments included in the Other income, net caption of our Consolidated Statements of Income. As of December 26, 2008, we did not have any economic hedges outstanding.

Provision for (Benefit from) Income Taxes

Income taxes consist of the consolidation of the tax provisions, computed on a separate entity basis, in each country in which we have operations. Since we are a non-U.S. company with substantial operations outside the United States, a substantial portion of our results of operations is not subject to U.S. taxation. Many of the countries in which we operate have favorable tax rates. We are subject to U.S. taxation on our distribution and fresh-cut operations in the United States. From time to time, tax authorities in various jurisdictions in which we operate audit our tax returns and review our business structures and positions and there are audits presently pending in various countries. There can be no assurance that any tax audits, or changes in existing tax laws or interpretations in countries in which we operate, will not result in an increased effective tax rate for us. We have established tax accruals for uncertain tax positions, including those relating to various tax audits currently in process. The amount of income taxes due as a result of the eventual outcome of these audits may differ from the amount of estimated tax accruals.

Results of Operations

The following table presents, for each of the periods indicated, certain income statement data expressed as a percentage of net sales:

	Years ended		As adjusted ⁽¹⁾
	December 26, 2008	December 28, 2007	December 29, 2006
Statement of Income Data:			
Net sales	100.0%	100.0%	100.0%
Gross profit	9.7	10.8	5.9
Selling, general and administrative expenses	4.6	5.3	6.3
Operating income (loss)	4.6	5.2	(3.7)
Interest expense	0.4	0.8	0.8
Net income (loss)	4.5	5.3	(4.4)

(1) Reflects retrospective application of FSP AUG AIR-1 to the year ended December 29, 2006.

Table of Contents

The following tables present for each of the periods indicated (i) net sales by geographic region, (ii) net sales by product category and (iii) gross profit (loss) by product category, and in each case, the percentage of the total represented thereby:

	Years ended					
	December 26, 2008		December 28, 2007		December 29, ⁽¹⁾ 2006	
	(U.S. dollars in millions)					
Net sales by geographic region:						
North America	\$ 1,633.1	46%	\$ 1,530.2	45%	\$ 1,574.1	49%
Europe	1,081.4	30%	1,113.6	33%	1,051.1	33%
Asia	408.1	12%	374.8	11%	296.5	9%
Middle East	275.8	8%	228.2	7%	192.5	6%
Other	132.6	4%	118.7	4%	100.1	3%
Total	\$ 3,531.0	100%	\$ 3,365.5	100%	\$ 3,214.3	100%

	Years ended					
	December 26, 2008		December 28, 2007		As adjusted ⁽¹⁾ December 29, 2006	
	(U.S. dollars in millions)					
Net sales by product category:						
Bananas	\$ 1,420.2	40%	\$ 1,199.0	35%	\$ 1,112.5	35%
Other fresh produce	1,559.8	44%	1,614.9	48%	1,622.2	50%
Prepared food	412.4	12%	429.4	13%	367.5	11%
Other products and services	138.6	4%	122.2	4%	112.1	4%
Total	\$ 3,531.0	100%	\$ 3,365.5	100%	\$ 3,214.3	100%

Gross profit by product category:						
Bananas	\$ 117.7	34%	\$ 61.0	17%	\$ 18.5	10%
Other fresh produce	171.1	50%	240.5	66%	167.7	89%
Prepared food	51.9	15%	59.7	16%	2.7	1%
Other products and services	3.3	1%	3.7	1%	0.5	%
Total	\$ 344.0	100%	\$ 364.9	100%	\$ 189.4	100%

(1) Reflects retrospective application of FSP AUG AIR-1 to the year ended December 29, 2006.

2008 Compared with 2007

Net Sales

Net sales in 2008 were \$3,531.0 million compared with \$3,365.5 million in 2007. The increase in net sales of \$165.5 million was primarily attributable to higher net sales of bananas and other products and services, partially offset by lower net sales of other fresh produce and prepared food. Net sales of bananas increased by \$221.2 million due to higher per unit sales prices in all regions and higher sales volume in North America and the Middle East, partially offset by lower sales volume in Europe and Asia. On a worldwide basis, per unit sales prices increased 14%. The Caribana acquisition contributed to the increase in sales volume in North America. Net sales in the other products and services segment increased \$16.4 million primarily due to increased sales in the Argentina grain and Chile plastic businesses. Net sales in the other fresh produce segment decreased by \$55.1 million principally due to lower sales of melons, tomatoes, potatoes, vegetables and fresh-cut produce, partially offset by higher sales of gold pineapples and non-tropical fruit. Melon sales decreased due to a 12% decrease in sales volumes that resulted primarily from unfavorable growing conditions in Central America and North America. Sales of tomatoes, potatoes and other vegetables decreased primarily due to lower sales volume resulting from continuing product rationalization in North America and the salmonella outbreak

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in the United States, originally linked to tomatoes. Sales of fresh-cut produce decreased due to the economic downturn affecting North America and Europe which has resulted in consumers buying less expensive whole fruit as compared to pre-cut products. Sales of gold pineapples increased as a result of an 8% increase in sales volume primarily as a result of the Caribana acquisition, partially offset by a slight decrease in per unit sales prices. Sales of non-tropical fruit increased primarily due to higher per unit sales prices. Net sales in the

Table of Contents

prepared food segment decreased \$17.0 million primarily as a result of the weakening British pound as compared to the U.S. dollar combined with increased sales of inventory on-hand that occurred during 2007 as a result of the conversion to independent distributors in the U.K. and Benelux markets, partially offset by higher sales in the Jordanian poultry and prepared meat business.

Cost of Products Sold

Cost of products sold was \$3,187.0 million in 2008 compared with \$3,000.6 million in 2007, an increase of \$186.4 million. This increase in cost of products sold was primarily attributable to higher fruit costs resulting from increase input prices and procurement costs combined with negative foreign exchange impact as currencies in producing countries strengthened against the U.S. dollar as well as increased ocean freight that resulted from higher fuel prices, vessel operating expenses and charter rates. Also contributing to the increase in cost of sales were approximately \$3.0 million in charges incurred principally related to wages paid to idle workers and write-offs of packaging materials and other clean-up costs as a result of extensive flood damage to our banana farms in Brazil and Costa Rica combined with a credit of \$3.0 million for insurance proceeds related to the Kenya product recall that was included in cost of product sold in 2007.

Gross Profit

Gross profit was \$344.0 million in 2008 compared with \$364.9 million in 2007, a decrease of \$20.9 million. The decrease in gross profit is primarily attributable to lower gross profit on the other fresh produce segment of \$69.4 million and lower gross profit on the prepared food segment of \$7.8 million, partially offset by higher gross profit on bananas of \$56.7 million.

Gross profit on other fresh produce decreased principally as a result of lower gross profit on gold pineapples, fresh-cut products and melons, partially offset by higher gross profit on non-tropical fruit. Gross profit on gold pineapples decreased principally as a result of a 15% increase in per unit fruit costs that resulted from higher production costs and higher ocean freight costs. Gross profit on fresh-cut produce decreased principally as a result of a 17% increase in cost due to higher production costs as a result of labor shortages in North America and higher input costs combined with a 10% reduction in sales volume due to a weaker economic environment. Gross profit on melons decreased principally due to a reduction in sales volume that resulted from poor production conditions in North and Central America, which also contributed to a 10% increase in cost.

Gross profit on prepared food decreased principally as a result of higher production and transportation costs and as a result of our decision to market our prepared food products through independent distributors in the United Kingdom, Italy and the Benelux countries, which was offset by lower selling, general and administrative expenses as indicated below.

Gross profit on bananas increased primarily due to higher per unit selling prices in all regions and higher sales volumes in North America and the Middle East, partially offset by higher input, procurement and ocean freight costs. On a per unit basis, worldwide banana pricing increased 14% while total costs increased 10%.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased \$14.3 million to \$162.5 million in 2008 compared with \$176.8 million in 2007. The decrease was primarily due to lower selling and marketing expenses in Europe as a result of our decision to market our prepared food products through independent distributors in the United Kingdom, Italy and the Benelux countries.

Asset Impairment and Other Charges

Asset impairment and other charges were \$18.4 million in 2008 as compared with \$12.5 million in 2007, an increase of \$5.9 million. In 2008, we recorded asset impairment totaling \$11.3 million as a result of extensive flood damage at our banana farms in Brazil and Costa Rica and \$10.0 million principally due to the closure of under-utilized distribution centers and the previously announced closure of our beverage production operation in the United Kingdom combined with related contract termination cost related to the banana and prepared food segments. During 2008 we also recorded a net benefit of approximately \$2.9 million related to the previously announced closing of our Hawaii pineapple operations related to the other fresh produce segment.

In 2007, we recorded asset impairment charges totaling \$15.5 million related to exit activities in the prepared food and other fresh produce segments principally in Europe and South America. In addition, as a result of the decision to exit all production activities in Hawaii in 2006, we recorded a net gain of \$4.4 million during 2007 related to the other fresh produce segment. This net gain consists principally of a curtailment gain related to the U.S. based post-retirement health plan, partially offset by additional severance and other exit activity charges. Also included in asset impairment and other charges in 2007, were \$1.4 million principally related to exit activities in the prepared food segment in Europe as a

result of our decision to market our prepared food products through independent distributors in certain European markets and to outsource the U.K. beverage production.

Table of Contents

Operating Income

Operating income in 2008 was \$163.1 million compared with an operating income of \$175.6 million in 2007, a decrease of \$12.5 million. The decrease in operating income is attributable to lower gross profit and higher asset impairment and other charges, partially offset by lower selling, general and administrative expenses.

Interest Expense

Interest expense was \$14.5 million in 2008 as compared with \$27.8 million in 2007, a decrease of \$13.3 million. In 2008, interest expense declined, reflecting a slight decrease in our average outstanding debt and lower average interest rates.

Other Income, Net

Other income, net was \$12.5 million in 2008 compared with \$31.5 million in 2007. The decrease of \$19.0 million was principally due to lower gains on sale of property plant and equipment of \$9.9 million combined with a reduction of \$8.4 million in foreign exchange gains during 2008 as compared with 2007.

Provision for Income Taxes

Provision for income taxes was \$4.8 million in 2008 compared with \$1.4 million in 2007, an increase of \$3.4 million. The increase in provision for income taxes is due to increased taxable earnings in certain jurisdictions, combined with additional accruals for uncertain tax positions.

2007 Compared with 2006

Net Sales

Net sales in 2007 were \$3,365.5 million compared with \$3,214.3 million in 2006. The increase in sales of \$151.2 million was primarily attributable to higher net sales of bananas, prepared food and other products and services, partially offset by a slight decrease in net sales of other fresh produce. Net sales of bananas increased by \$86.5 million primarily as a result of higher worldwide per unit sales prices, partially offset by lower sales volume principally in Asia. Net sales of prepared food increased \$61.9 million primarily due to increased sales of canned pineapple, which resulted from a short supply of industry volumes. Also contributing to the increase in net sales of prepared food were higher net sales of canned deciduous fruit, industrial products and increased sales prices in our Jordanian poultry business. Net sales of other products and services increased \$10.1 million primarily as a result of increased sales volumes and per unit sales prices in the grain business. Net sales of other fresh produce decreased \$7.3 million principally due to lower net sales of potatoes, tomatoes and vegetables as a result of the rationalization of these product categories in the North American region initiated during 2006. Also contributing to the decrease in the other fresh produce segment was a reduction in net sales of fresh-cut fruit and vegetables as a result of product line rationalization and temporary labor shortages in the North America operations. Partially offsetting these decreases in net sales in the other fresh produce segment during 2007 were higher net sales of gold pineapples primarily due to favorable exchange rates and slightly higher sales volume in Europe and Asia and higher net sales of melons and avocados principally due to higher per unit sales prices in North America that resulted from favorable market conditions.

Including the effect of our foreign currency hedges, net sales were positively affected by a weaker dollar versus the euro and the British pound. The net effect of foreign exchange in 2007 compared with 2006 was an increase in net sales of approximately \$69.0 million primarily attributed to the euro and to the British pound.

During 2007, one customer, Wal-Mart, Inc., accounted for approximately 15% of our total net sales. These sales are reported in our banana, other fresh produce and prepared food segments. No other customer accounted for 10% or more of our net sales. In 2007, the top 10 customers accounted for approximately 36% of our net sales.

Cost of Products Sold

Cost of products sold was \$3,000.6 million in 2007 compared with \$3,024.9 million in 2006, a decrease of \$24.3 million. This decrease in cost of products sold was primarily attributable to the Hawaii exit charge of \$24.6 million and the charge of \$16.6 million related to the Kenya canned pineapple product withdrawal and disposal program that were recorded during 2006 combined with reduced sales volume in 2007. Partially offsetting these decreases in cost of products sold during 2007 as compared with 2006 were higher fruit cost resulting from increased input prices, a 17% increase in vessel fuel prices combined with the negative impact of a weaker U.S. dollar. Cost of products sold in 2007

included \$3.0 million of insurance proceeds related to the Kenya product withdrawal and disposal program that occurred in 2006.

