

SUNOPTA, INC.

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Conference Reference #382427

Operator: Hello, and welcome to the Third Quarter 2009 Earnings Results Conference Call. As a reminder, all lines will be in a listen-only mode, and there will time for Q&A at the end of the call. If you need technical assistance during this call, please press star-zero to speak to an operator.

I will now turn the call over to the president, CEO, Steve Bromley. Go ahead, please.

Mr. Steve Bromley: Thank you very much, and good morning, everyone. Welcome to our third quarter, 2009 shareholder conference call. I'm joined on this call today by Tony Tavares, SunOpta's vice president and chief operating officer, and Eric Davis, our vice president and chief financial officer.

Before we begin, we would like to remind listeners that, except for historical information, the matters discussed during this teleconference call may include forward-looking statements, including, without limitation, statements relating to our operating results, market and economic conditions, expected incremental business opportunities, and /or revenues from new products, cost improvements, improved operating margins, reductions in working capital, and expected benefits from our new syndicated banking facilities. All forward-looking statements reflect our current views with respect to future events, and are subject to risks and uncertainties and assumptions we have made in drawing the conclusions included in such forward-looking information.

Many factors could cause our actual results, performance, or achievements to be materially different from those expressed or implied by our forward-looking statements, including those factors and assumptions set forth in the Company's quarterly report on Form 10-Q for the quarter ended September 30th, 2009, and

annual report on Form 10-K for the fiscal year ended December 31st, 2008. Such information can be found in the sections in these reports titled, "Forward-Looking Statements and Risk Factors."

Our Form 10-K for the fiscal year ended December 31, 2008 was filed earlier this year with both the SEC and Canadian securities regulators, and we plan to file our 10-Q for the third quarter ended September 30th, 2009 by no later than the close of business today. Please note that except where specifically identified, our financial results are reported in U.S. dollars and in accordance with U.S. GAAP.

I want to mention that we are targeting to keep this call to approximately one hour. During this call, I will provide a corporate overview, Eric will provide details on the Company's financial status, and Tony will provide details related to our core food operations. We will follow our presentation with a question and answer period.

As you review the third quarter results, I want to reiterate our company's ongoing commitment to improving our operating margins and return on net assets employed, all the while continuing to strengthen our balance sheet. As you will see, we have made progress in improving operating margins in a number of our core operating businesses and have continued to leverage working capital and reduce our debt. We will review many of these and provide further details over the course of this call.

For the third quarter of 2009, the Company realized revenues of \$253.8 million versus third quarter 2008 revenues of \$287.7 million, a year-over-year decrease of 11.8 percent. After adjusting for revenue declines in non-food operations plus the impact on revenues due to changes in foreign exchange rates and commodity prices, food revenues actually declined approximately 4 percent in the third quarter versus 2008.

For the third quarter of 2009, the Company reported a loss on a GAAP basis of \$4.7 million, or seven cents per diluted common share. Adjusted earnings for the third quarter of 2009 were \$4.4 million, or seven cents per diluted common share, versus adjusted earnings in the third quarter of 2008 of \$5.2 million, or eight cents per diluted common share.

Third quarter results include pre-tax costs of \$10.6 million, including net non-cash charges after minority interest of \$4.8 million related to the impairment of goodwill in the Company's subsidiary, OptaMinerals, Inc., pre-tax costs of \$2.6 million related to ongoing product and facility rationalization efforts, which includes non-cash charges of \$1 million related to the consolidation and closure of two food operations, pre-tax costs of \$1.5 million related to the ongoing revitalization and re-launch of a number of Company-owned natural health products brands, and additional legal, professional, and banking fees of \$1.7 million related to the 2007 restatement class action settlement, a legal action in the SunOpta Bioprocess Group, and costs related to our recent banking amendments.

We believe the facility and product rationalization, marketing, legal and banking costs are all essential elements of positioning our business for long-term, sustainable business performance. Adjusted earnings, excluding the impact of foreign exchange gains for the third of 2009, were \$3.8 million, or six cents per diluted common share, versus adjusted earnings, excluding the impact of foreign exchange, of \$2.4 million, or four cents per diluted common share in the third quarter of 2008.

On a segment basis, both the SunOpta Grains and Food Group and SunOpta Ingredients Group had very strong earnings during the quarter, achieving their operating income targets with 6.1 and 16.4 percent respectively. This is indicative of our ongoing focus on improving operating margins across our company. In fact, the Ingredients Group realized record quarterly operating income of approximately \$2.9 million.

Within the SunOpta Fruit Group, the processed fruit ingredients and healthy fruit snack segments realized excellent results as compared to the prior year, and, in fact, are also now operating within target operating margin ranges. These were offset by losses within the frozen fruit segment due to lower than expected retail sales and additional product rationalization costs as the segment continues to be transformed.

Both the International Sourcing and Trading Group and OptaMinerals, Inc. returned to positive operating income in the quarter as a result of numerous cost improvements combined with improving external markets. The Distribution Group continues to evolve its business and incurred brand re-launch costs in the quarter, as well as costs to reduce SKUs and inventory levels and rationalize its portfolio. SunOpta Bioprocess continues to focus on building its business, advancing its technological base, and establishing strategic partnerships to leverage its technology.

At September 30th, 2009, the Company's balance sheet reflects a current working capital ratio of 1.7 to 1, long-term debt to equity ratio of .46 to 1, and total debt to equity ratio of .7 to 1. During the quarter, the Company generated cash from operating activities of \$19.3 million, including cash generated from working capital of \$13.6 million, reflecting our ongoing efforts to reduce working capital, especially our inventories, across the company.

The Company also continues to focus on reducing debt and realized a decrease of approximately \$19.5 million in debt versus the second quarter of 2009 and a reduction of approximately \$38.2 million versus the prior year. At September 30th, 2009, the Company has total assets of \$563.8 million and a net book value of \$3.60 per outstanding share.

At September 30th, 2009, we are in compliance with the amended financial covenants that were negotiated with our banking syndicate earlier this year on facilities which finance our core food operations, excluding Europe. On October 30th, 2009, earlier--just a few days ago, we entered into a new three-year

syndicated asset-based lending credit agreement. The asset-based lending facilities amend the Company's credit facilities such that credit limits in our facilities are determined based on eligible accounts receivable and inventory balances as determined on a monthly basis.

We are extremely pleased to have finalized these new facilities, and believe they provide us with additional flexibility and lower interest rates. And Eric will provide more details on this in a moment.

For the nine months ended September 30th, 2009, the Company has realized revenues of \$743.6 million versus revenues of \$810.1 million for the nine months ended September 30th, 2008. After adjusting for revenue declines in non-core food operations and the impact on revenues due to changes in foreign exchange rates and commodity prices, food revenues have declined approximately 2 percent versus the same period in 2008.

On a GAAP basis, for the nine months ended September 30th, 2009, the Company has realized the loss of \$4.5 million, or seven cents per diluted common share. Adjusted earnings for the nine months ended September 30th, 2009, were \$9 million, or 14 cents per diluted common share, versus adjusted earnings in the comparable period in 2008 of \$13.5 million, or 21 cents per diluted common share.

2009 results include additional pre-tax costs of \$17.3 million, including net non-cash charges of \$4.8, million related to the impairment of goodwill in the Company's subsidiary, OptaMinerals, Inc., pre-tax costs of \$6.6 million related to ongoing product and facility rationalization efforts, which include non-cash charges of \$1 million, pre-tax costs of \$2.7 million related to the ongoing revitalization and re-launch of a number of our company-owned natural health products brands, and additional legal, professional, and banking fees of \$3.2 million related to the 2007 restatement, the class action settlement, a legal action in SunOpta Bioprocess Group, and costs related to banking amendments.

Adjusted earnings excluding the impact of foreign exchange gains for the nine months ended September 30th, 2009 were \$8.7 million, or 13 cents per diluted common share, versus adjusted earnings, excluding the impact of foreign exchange, of \$10 million, or 15 cents per diluted common share in the nine months ended September 30th, 2008. We have reported adjusted revenue, adjusted earnings, and adjusted earnings per shares. We believe this provides insight into the ongoing results from the Company's base operations.

Please note that these measures do not have any specific meaning, as prescribed by GAAP, and therefore, are unlikely to be comparable to similar measures presented by other companies. These non-GAAP financial measures should be considered in the context of SunOpta's GAAP results, and a full reconciliation of these results was provided with our press release, which we issued last night and which is available on our website at www.sunopta.com.

We truly believe we are making solid progress in addressing our markets, improving our operations, and strengthening our financial position and have confidence in our business's focus on natural, organic, and specialty foods and natural health products. We expect to benefit from a number of long-term trends, including the growing interest in health and wellness around the world, the increasing awareness of the relationship between foods consumed and quality of life, the staggering increase in long-term health costs and the need to address this at many levels, and the demand for sustainable and environmentally responsible business practices and products.

When combined with our ongoing commitment to continuous improvement throughout our organization, we believe this all bodes well for our future.

I'd now like to turn the call over to Eric Davis, our chief financial officer. Eric will provide specifics related to the Company's financial position, certain balance sheet items, and our new syndicated loan agreement. Eric?

Mr. Eric Davis: Thanks, Steve, and good morning.

As a result of our commitment to working capital reduction and cash generation, the Company realized another quarter of positive cash flows. Operating activities in the third quarter provided \$19.3 million in cash compared to \$23.7 million in 2008. More importantly, on a year-to-date basis, the Company has generated \$26.2 million in cash from operations compared to \$12.7 million in the nine months ended September 2008.

During the quarter, cash generated from our improved working capital position totaled \$13.6 million. For the nine months ended September, 2009, cash generated from working capital totaled \$10.8 million versus cash consumed of \$8.9 million in the first nine months of 2008. This represents a year-over-year improvement of \$19.7 million, indicative of our ongoing focus on reducing working capital, especially inventories across our company.

During the quarter, inventories decreased to \$178.2 million from \$194.9 million in the second quarter while total accounts receivable remained consistent at \$105.1 million versus \$106 million for Q2. When compared with the third quarter of 2008, inventories have declined \$28.1 million from \$206.3 million, and accounts receivable have declined by \$17.1 million from \$122.2 million.

Day sales outstanding have decreased by one day compared with prior year, and inventory turns were consistent with prior year at 4.8. Controllable working capital, consisting of accounts receivable, inventory, and pre-pays, less accounts payables and other current liabilities, totaled \$193.5 million versus

\$231.5 million at the end of September 2008, a decrease of approximately 16 percent. And we firmly believe that there is opportunity to further reduce working capital and borrowings.

Investing activities, including short-term investments, used \$.3 million in cash as compared to \$4.3 million used in the third quarter of 2008. This decrease in cash used primarily related to reduced expenditures of \$2.5 million for the acquisition of businesses and deferred purchases of consideration paid in the prior year and proceeds from lease financing amount of \$2 million, offset by higher capital expenditures of \$.6 million due primarily to spending on equipment for our Colorado Mills vegetable oil refining project.

Financing activities included credit facility repayments of \$19 million compared to \$19.7 million in the third quarter of 2008, plus payments of \$3.1 million to reduce long-term debt compared to net repayments of \$.7 million in the comparable period. Offsetting the payments noted was cash received at \$.2 million from other financing activities compared to \$.9 million in the prior period due primarily to reduced proceeds from issuance of common stock via exercised stock options.

As of September 30th, 2009, the Company had 64,915,443 common shares outstanding and 65,370,109 fully diluted common shares outstanding. As a result of these activities, at the end of Q3 we had total debt and operating lines of \$166 million, representing a decrease of \$19.5 million from June 30th, 2009 and a decrease of \$38.2 million compared to the same period in the prior year.

As Steve mentioned earlier, our primary facility, including operating and term debt, is held by a banking syndicate and services our two core food operations, excluding Europe, and totaled \$100.3 million at the end of the quarter versus \$113.9 at the end of the second quarter. At the end of the quarter, we were in compliance with all banking covenants.

As announced earlier this week, we have signed an amended and restated credit agreement with our syndicate of lenders. The credit agreement provides for two asset-based revolving credit facilities of up to \$80 million in U.S. funds and \$20 million in Canadian funds, subject to borrowing base availability plus long-term debt of \$45 million. The facility has a maturity of three years from the date of closing and provides us with additional flexibility and lower overall interest rates. We feel this is a key accomplishment for the Company and an important step in positioning our business for long-term, sustainable success.

Now I'll turn it back over to Steve.

Mr. Steve Bromley: Thanks, Eric. We feel we are fortunate to be operating in business segments with growth potential, as we believe consumers will continue to move, over time, to healthier, natural, and organic foods and natural health product offerings. In hand with this, we continue to streamline our operations aimed at improving earnings and return on assets employed. We are implementing Lean Enterprise systems across our organization and continue to realize the benefits of this initiative.

In SunOpta, we refer to Lean as PEP, Process Excellence through People. We are on target to achieve our goal of \$10 million in annualized margin improvement and cost reduction by the end of the year. Our non-core operations, OptaMinerals, Inc. and SunOpta Bioprocess, now represent approximately 6 percent of annual revenues, and both are strategically important businesses within the sectors where they compete.

OptaMinerals achieved improved operating results during the quarter, realizing an operating profit before a non-cash write-down of goodwill. For the quarter, OptaMinerals achieved operating earnings of \$1.3 million, or 7.7 percent of revenues, versus \$.8 million total in the first half, an EBITDA of \$2.5 million versus an EBITDA of \$1.7 million for the previous two quarters.

These improved results were driven primarily by increased activity levels in the steel industry, which are still well below historical levels. Management of OptaMinerals believes that activity levels in the steel sector will continue to improve over time with some ups and downs along the way, but are hopeful that the worst is now behind them.

While expectations were high for a strong resurgence in the abrasives and industrial minerals component of the business, as a result of government infrastructure spending, growth in this segment has been modest as government spending has been slower than was expected. During this economic downturn, OptaMinerals has focused on streamlining operations and generating positive cash flow, and in doing so has reduced annualized operating costs by approximately \$6 million, including \$4.3 million in compensation costs, and at the same time generated approximately \$7.6 million in cash from operations.

They have recently commissioned a new abrasives operation in Freeport, Texas, and demand for product from this facility is growing rapidly and presents a good opportunity, moving forward. A second new abrasive operation in Tampa, Florida is also in development and is expected to be fully commissioned over the next few months. We believe that OptaMinerals is well positioned as the economy starts to return to positive territory, and that they will certainly benefit from its reengineered cost base, product offering and geographic operating platform.

SunOpta Bioprocess remains focused on the utilization of its technologies and the production of cellulosic ethanol. The opportunities in this sector are attractive as the world looks to reduce its dependence on fossil fuels and reduce greenhouse gas emissions. While production of cellulosic ethanol in North America is still very small, the renewable fuel standard in the U.S. calls for 16 billion gallons of cellulosic biofuel by 2022, a great opportunity for SBI's expertise.

Government assistance programs are being made available, and we are hopeful that this will provide a much needed stimulus for a number of projects. The group continues in its efforts to further refine its technologies and applications and has completed the expansion of a new pre-treatment pilot facility and continues its joint venture initiatives focused on the development of commercial-scale production capabilities.

SBI also continues to focus significant effort on the Chinese cellulosic ethanol industry, a market they believe will offer excellent growth opportunities, given that the Chinese government is no longer approving corn to ethanol facilities, combined with an increasing emphasis on environmentally friendly technologies that reduce greenhouse gas emissions.

In addition, SBI recently introduced a state-of-the-art modular plug-and-play pre-treatment pilot system, which will be able to operate at a scale which is smaller than current pilot equipment available from the group and at an attractive price point. As part of this development, SBI has been awarded a grant from the Canadian government of up to \$800,000 in Canadian funds to support the development optimization of this equipment and has applied for further funding from the Canadian government to build a fully integrated cellulosic ethanol pilot facility.

On September 24th, 2009, the Company announced that it had entered into an agreement to settle claims raised in two proposed class action proceedings arising from the Company's restatement of our interim financial statements for the first three quarters of 2007. The class actions were pending before the United States District Court for southern district of New York and the Ontario Superior Court of Justice.

In return for the dismissal of the class actions and releases from proposed class members of any settled claims against the Company and the remaining named defendants, the settlement agreement provides for a total cash contribution of U.S. \$11.25 million to a settlement fund and the adoption of certain corporate

governance enhancements by the Company. The settlement fund will be funded entirely by our DNO insurance provider.

The settlement agreement contains no admission of wrongdoing by SunOpta or any of the other named defendants, and is dependent upon the court's approval, which have now been received for Canada and is expected to be obtained by the plaintiffs for the United States in the near future.

I'd now like to turn the call over to Tony Tavares, our chief operating officer, who will discuss activities in the SunOpta Food Group. Tony?

Mr. Tony Tavares: Thanks, Steve, and good morning, ladies and gentlemen. Third quarter operating income for the SunOpta Food Group was \$6 million versus prior year of \$5.6 million, and year-to-date operating income was \$16.5 million as compared to \$20.9 million last year. The overall results reflect the combination of some operations performing very well while others continue to work to address market dynamics, poor operating performance, and adjust to reduce inventory levels.

I will now make some comments on the operating results of the individual groups within the SunOpta Food Group. The Grains and Food Group's third quarter operating income of \$5.3 million is ahead of last year's operating income of \$3.2 million, and year-to-date operating income of \$14 and a half million is also slightly ahead of the \$14.4 million reported last year.

The third quarter results included approximately \$200,000 in start-up costs at the new Colorado Mills facility. And the year-to-date results include approximately \$2.7 million of start-up costs related to the Modesto and Colorado Mills facilities. The results for the third quarter and year-to-date also reflect a gain of approximately \$600,000 from the collection of a business interruption claim in our Sunflower operations related to 2008.

Overall, the division continues to perform well, and the story remains pretty much the same as in the previous quarters. In the grains and sunflower operations, strong performance in soybean and in-shell sunflower were offset by weaker sales and margins on corn, food ingredients, vegetable oils, bakery kernel, and high oleic kernel. We will be upgrading and expanding the soy handling system at the Hope, Minnesota grain handling facility over the next few months to accommodate current business opportunities, and this will significantly increase our capability of that site and provide an opportunity for future growth and profit.

Soy milk revenues, margins, and operating income for the quarter and year-to-dates were ahead of last year with new sales to food service customers more than offsetting lower sales to their retail and warehouse channels. We have a number of soy milk opportunities in the pipeline with new customers and have developed other products, like teas and soups, to take advantage of our aseptic capacity. We will also be installing new filler equipment at our Alexandria, Minnesota aseptic packaging facility to provide greater flexibility in package formats and open up new market opportunities.

The Modesto, California aseptic packaging plant began production in July, and is well positioned for future growth. The start-up proceeded as planned, and the operation achieved break-even in the month of September. Recently installed equipment should improve soy-based yields in the fourth quarter, and, combined with additional sales, we should see improved earnings.

The new Colorado Mills facility should begin production in November. Profitability in the short-term is expected to be a challenge because of poor market conditions for oils at this time, but the operations should represent a good opportunity as markets improve. The group's roasting operations results have improved as the business is being repositioned to do more bulk sales to generate the volumes needed to

make the plant run more efficiently and as a result of a rationalization of existing retail sales customers and distribution.

We are concerned with the quality of the 2009 crop that is to be harvested across SunOpta's North American production area. A cool summer and extremely wet fall resulted in corn, soybean, and sunflower maturing late, and will create reduced yields and quality. With a large part of the crop still in the fields, it is difficult to predict what the final quality and quantity will be, but, if the wet weather persists and crop quality deteriorates, increased operating costs and lower product yields will have an impact on operating margins.

The SunOpta Ingredient Group's operating income in the third quarter of \$2.9 million was well ahead of the \$700,000 last year, and year-to-date operating income of \$5.6 million compares to \$2.3 million reported last year. The record operating income was primarily caused by higher margins resulted from improved pricing, process improvements, and cost reduction programs, as well as reduced cost for caustic and natural gas.

Sales improved in the quarter due to the impact of new contracts and were ahead of last year, but year-to-date sales are still lower than previous year. As we discussed last quarter, we expect the sales from new contracts will have a positive impact on our financial performance, going forward. Although we expect that increased costs and competitive activity could create some pressure on our margins in the months ahead, the market for fiber products is expanding, and we expect operating results will continue to be quite strong in this division.

We continue to focus on innovation to develop new products and are working collaboratively with our customers to develop strategic relationships. These two areas are key to our long-term future success.

The SunOpta Food Group had a quarter--third quarter operating loss of \$1.7 million compared to a loss last year of \$1.1 million, and a year-to-date loss of \$2.3 million compared to a loss last year of \$7 million. The current year's quarterly losses include approximately \$2 million in costs due to the rationalization of our product portfolio and the resulting cost to liquidate inventory, and the year-to-date numbers include \$3.2 million, including product rationalization, plant and office severance and closure costs.

Sales of frozen fruit in the quarter were \$7 million below last year and reflect overall sluggish demand from traditional retailers in this category caused by the economic downturn, a loss of market share at the club and discount stores, and an abundance of fresh summer fruit at very low prices. As discussed last quarter, we have purchased equipment to be able to service the club and discount store channel and expect to see a positive impact on sales starting in the first quarter of 2010.

We are also working with our traditional retailers to lower their relatively high retail prices to drive promotional activity and sales to counter the trend to these other channels. The lower prices of fresh fruit in the quarter also led to lower selling values for older inventory and resulted in the additional product disposal costs I mentioned earlier. The lower frozen fruit sales also resulted in more inventory on hand than we had planned at the end of September, and the team has adjusted production and purchases to bring our inventories in line with targets by year end.

The frozen fruit results were disappointing, but when we factor out the costs relating to product rationalization and inventory liquidation, as well as severance and other restructuring costs, there has been a significant improvement. We are continuing our efforts to restructure the frozen food operations and remain confident we are creating a business model which will deliver acceptable returns on investment. Sales demand is still an issue, but the focus on category management of existing retailers, new product innovation, and new sales to the club store and warehouse channels should produce improved results.

On the positive side, the processed fruit ingredient operations had record sales and profit in the second--in the third quarter as a result of margin improvement and processing initiatives, as well as the return of our focus to our core competencies, which resulted in sales of new products to existing customers. We expect this operation to continue to perform very well, with solid growth opportunities.

The improved performance in the healthy fruit snack operations continued into second quarter--in the third quarter, excuse me--and operating income continues to be well ahead of last year. The turnaround is being driven principally by improved plant operations resulting from our PEP initiatives, as well as lower raw material and utility costs. We are presently working on new product innovation ideas arising from our Blue Ocean strategy sessions, and we believe that healthy fruit snacks have great potential for kids, teens, adults and seniors markets, and these products will be at the center of our innovation and marketing efforts next year.

The SunOpta International Sourcing and Trading Group's third quarter operating income of \$400,000 is improved from the first two quarters, but still behind the \$1.2 million achieved last year. Year-to-date, the operating loss of \$800,000 compares to an operating income of \$3 million last year. The results in the quarter reflect a much stronger performance from our operations in Europe, offset by continued weak performance in the United States.

Margins in Europe have improved as the issues related to quality and suppliers renegeing on contracts that occurred in the first two quarters are now behind us and as a result of improving market conditions. Sales of Ethiopian organic fair trade coffee improved in the quarter, but were still behind last year, though we expect to be ahead by year end. We also commenced operations in October at our joint venture sesame seed hulling facility in Ethiopia and should see sales late in the fourth quarter.

Sales and margin in the quarter and year-to-date for industrial organic ingredients in the United States continue to be lower than last year due to overall reduced industry demand. Year-to-date, our sales of our private label products continue to be ahead of last year due to increased sales to the club store channel, offsetting generally lower sales to the traditional retail channel.

We are continuing our efforts to leverage our strong sourcing platform and are working on a number of new private label products which will take advantage of our core expertise in organic juices, coffee, cocoa, agave and other products. As reported previously, inventories are a primary focus for the international sourcing and trading team, and we have changed our protocols to avoid the issues which led to excess inventories and quality issues in the past. Inventories at the end of September were 17 and a half million dollars lower than last year, and we expect further reductions by the end of the year.

Overall, we are encouraged by the improving picture for organic products in Europe and the potential for some of the new products we are working on, although we expect some challenges in the short-term as we continue to reduce inventories. The SunOpta Distribution Group reported an operating loss of \$800,000 in the third quarter compared to an operating income of \$1.6 million last year and a year-to-date operating loss of \$400,000 compared to last year's operating income of \$8.3 million.

Sales in the quarter and year-to-date are below last year due to reduced demand as a result of the economic downturn. The decline in earnings is being caused primarily by operating results in Purity Life, our natural health products division, and some issues at the Ontario food operations. During the quarter, we continued our efforts to enhance our national distribution platform in the food operations to reduce the number of SKUs and to increase our focus and consistency across the country.

The food distribution and Purity Life operations continued to incur costs related to write-downs and liquidations of inventory, as well as excess spoilage, as we continue to aggressively rationalize our

product portfolio. The costs related to these various factors--\$700,000 in the quarter and \$1.5 million year-to-date. We are also restructuring our sales and marketing approach to organize our efforts around product categories and are developing category management expertise in our sales teams.

Another major factor is, of course, the cost associated with our investment in the branding initiative for the Vivitas, Quest, and Herbon product lines. The third quarter results include one and a half million related to listing fees and marketing costs, discounting to retailers to move products with old packaging on shelf, and to rework costs associated with product returned from distributors and retailers. Year-to-date results include \$2.7 million related to these costs.

The product launches continue to be exceptionally well received by retailers, and the Vivitas and Herbon online campaigns and the Quest TV campaigns are creating momentum with consumers. I would encourage everyone to visit the www.getyourherbon.ca, and www.ourlifefnaturally.com websites to get a firsthand look at some of the creative features of these campaigns.

We continue to believe that the re-launches and the branding investment are the right things to do and that we will see strong benefits coming out of this year. The brands were in need of revitalization, and we believe that we would have not fared very well through the tough economic times had we not invested in them. Unfortunately, the impact of the poor economy in our sales overall and issues with some of our distributed brands, as well as the costs I described earlier, have all combined to create a less than positive result in 2009.

Although progress has not been as fast as we would've liked in all areas, we are confident that the SunOpta Distribution Group is moving in the right direction. The recent rise in the Canadian dollar should also improve our product costs and provide an opportunity to both lower prices to customers to spur demand and improve our profit margins.

On a final note, we are making good progress in all the divisions with our Process Through Excellence Lean Enterprise Program. A culture of continuous improvement is beginning to take hold across the Company, and we are achieving significant costs and working capital reductions. We are also investing in training for our sales teams in category management skills and believe that excellence in this area is the key to success in many of our divisions.

We remain confident that our core food operations are well positioned. As we continue to restructure and rationalize our operations, and as we realize improved margins through our continuous improvement programs, we remain confident that we will take full advantage of the trends toward health and wellness and generate superior returns for our shareholders.

Steve?

Mr. Steve Bromley: Great. Thanks, Tony.

In closing, the last 18 months have certainly been a challenging time for our industry, perhaps some of the most difficult times in memory. Having said that, it has certainly been a time for our organization to invest in our people and processes to focus on cost control, productivity improvements, improved asset utilization, improved use of working capital, and reduction of debt, all keys to our future success. We are implementing Process Excellence through People, a continuous improvement process across the organization, and these efforts continue.

We have implemented Blue Ocean strategies in an effort to grow our markets and broaden the applications for our products and services. We continue to reduce our use of working capital and debt through improved and rationalized working capital practices. We have renegotiated our syndicated

banking facilities, resulting in increased long-term flexibility and lower interest rates, and this all positions us well for the future.

While we have made improvements, we believe there is still much that can be done providing continued improvements to improve our profitability. The tough economic conditions we have experienced are expected to gradually improve over time, and we will be well-positioned as this happens.

On that note, we'll finish off and turn the call over for questions. Thank you.

Operator: If you would like to ask a question, please press zero-one on your telephone keypad. Again, to ask a question, please press zero-one. Again, if you would like to ask a question, please press zero-one on your telephone keypad. Again, to ask a question, please press zero-one.

Our first question is from Chris Krueger. Go ahead, please.

Mr. Chris Kreuger: Hi, good morning, guys.

Unidentified Man: Good morning.

Mr. Chris Kreuger: Hi. Can you talk a little bit more about facilities that you maybe closed or consolidated and if there's potential for more of that to occur in the coming months?

Mr. Steve Bromley: Sure. Well, you know, over the course of this year, we have closed a number of facilities, you know, all focused on streamlining costs and, you know, improving our profitability. So, you know, we've dealt with the fruit operation earlier this year in Salinas, California. We closed a trading

office in the fruit business in North America. We've closed some offices in Europe, as well, that we were able to streamline.

And then this quarter, of course, we were able to consolidate the Appleton, Wyoming facility into Modesto and take down for the final time the Bertha, Minnesota facility, drying facility. So, all of those operations have been consolidated into other existing facilities.

And it's an ongoing process, Chris. I couldn't today tell you that--you know, the specifics of what others would be, but, you know, we're continuing to work really, really hard on operations. Obviously, on the fruit side, we're continuing to really, really focus in that area.

So, when the opportunities present themselves, we're certainly going to continue to streamline. Of course, the goal of these is always to improve our facility utilization, improve our costs, and improve our delivery of services to our end customers. So, you know, Tony and his team on the fruit side are, you know, working around the clock on a lot of these initiatives, and, you know, I would think it's reasonable to assume that there should be more of these opportunities as we go forward, and, you know, we'll take them when we can because it's better for our cost base.

Mr. Chris Kreuger: Okay. Then, on your distribution business, I believe I've heard in the past that some new kind of IT systems or inventory tracking systems have, I think, been installed in the Western region, and I heard there's talk that that is coming in the Eastern region. Can you guys talk a little bit about that and what that could mean?

Mr. Tony Tavares: Yeah, we're in the final stages of converting the Ontario distribution operations to an IT system called Retailix. It's, you know, specific to the distribution business. We've had good results

with it in our Western operations, basically perfected the use there, and are now sort of getting ready to take it into Ontario, and then eventually into the other warehouse operations.

I assume that was what you're referring to. We expect to do that by the end of the year.

Mr. Chris Kreuger: By the end of '09?

Mr. Tony Tavares: '09, yeah.

Mr. Chris Kreuger: Okay.

Mr. Tony Tavares: And then Ontario, and then the other operations next year.

Mr. Chris Kreuger: Okay.

Mr. Tony Tavares: That will be the only platform, other than the Oracle platform, by the end of next year, end of business pretty much. So, we've consolidated and streamlined all that.

Mr. Chris Kreuger: Okay. You talked on a little bit on the call about other, I think, aseptic product categories that you're looking into. Can you just give us a little bit of an update as to where you're at there beyond soymilk?

Mr. Tony Tavares: Yeah, we've--we have current opportunities. I guess that's as much as we can say on--in the soup area. And that's why we--you know, we're installing that filler equipment out--Alexandria. So, that's the--you know, the most significant one in the other areas. And we have, again, opportunities, current opportunities, with a couple of major retailers on the soy line and a number of

projects that are very imminent and a few others that look very good but, you know, are a couple of months away.

Mr. Chris Kreuger: Okay. And then last, what--just across the business, what are the concerns maybe related to deflation? I know commodities made a huge run-up last year and have fallen off, and just wondering where you're at there and how much of an effect did that have on the grains and foods in the most recent quarter?

Mr. Tony Tavares: The impact on grains and foods in terms of soy and shelled sunflower were all very positive. The other areas, you know, continue to be--that I mentioned continue to be stressed. The oil one is probably the one that is going to take a little bit longer to come out of. There's--we got plants coming up. We expect to operate at about break-even. But, the ones I don't really feel today are going to have much of an impact on our operations.

Mr. Steve Bromley: Yeah, I would agree.

Mr. Tony Tavares: Steve, you agree with that?

Mr. Steve Bromley: Yeah, I think I would agree with you.

Mr. Chris Kreuger: All right. That's all I got. Thank you.

Unidentified Man: Thanks, Chris.

Operator: Our next question is from Bob Gibson. Go ahead, please.

Mr. Bob Gibson: Good morning, everybody.

Mr. Steve Bromley: Hi, Bob.

Mr. Tony Tavares: Morning.

Mr. Eric Davis: Morning.

Mr. Bob Gibson: Okay, I just went on that website, getyourherbon--.

Mr. Tony Tavares: --Um-hmm--.

Mr. Bob Gibson: --And checked out the Rockhoppers

Mr. Tony Tavares: Yes.

Mr. Bob Gibson: Now what sort of stores are you in right now, 'cause I haven't seen them.

Mr. Tony Tavares: Yeah, they're in--there's pretty good distribution. I can't--I'm sitting here, and I'm drawing--I'm having--.

Mr. Steve Bromley: --Shoppers--.

Mr. Tony Tavares: --Yeah, Shoppers and others. I'm not drawing--a bit of a senior moment, but you're going to see them across the board. They're probably going into store as we speak now. The distribution

piece there--I'm surprised there isn't a reference on that website. I can certainly get back to you on specifics. I don't have it in front of me right now--.

Mr. Steve Bromley: --Bob, I was in my Shoppers Drug Mart on Sunday, and they're now in there.

Mr. Bob Gibson: They are, eh?

Mr. Steve Bromley: Yeah.

Mr. Bob Gibson: Excellent, excellent.

Mr. Steve Bromley: Yeah. That's a great product.

Mr. Bob Gibson: Okay. And then further on the distribution business, can you give me any color as to how much FX hurt that group?

Mr. Tony Tavares: I mean, year-to-date it certainly hurt the group towards the end of last year, and as we started this year, when the dollars sort of went the other way. And now, as sort of the Canadian dollar is coming back, we're--we expect to recoup that. It takes a couple of months, obviously, for the impact to hit our inventories. You know, it's really as we replace the U.S. purchase product that we get the lower cost kick-in.

But, I'd say this year--probably relatively neutral. The first quarter would've been the biggest impact, and then, going forward, we expect to turn it into a positive.

Mr. Bob Gibson: And on stuff you buy from Europe and stuff, is that priced in euros or U.S. dollars, or what's the translation there?

Mr. Tony Tavares: It's really all over the map. I mean, the European operations--there's a fair amount of their business that's done in euro, but a lot of it is purchased in U.S. I mean, generally, currency--the U.S. dollar, you know, being at a lower value helps us for the most part.

Mr. Bob Gibson: Okay. And can--I might have missed it, but can you give me any color as to what this new credit facility is going to do to rates, like order of magnitude?

Mr. Eric Davis: Sure. It's Eric. What we've got is the two main facilities in there, the \$80 million U.S. and \$20 million Canadian that replaced the previous operating lines, and our two acquisition facilities that we had. So, all that's been combined up into there. The reductions, you know, will take us down about 2, 2 and a half percent from where we are currently across on the board on there, and, of course, you know, we've got standby charges on those. That's--but we had those in the past also that'll vary somewhere between zero to three-quarters of a percent depending on how much GAAP we've got.

And as of right now, you know, with our borrowing facilities sitting at about \$100 million, we've got about \$45 million for the Food Group.

Mr. Steve Bromley: Capacity.

Mr. Bob Gibson: Okay, that--.

Mr. Tony Tavares: Yeah, so the net benefit's about 2 percent...

Mr. Eric Davis: --Two and a half percent--.

Mr. Steve Bromley: --Yeah, net--two, yeah.

Mr. Bob Gibson: Okay. And the \$700,000 Purity Life write-down and stuff, is that part of the \$1.5 million re-launch and revitalization, or is that separate?

Mr. Eric Davis: It's separate.

Mr. Tony Tavares: Yeah, it's separate.

Mr. Steve Bromley: We didn't include it. We didn't include that.

Mr. Tony Tavares: Yeah, that's sort of over and above. As we, you know, take inventories down, you know, we're incurring some of these costs.

Mr. Steve Bromley: But, we haven't included those in the--.

Mr. Tony Tavares: --No--.

Mr. Steve Bromley: --In our adjusted earnings.

Mr. Tony Tavares: Excluded.

Mr. Steve Bromley: Yeah, so they're excluded.

Mr. Bob Gibson: Yeah, yeah, okay. And I guess one sort of [unintelligible] thing is the goodwill write-down. What prompted that? Can you give me a little color?

Mr. Steve Bromley: Yeah, you know, there's a--there's just a series of tests that you go through now to verify goodwill on the balance sheet, Bob, and, you know, there's a number of tests. But, in simple terms, you take a look at the discounted cash flow to the future of your--of a number of different operations versus the asset value that you have, and they're given the--and you--you know, given the economic downturn, a lot of the projections needed to be, you know, dramatically tempered.

And given that, you know, there was a goodwill in certain of the operations that need to be written down, and, you know, it was just in minerals, but, you know, it needed to be written down, and it's been pretty common in most of the businesses that are in that particular sector.

It's really hard. Even though you'd like to, it's really hard to project that you're--you know, with the steel industry, it's run at about 30 percent of historical rates. It's pretty hard to put projections out there that suggest it's going to return to 100 percent over a short period of time, so it creates a lot of stress on those calculations, and it's prudent to take those write-downs.

Mr. Bob Gibson: --Yeah, okay. Thanks, guys.

Mr. Steve Bromley: Oh, Tony wanted to say something.

Operator: Our next question--.

Mr. Tony Tavares: The curiosity on that one is that as, you know, the OptaMinerals sort of, you know, returns to profitability when all their things were--you know, is the time where we write off goodwill, but that's the accounting rules.

Mr. Steve Bromley: It's the way accounting works.

Mr. Tony Tavares: I'm giving up my

Mr. Steve Bromley: Thanks, Bob.

Operator: Okay, our next question is from Ed Aaron. Go ahead, please.

Mr. Ed Aaron: Thanks. Good morning.

Mr. Steve Bromley: Hi, Ed.

Mr. Ed Aaron: Hey. So, I actually wanted to follow up on the earlier question about, you know, some of the different restructuring programs and the outlook for that. You know, your--when your business has a lot of moving parts--so, it's hard to conceptualize--you know, what do you--number one, what these projects are going to mean for your numbers, but then, number two, you know, how long they might persist over time, 'cause I think, you know, you have, just if I look at your 10-K, I think somewhere in the neighborhood of 50 different properties listed.

So, I mean, as we're thinking about sort of differences between GAAP earnings and adjusted earnings over the next couple years, I'm just trying to get a little bit of a forward look there to understand, you know, how long we might see that gap.

Mr. Tony Tavares: Yeah, I--all of us aren't too pleased that we still have to report, you know, these adjusted earnings. And I guess a real quick answer is that we expect to continue to restructure and have a bit of that. Certainly in the fourth quarter there'll be a little bit more. But, expect very, very little of it going forward after 2010.

You know, we've got a solid--you know, solid plans and ideas as to what we want to do in the quarter, just haven't pulled it yet, haven't done it, and are working on a few initiatives that will help. All of these things, going forward, will add millions of dollars, we believe, to our bottom line.

Mr. Ed Aaron: Okay, thanks. And then, you know, you had some nice results from grains and foods and ingredients this quarter. So, it seems like, operationally you've got those divisions, you know, roughly where they need to be. You know, just trying to--I'm trying to understand a little bit better. You know, what has caused the operations in those divisions to improve faster than the others?

Is it entirely a function of demand trends being better, or is the pace of operational improvement in those businesses just faster than the other divisions? And if so, you know, what causes the other divisions to--what's caused them to lag, and what would cause them to catch up?

Mr. Tony Tavares: Well, I say that the grains and foods just continued, you know, strong performance from prior years, so they've been a consistent performer for quite awhile. The ingredients division, it's a combination of factors. You mentioned--we--you know, there's--most of it is sustainable. We believe it's pretty much--majority related to process improvements, cost reductions, a lot of the impacts of the overall programs we've spoken about.

The others--there have been major progress in other divisions. I mean, the healthy fruit snack and the processed fruit operations, compared to last year, there's been a major turnaround in those two. Unfortunately, as we've sort of really worked through the--you know, the issues in the frozen--that's hidden, you know, for a quarter or two, but you'll continue to see those. I think those are on good footing.

The Tradin operations have rebounded nicely. The European trading group operations have rebounded nicely, and there's--a lot of it is caused by market improvement, but there's been a change and improvement in the way we manage the business, how closely we follow contracts and margins, attention to detail on inventory. All of that has contributed.

So, we still have--there's been improvement in a lot of areas. There's still a couple that we're working through, and we're confident we'll get there real soon.

Mr. Ed Aaron: And then lastly, just on the factory in Colorado, if I heard your prepared remarks correctly, it sounded like maybe that the--in the near-term, anyway, the demand wasn't--isn't going to be as good as what you might've expected. And, you know, I guess it concerns me a little bit, 'cause just--you know, to see adding capacity in an area where the demand isn't materializing like you thought. Just from a return on capital standpoint, it seems like a bit of a risk there.

Could you maybe just give us a little more clarity on what's causing that short-term demand pressure and whether--you know, and why it's entirely a short-term issue?

Mr. Steve Bromley: Yeah. Well, first off, Ed, you know, demand is--you know, we were having all of this product processed by third parties, and so, you know, establishing our own operation became very

important for us, you know, in this industry given, you know, our ability to hold on to a number of people doing cold-packing for us.

The market's been pretty heavily flooded with a lot of expeller-pressed and non-GMO oils, not on the organic side so much. Demand is good on the organic side. It's more just the non-GMO expeller pressed. That was further complicated by cost--you know, raw input costs. We still believe that long-term, you know, as we move to healthier food products, we're going to need to move to healthier oils as well.

So, it's a little bit consistent with, you know, some of the other economic--or sort of shifts that we've seen in these economic times, but, you know, we're certainly comfortable long-term, and I know--Tony, did you want to--?

Mr. Tony Tavares: --Yeah, I think, you know, just to put it in perspective--expectation is that we're going to break even in those operations for--you know, for a few months rather than start off out of the starting gates with a solid profit. So, it's not going to be a drain. I guess that's one point that I'd like to make.

And then longer-term, as Steve mentioned, more and more as people understand the differences between the alternative hexane extraction and all that means and, you know, the unnaturalness of that process versus, you know, taking a product and squeezing the oil out of it, we think there's good potential here. Unfortunately, we're coming to market at a time where commodity prices aren't great, but that's not expected to last long-term.

Mr. Ed Aaron: Thank you.

Mr. Steve Bromley: Okay, thanks, Ed.

Operator: Our next question is from Scott Van Winkle. Go ahead, please.

Mr. Scott Van Winkle: Hi, just one real quick question. I think Tony talked about a culture of continuous improvement in the organization. And I wonder if you can expand on that. Have you changed compensation for, you know, divisional managers and things of that nature now in an environment with a lack of organic growth for organic--is--you know, is--are margins and returns in invested capital driving everyone's compensation, or how do you make sure that culture stays that way?

Mr. Tony Tavares: Well, we definitely made changes to our bonus plans to--you know, to focus them predominantly on their return on net assets. So, that was a key change that we made last year and certainly is helping. But, the way I described their process, we have a company-wide infrastructure that we're creating, an infrastructure, you know, without additional costs.

We've got a Steering Committee leading up this process with representatives from across the various divisions. We have a continuous improvement champion at each one of our locations. We have ongoing training sessions, all sorts of projects that are started, implementing sort of daily accountability process across all the operations.

This thing is a very formal process. You know, the majority of the investment is time and training, and it's really getting people to--or providing them a forum, you know, for that good idea, those good ideas to come out, and for them to focus on improving operations. That's becoming a part of everybody's job.

So, there's a long, formal process, you know, internal consortium of those groups. We have--we're participating in external consortiums with other companies we don't compete with. This Lean is really a

movement, and there is very few companies in the end that get it right and that, you know, make it sustainable, but we're quite confident we're going to be one of those few that do it.

So, it's off to a good start, but just the beginning. This thing never ends. So, I don't know if I answered your--.

Mr. Scott Van Winkle: ...ah...

Mr. Tony Tavares: --Question, but it's a formal process within the Company.

Mr. Scott Van Winkle: Yeah. And does that include--so it certainly sounds like, you know, kind of a management level at each division pushing down. But, does that also include things like, you know, integrating a sales force between two separate operating segments that call on the same customers, and-- or is it more on the procurement and process side, or we haven't just gotten there yet?

Mr. Tony Tavares: It--no, it is across every single part of a function of the business, from finance through sales to Q/A to production to administration. I mean, we have ongoing projects in all those areas. On the sales side--I mean, the consolidation--we have a strong process internally where the senior sales folks get together monthly on a call, talk about opportunities, talk about how to leverage contacts, taking common approaches to the big customers. So, we have all those things in play, as well, and so it's much, much more than just production.

Mr. Scott Van Winkle: And last question. What's--what are the numbers for global staffing or employment at SunOpta maybe relative to the beginning of the year, a year ago? What's been the trend, or if you have the absolute change in the number of employees?

Mr. Steve Bromley: We've reduced 230 positions--.

Mr. Tony Tavares: --Yeah. .

Mr. Steve Bromley: --Sixty salaried and 170 hourly approximately, Scott. They bounce around, but-- and I'd say that our complement at this stage of the game is around 2,250.

Mr. Scott Van Winkle: Great. Thank you very much, guys.

Mr. Steve Bromley: Take care, Scott.

Operator: Our next question is from Keith Howlett. Go ahead, please.

Mr. Keith Howlett: Yes On the \$10 million annual cost savings, would--how much would you have seen built into the numbers this year, as opposed to the go-forward run rate of \$10 million?

Mr. Tony Tavares: Yeah. We've got a good third of it sort of already in, another third that's sort of, you know, definitely within sight, and then we build on that, and we simply cover off the third and the last quarter. A lot of these things--remember that, you know, the program and the initiative really started earlier this year. It takes a while to get off the ground, and it's cumulative. So, there's--I don't know--by the end of the year we'll call it half, maybe.

Mr. Steve Bromley: In the P&L, yeah.

Mr. Tony Tavares: Yeah. And you'll see a lot of it is in--if you look at the ingredients division and the healthy fruit snacks operations, I'd say that's where the bulk of this--you know, the solid, realized stuff is

right now, and there's pieces everywhere, but those two account for the largest part of the realized ones so far.

Mr. Keith Howlett: And do you--with, obviously, the program of continuous improvement, you'll keep looking, but do you think you would have a target of that scale for 2010, or is--be more incremental on top of the \$10 million?

Mr. Tony Tavares: It's going to be incremental on top of the \$10 million, and the values we're trying to instill in everyone--you know, again, without driving people crazy and making them tense and nervous--is that it's never enough. You lock it in. You lock in a standard best practice. You look for the next opportunity.

So, I can tell you that, you know, it's had a good impact on, you know, certainly the working capital reduction, and we're very confident here. It'll be quite impressive as time goes on and this cumulative effect takes hold. But, next year--we haven't set specific targets yet, and it's not something that's necessarily typical.

Operator: Our next question is from Kim Johnson [sp]. Go ahead, please.

Ms. Kim Johnson: Hi, good morning, guys.

Mr. Steve Bromley: Hi, Kim. How are you?

Ms. Kim Johnson: Good, thanks. Just wondering if you can comment a little bit on margins in the Food group in particular. I know you can't really give guidance, but, thus far in the quarter, are you seeing margins kind of staying the same, or any improvement?

Mr. Steve Bromley: How best to answer that?

Mr. Tony Tavares: Yeah. I mean, in general, the economic conditions are improving, so certainly, where we've had issues in, you know, the organic area, we're seeing some uplift in that. The other ones, you sort of take it one-by-one. We spoke about distribution, you know, the currency and, you know, the initiatives--we're going--we should see improvement in that. The--you know, we expect to see improvement in that.

Ms. Kim Johnson: Um-hmm.

Mr. Tony Tavares: The Purity Life operations, certainly going into next year, the impact of the branding spend and the uplift in branded sales should provide a lift to margins, as--and in distribution, both Purity--and their just focusing on fewer SKUs should help as well.

Ms. Kim Johnson: Right.

Mr. Tony Tavares: So, the other businesses--grains and food--we continue to expect them to perform well, some margin pressure depending on how--I guess how poor the crop ends up being. It's not going to be a huge issue, but, you know, don't expect it to be a positive in that case.

Ms. Kim Johnson: Right. Do you think you can maintain the current target that you have for this, ingredients and the grains and foods?

Mr. Tony Tavares: I'd say it's--it remains a reasonable target--.

Ms. Kim Johnson: --Okay--.

Mr. Tony Tavares: --Remain a reasonable target. And then, on the ingredients side, no doubt this last quarter, yeah, we continue to have some spectacular months. There's a lot of good things happening there, most of it sustainable, but we expect some of the cost to--you know, to tick back up. So, those might come off a little bit--still expect to be well ahead of what we've established as targets. So, overall, it's a--I say we're--Steve, we're fairly positive that margins will improve, short-term.

Mr. Steve Bromley: Yeah, absolutely.

Ms. Kim Johnson: Okay. That's it for me. Great, thanks, guys.

Mr. Steve Bromley: Okay, thanks, Kim. I apologize we're running ...over the hour that we set aside. We'll try and take a couple more calls here.

Operator: Our next question is from Ron Polack. Go ahead, please.

Mr. Ron Polack: Good morning.

Mr. Steve Bromley: Hi, Ron.

Mr. Ron Polack: Hi. Can you provide an update on the CMEC feasibility study?

Mr. Steve Bromley: Yeah, it's proceeding. We're working at the pilot scale at this stage of the game in our pilot facilities in both Waterdown and here in--Waterdown and here in Norval [sp]. The work

continues, and I'd say we're a few months behind, so it's probably in the first quarter of next year where we get to the next go/no go stage game.

Mr. Ron Polack: Okay. Anything new on the Abengoa arbitration?

Mr. Steve Bromley: Abengoa arbitration? Oh, yes. We--the second week of the arbitration took place the week of October 19th, so all the arbitration is now completed, and the arbitrator has committed to come back with a final decision by no later than February 1st.

Mr. Ron Polack: In Bioprocess not too long ago, it was said on a conference call that you guys were going to stop talking about China because of all the delays in closing on contracts.

Mr. Steve Bromley: Yeah.

Mr. Ron Polack: You brought it up again today. Does this mean there's reason for renewed optimism?

Mr. Steve Bromley: Sure. Yes.

Mr. Ron Polack: Can you--?

Mr. Steve Bromley: --No, no, all right. Look, it--there's--you know, we--we've been spending time there, and it's--I think it's only fair to say that we're still spending time there, and we're still working to move a few projects along, although we're not saying much about it because we've said it before, but yeah, there's good interest still in China.

Mr. Ron Polack: Anything new on the large oil company partnership possibilities?

Mr. Steve Bromley: The large oil company possibilities--there are a number of large oil companies that we're having discussions with who, obviously, are looking to capitalize on the move to cellulosic ethanol and their need to be involved in cellulosic ethanol. And so, we're having discussions with a number of those players as part--you know, as potential partners, or also as suppliers of equipment and technology.

Mr. Ron Polack: Um-hmm. Let's say the CMEC feasibility study gives you a green light. Can you discuss the current capital market and how long you think it could be before the lending atmosphere makes it possible to get funding for a project?

Mr. Steve Bromley: Well, any project like that's going to require government funding--.

Mr. Ron Polack: --Um-hmm--.

Mr. Steve Bromley: --You know? So, there's a number of DOE programs and other programs that are available, both at the local, state, and also at the federal level, and it has to--any project that moves forward has to be a combination of both private monies and government money. I'm not so sure that they're--unless you're a big oil company, that you can do that on your own. You have to have some government money. That's what we're seeing. That's what we're seeing, and most of the projects that are moving anywhere.

Mr. Ron Polack: Is that process mature, or does that process start with the government once the feasibility study is done?

Mr. Steve Bromley: No, there are various steps, and so, no, you don't wait until the feasibility study is done.

Mr. Ron Polack: Okay. Last question. You haven't provided revenue and earnings guidance in some time. Is this now a permanent policy, or will guidance start to be provided some time in the future, and if so, what would it take for you to start providing guidance again?

Mr. Steve Bromley: No, you know what? We--what we indicated was that--look, it--you know, with this year being as economically volatile it was, combined with, you know, our focus on, you know, really streamlining and rationalizing and implementing processes across the Company, we didn't feel it was appropriate. As the economy stabilizes and we're clear on where the external world is going and we stay--we continue our process internally, I'm quite sure that the day will come where we'll provide guidance again for sure.

Mr. Ron Polack: Great. Thank you.

Mr. Steve Bromley: Yeah. Okay, take care. Maybe we have time for one more, one more question?

Operator: Our next question is Ronald Emmerman . Go ahead, please.

Mr. Ronald Emmerman: Hi. Good morning, gentlemen. And Steve--.

Mr. Steve Bromley: --Hi, Ron.

Mr. Ronald Emmerman: Steve, this is directed primarily to you. Recently, and certainly currently, there's been a very strong emphasis on your current bottom line, a strong belt tightening. With that thought in the background, I'd like to talk about your thoughts on any expansion.

With that in mind, what are your plans for any new plants or new lines, new products, acquisitions in the hopper? What's your attitude about future acquisitions and the time factor on any or all of the above?

Mr. Steve Bromley: Sure. Well, certainly, Ron, we're focused internally at this stage of the game, and there is a number of interesting internal growth opportunities. You know, the Modesto plant is now up and running. We had a very good start to that facility, and to be at a break-even position with a nice stack of business right now is great. There are huge--not huge--there are really solid opportunities to continue to grow in that business.

So, we see internal growth opportunities across all of the business units, and so we're continuing to focus on those. As we stabilize and get comfortable, and we're clearly getting very close to that, you know, and as our financial position continues to improve, you know, the day will come where acquisitions are the right things for us to do. I don't see us in the acquisition game in the short-term because we still have work to do internally in improving our margins.

But, it will come, and, you know, we'll be well positioned at that time to do so. But, I don't see us kind of turning our attention to that in a big way like we used to in the past for--you know, it's just not time yet. We're not there. But, you know, there are a number of good internal growth opportunities across the organization.

Mr. Ronald Emmerman: --When you speak of internal growth, is--.

Mr. Steve Bromley: --Yeah--.

Mr. Ronald Emmerman: --Have--does it have anything to do with taking on new lines, or--.

Mr. Steve Bromley: --Yeah, yeah--.

Mr. Ronald Emmerman: --Anything that you're not currently involved in?

Mr. Steve Bromley: Yeah. Well, for example, you know, we just announced about a week or so ago, Ron, that, you know, we've entered into an agreement with Best Cooking Pulses in Portage la Prairie, Manitoba, where they're going to produce pea fiber for us, and we're going to market and take that across our--you know, take that across to our customer base, you know, just growing our business without investing in our own assets and really partnering with people to leverage what others have. So, there are a number of opportunities like that.

Mr. Ronald Emmerman: Yeah, okay.

Mr. Tony Tavares: And I--just to add, I mean--and a lot of opportunities where we have programs, projects on--in the pipeline to invest. So, for example, in fibers, we have a couple very specific programs to increase our capacity at two of our facilities, and likely trigger one of them if the trend continues to be as strong as we expect as an example.

We have another project in the processed food line, you know, to add capacity there. They've had--you know, demonstrating a permanent capability, and, you know, that's in the design stage. Both those items we feel right now are as good as anything, as going outside.

Mr. Steve Bromley: Yeah,

Mr. Ronald Emmerman: Well, what concerns me--and it sounds, almost opposing your belt tightening situation, whenever you take on anything new, you're incurring some unexpected costs and some very

well-projected costs that work opposite--having the better bottom line. So, I just needed some clarification, and I'm not sure at this point, after hearing your response, that I've--I'm confident of which way you're going.

Mr. Steve Bromley: Right. Well, let me

Mr. Ronald Emmerman: --What I'm hearing is you might be going both ways. You're trying to get a bottom line, a better bottom line, but at the same time you're not opposed to incurring additional start-up costs for new lines or new products.

Mr. Steve Bromley: I'll go first, 'cause Tony and I are both chomping at the bit. I can assure you that, if we're going to add capacity at a fiber facility, the incremental capacity will be immensely profitable, okay? So, they're one and the same.

Mr. Ronald Emmerman: Okay.

Mr. Steve Bromley: I don't think there should be confusion.

Mr. Tony Tavares: Yeah.

Mr. Steve Bromley: We will take on these new opportunities and take on new lines and new product expansions based on the fact that--based--you know, adding to a already rationalized cost base--it will be immensely profitable. So, yeah, I can tell you, for example, if you go to any type of facility and you add more capacity because you're approaching capacity and if you can fill that capacity based on what you believe, that is--.

Mr. Tony Tavares: Yeah.

Mr. Steve Bromley: --All good.

Mr. Ronald Emmerman: Yeah.

Mr. Ronald Emmerman: All right.

Mr. Steve Bromley: Go ahead.

Mr. Tony Tavares: The--I--the only thing I'd add--I mean, obviously, the emphasis this past year has been to stabilize our operations and really create a model where you--you know, you can get to grow again, you know, fix what's there, improve what's there, and then use it as a base to grow. Generating shareholder--that will generate a certain amount of shareholder value. No doubt about it.

But, once you have that base, I mean, the way to really grow and get people to invest in the Company and really generate the returns, you know, we're looking to get--you have to expand. I mean, you--we can't cut our way to--you know, to record profits. You know, you cut to establish a base, then you grow from there.

And we're--as Steve was mentioning, we're approaching that point. We--but still focused internally, but we will cross that point where we're going to continue to use the base to grow and invest and go and buy other companies. That's going to come soon.

Mr. Steve Bromley: Yeah, well said.

Mr. Ronald Emmerman: Okay. Well, I appreciate your response.

Mr. Steve Bromley: All right. Take care, Ron. Nice to chat with you.

Mr. Ronald Emmerman: Same here. Bye.

Mr. Steve Bromley: Great. All right, that's it. All righty, that's it.

I just want to thank everyone for joining the call today, and appreciate all your support, as always. Feel free to call should you have any further questions. Thanks very much, and have a good day.