SUNOPTA INC.

Moderator: Steve Bromley
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Operator: Good day everyone. Welcome to the 2007 SunOpta, Inc. Earnings Update. Today's call is being recorded.

At this time, I would like to turn the call over to Mr. Steve Bromley, President and Chief Executive Officer. Please go ahead, sir.

Steve Bromley: Thank you very much. Good morning, ladies and gentlemen. Thank you for joining me on this special call today. I very much appreciate the opportunity to speak with you to provide an explanation of our projected financial results and to specifically update you on the issues that have led to these results, what we have done thus far to address these issues, what will continue to be done in the coming weeks and why we continue to be very confident in the future prospects and direction of SunOpta.

I am joined on this call today by Jeremy Kendall, our Chairman, John Dietrich, the company's Vice President and Chief Financial Officer, Joe Riz our Executive Vice President, and Ben Chhiba, the company's Vice President and General Counsel.

Before I begin, I would like to remind listeners that except for historical information, the matters discussed during this conference call may include forward-looking statements, including statements related to our 2007, 2008 and future operating results that may involve a number of risks and uncertainties that could cause actual results to differ materially. These risk factors are detailed in the company's filings with the Securities and Exchange Commission.

Let me start by addressing our projected earnings results. After a good start to the year, our earnings have been significantly impacted by specific issues within the SunOpta Fruit Group and SunOpta Bioprocess. These issues have led to significant writedowns in the range of $12 to 14 million before tax, or approximately 14 to 16 cents per outstanding common share. As a result, we estimate our earnings for the year will be in the range of 12 to 14 cents per outstanding common share, obviously dependent upon the completion of our year-end audit.

Let me be more specific with regards to these issues. First, the fruit group issues. The company has been successfully – been successfully implementing an Oracle operating platform across its food operations for the last number of years, and in this regard implemented the system within the SunOpta Fruit Group's berry operations in March 2007 and global sourcing operations in June 2007. The implementation within the global sourcing operations was successfully completed, but the transition within the berry operations proved to be much more difficult. Throughout the year, significant resources were dedicated to this conversion and transition, and in doing so, numerous changes were made in both internal processes and the personnel involved.

While it certainly appeared that progress was made throughout the year, our detailed internal year-end testing and analytic procedures, combined with the impact of untimely decisions regarding customer pricing, increased commodity and input costs and a shortfall in expected sales late in the fourth quarter of low-end strawberry bi-products for the industrial market have led us to conclude that existing inventories appear over-valued and need to be adjusted to realizable value.

At this time, we have determined that a reserve in the range of $9 to 11 million is required to write down inventories to net realizable value and allow for further items that may be identified during the completion of our analysis and year-end audit. We are continuing to work to finalize these amounts but feel it is imperative to communicate this issue to you, our investors, now. It is important to note that these numbers are preliminary, that we are in the midst of our audit and that we are in the process of finalizing all of our analysis in this regard.

On recently becoming aware of the potential magnitude of these issues, we have immediately implemented the following actions.

One, our external auditors have been notified, and we are currently working with them. As part of this, we are working to determine if the impact of these issues will have any impact on previous 2007 quarterly findings. We are assessing the controls and procedures that appear to have failed within the berry operations. In support of this effort, additional corporate finance and internal audit resources have been assigned to support this process.

Second, the company’s Audit Committee and the unanimous support of the Board of Directors has engaged an independent third party to immediately commence a full review of the berry operations, specifically focused on analysis of internal processes and procedures, systems, operations and go-to-market practices in order to review and assess the root causes of the issue and confirm the corrective actions which have been planned.

Third, the organizational structure within the SunOpta Fruit Group has been restructured and supplemented to insure proper focus and support for each of the key business units. Further assessment will be ongoing as internal processes are redefined. Chris Snowden, our former Vice President of Finance at Corporate Office, has assumed the role of Chief Financial Officer in the SunOpta Fruit Group, reporting directly to John Dietrich, our CFO. In addition, further senior financial resources are in the process of being put in place within the berry operations.

And fourth, a detailed operational and business turnaround plan has been developed and is being implemented within the berry operations to address the underlying issues that we believe may have led to the problems uncovered through our year-end procedures. This plan addresses a wide range of specific initiatives focused on customer pricing, plant efficiencies and controls, internal process improvement, inventory management and cost control. A number of these measures have already been implemented, including new pricing to address late-season commodity cost increases and immediate actions to reduce the levels of lower-value berry inventories.

We are confident that this plan and other initiatives will allow the berry operations to return to profitability, but there is no doubt that there is a great deal of work to do as we move past these write downs and improve current business practices.

We are continuing to address the cause and dollar amount of these issues and believe that we have outlined our best guidance and estimate given our current understanding at this time. The full magnitude will be assessed as we complete the year-end audit, as we work with our auditors and third-party consultants to determine the final impact as well as the impact on our financial reporting schedule. You have our commitment that we will update you on a regular basis in this regard and apologize that we will be limited in our comments as we work through this process.

Other than the berry operations, the Fruit Group’s global organic ingredients sourcing and supply operations performed very well throughout the year and fourth quarter, realizing revenue and earnings growth of approximately 30 percent and remaining well positioned for future strong growth and continued earnings growth as the demand for organic ingredients around the world continues to grow.

At Kettle Valley, our healthy fruit snack operations, we have been investing heavily in the new plant at Omak, Washington and have made progress in installing and commissioning the new equipment and increasing plant throughput. As these upgrades continue, the operations are starting to realize the efficiencies that were projected, and thus we expect at least $2 million improvement in operating earnings in Kettle Valley in 2008. We have a broad range of customers who are really excited about the new product lines at Kettle Valley, and we are confident that this business offers an excellent opportunity.

We truly do believe that we have built a unique and strategically important vertically integrated natural and organic fruit business with solid prospects for the future. But there is no question that the surprising developments have left us with work to do, and we intend to do this quickly and in a professional manner.

Now, let me deal with SunOpta BioProcess Inc.. In August 2005, the Bioprocess Group signed an equipment supply contract with Abener, a wholly-owned subsidiary of Abengoa Bioenergy S.A. to supply a steam explosion system and related equipment for use in wheat straw to ethanol demonstration facility in Salamanca, Spain. This demonstration plant was being constructed alongside an Abengoa, wheat kernel to ethanol facility, which, as we have learned, was at least temporarily closed several times during our contract period and is presently closed due to a combination of the high price of wheat feed stock and slower growth in the demand for ethanol in Spain versus expectation.

There have been numerous changes to the contract over its term, which have resulted in delays and cost increases in the production of the equipment, and for the last number of months, we have had significant challenges in working with the customer to bring the contract to conclusion and receive payment for the equipment and services which we have provided.

Also during the completion of this contract, it has come to our attention that based on external information in our own investigation, we believe that Abengoa's U.S. subsidiary, Abengoa Bioenergy New Technologies, ABNT, is using or planning to use our technology at other installations without regard to assigned technology development agreement, which clearly spells out each party's rights and our ownership of our proprietary technology. As a result, late last week we were forced to take legal action against ABNT to protect our intellectual property and recover costs related to this project.

Given the uncertainty of collection of amounts related to the Abener contract, we have decided to take a provision against the amounts due in the amount of approximately $3 million before tax, impacting our profit results by approximately 3 cents per outstanding common share. This is a one-time cost that we hope to be able to recover in the future, but for now, given our concerns over collectability and the impact of the outstanding legal matter, we felt it prudent to take the reserve. In the meantime, we will continue our efforts to bring this contract and the legal action against ABNT to a successful close in a fair and equitable manner, as we always have wanted to do, and we'll update you when appropriate.

In the meantime, SunOpta Bioprocess has made good progress in the further development of their technology, with a number of new patents filed and the additions of strong management to support the expected rapid growth. These resources include Art McEvily, PhD, the former president of the SunOpta Ingredients Group, whose expertise will be invaluable to this business, a new senior financial resource and several new technical personnel.

The group has been in detailed negotiation with two Chinese clients, who now have financial approval from the Chinese government, and pending detailed environmental approval, they expect to move forward with their projects in the coming months. As previously announced, we have signed a joint venture agreement with the Central Minnesota Ethanol Co-op to design and develop a 10-million-gallon commercial-scale cellulosic ethanol plant in Minnesota. In addition, we have a strong pipeline of additional projects. Most importantly, the group has preserved the capital that was raised in preparation for building and owning cellulosic ethanol production facilities. Given the timing of the projects in the pipeline, combined with continued investment spending and key development projects, SunOpta Bioprocess expects to realize improved operating earnings results in 2008.

As we look at our projected revenue results for 2007, these results confirm that we have a growing business in growing markets and which also confirm the underlying strong internal growth of our company. Revenue for 2007 will be just above $800 million, exceeding the top end of our revenue guidance range of 775 to 800 million and representing an increase of approximately 34 percent versus 2006. These results include an internal growth rate in our core food group operations of approximately 21 percent, our highest in the last number of years, and 18 percent this year on a consolidated basis. We see this as good news, and this gives us confidence that SunOpta can, and will, continue to grow.

It is very important to realize that the core of our operations continue to perform extremely well. We had excellent earnings results in the SunOpta Grains and Foods Group, in the SunOpta Distribution Group and in the SunOpta Ingredients Group. These businesses are all well positioned in their respective markets, with solid continued growth potential. The SunOpta Fruit Group is also strategically well-positioned, although there is no doubt that we need to address the issues that we have discussed.

Opta Minerals is a strong and growing company as well. Results in the fourth quarter fell short of expectation, due in most part to the cyclical slowdown in the foundry and steel sectors. However, the group did have a good year overall, and earnings contribution will be similar to the prior year. The BioProcess Group possesses great potential and continues to develop a strong position in the provision of proprietary fiber pretreatment and processing equipment and cellulosic ethanol technologies.

The SunOpta Grains and Foods Group realized record revenues and earnings for 2007. We can clearly the see the benefits of our vertically integrated grains based model, and we begin 2008 with 2007 crop harvests in very good shape. Commodity prices have risen partly due to the expansion of land usage for corn to ethanol; however, organic farmers are remaining true to their organic status, which precludes GMO corn for ethanol.

We had a record year in our vertically integrated soy business, have recently completed the expansion of our new soy concentrate plant at Heuvelton, New York. We are also expanding our processing and packaging capacity at the aseptic plant in Alexandria, Minnesota, increasing capacity by approximately 30 percent to meet the continued consumer customer growth. The group continues to pursue a number of new packaged soymilk opportunities based on this new and upgraded capacity. Demand for non-genetically modified and organic whole grains, grain-based ingredients and finished packaged products remain high as consumers continue to look for healthier eating alternatives and supply in tight global commodity markets, and thus, we expect to continue to expand our grains and foods operations to meet these needs.

As you have probably heard, the group had another fire at its sunflower operations located in Breckenridge, Minnesota. The fire appears to have been caused by an electrical failure, which destroyed a seed conditioning operation and warehouse used to clean seed prior to hauling in the facility's main building. In order to compensate for this lost cleaning capacity the main seed conditioning plant has moved to 24/7 production at this facility, and a redundant operation located nearby will be used as well. We do expect to be able to meet customer demand and will look to replace this lost capacity as soon as practical.

The SunOpta Ingredients Group also had a much improved 2007 versus 2006 with strong growth in oat and soy fiber and healthy ingredient systems. Significant cost reductions have been implemented, especially related to water utilization, and some exciting new product applications have been developed, including applications for fiber and dairy and meat products. The group will be launching a new dry processed fiber in the coming months and expects to realize strong growth in the application of organic (P710) soy fiber, formerly known as (okara). A number of organic food applications have been developed for this product, and we have started to shift existing supply away from organic feed and into organic food applications, significantly improving our margins on this product.

SunOpta Distribution Group also realized record revenues and operating earnings for 2007. These results were a reflection of the ongoing integration and cost rationalization initiatives, which have been a core focus of this group. During the year, the group successfully integrated the operations of Aux Milles et une Saisons, acquired in late 2006, and in doing so rationalized an existing Montreal distribution facility. In addition, the operations of Purity Life Health Products, the platform acquired in 2006, to lead the Distribution Group's expansion into natural health products was successfully integrated, including expansion of Western Canada warehousing and distribution operations and expansion of upgraded bottling and packaging capabilities.

Late in 2007, the group acquired the operations of Neo-Nutritionals of Brantford , Ontario, further expanding the group's vertically integrated processing and packaging capabilities in natural health products. In Western Canada, a new 100,000-square-foot grocery distribution facility was opened in mid-November, expanding grocery operations in the West by 40 percent, and a new state-of-the-art distribution software package was also installed successfully. The further expansion of frozen warehouse capabilities in Toronto was also completed during the fourth quarter to keep up with ever-increasing demand. The group now has revenues approaching 250 million, distributing over 22,000 products to in excess of 7,000 customers, all from first-class operations across the country.

Opta Minerals, Inc. will realize revenues of approximately 75 million in 2007, producing a net profit similar to 2006. However, results did fall off as the year progressed, especially in the last quarter, largely as a result of the slower steel industry sales and the negative effect of the decline in the Canadian auto industry, and reduced exports to the U.S. as a result of the higher Canadian dollar. Even so, the company is experiencing continued strong demand for abrasives in the U.S., particularly as a result of its new three-year exclusive agreement for Greek nickel slag, which is used for both abrasives and roofing granules.

In July 2007, Opta Minerals entered the European market with its acquisition of Newco A.S. in Slovakia, an operation producing desulfurization products for the steel industry very similar to Opta's operations in the U.S. and Canada. The plan is to broaden European sales through Newco, and Opta is also considering further strategic investments in Europe. With the downturn in the North American economy, and especially the United States, is having a cyclical impact, this business remains very profitable, with a strong operating platform in both North America and Europe and is well-positioned to capture future growth opportunities.

As a result of these issues, which we have discussed, we have decided to fully assess the short-term and long-term impact of the root causes of these issues, especially in the berry operations, on our annualized results before providing 2008 revenue and earnings guidance. This is ongoing and will be completed as soon as possible, and we will follow with prompt issuance of our guidance. We remain very confident in our strategic positioning and the future outlook for our business, including 2008 results, but feel it is most prudent to complete this analysis to insure we are as accurate for you as possible.

I wanted to say a few words regarding our previously announced intention to acquire Tradin Organics. We have completed our due diligence, and documentation is essentially complete, but closing will be delayed pending resolution of our internal issues and final approval from our lenders.

I would like to end this presentation by reconfirming our confidence in our business and a commitment to growing our 2008 revenues, margins, and most importantly profits. This is our primary focus. I cannot emphasize enough my personal disappointment with the issues that have led to these results. While I regret having to make this call, I wanted you to clearly understand our estimated results in 2007 and the actions that we have taken. In fast-growing companies, there may be issues along the way, and this is clearly one of those times. While I find this completely inexcusable, I am confident that we have a strong and vibrant company that will bounce back quickly and is in the process of doing that right now.

I would now like to answer any further questions that you may have, but I must remind you that as our 2007 financial results are preliminary and under review at this point, I will be restricted on what can be said with regards to specifics.

Operator: Ladies and gentlemen, if you would like to ask a question, press star one on your touchtone phone. To withdraw your question, press the pound sign. If you use a speakerphone, lift your handset before entering your request. Please stand by for your first question.

Your first question comes from (Scott Van Winkle, Canacord Adams). Please go ahead.

(Scott Van Winkle): Hi, thanks. A few questions, Steve, if you don't mind.

Steve Bromley: Sure.

(Scott Van Winkle): Can you give us some examples of what type of, you know, problems there were in the berry systems? I mean I understand where you're, you know, the kind of the big picture, but I'm trying to understand exactly how an issue could come up. Is it, you know, a transaction, is it was the inventory not connecting with the sales system, or can you just give an example?

Steve Bromley: Scott, I'll give you some brief examples, although we have to be – you know, I have to be honest and be careful here because this stuff's all under investigation. But, you know, at the end of the year, when the inventories were valued and compared to some of the net realizable values that could be realized on selling the products with a specific focus on a number of the byproducts, you know, this isn't sort of class one or Grade A products; these are the byproducts, such as purees and sort-outs that go into a number of industrial products.

You know, it appears at this stage in the game that they became over-valued as the year went along, and you know, as the year went along, it appears that, you know, the pricing may have dropped off in the market and our cost was a little high, and we find ourselves long and needing to write down to realizable values. That's an example, one example of the situation, and you know, there's a number of – as I mentioned, we were going through a systems conversion, and that further complicated the manner in how these costs rolled up ….

Male: And were allocated among various product types.

Steve Bromley: So you know, we have – we still have a lot of questions, Scott, on exactly, you know, how this happened. But, you know, we're working on it, John and I, on – John Dietrich and I finding, you know, having this come to light. Sort of on Friday of last week, immediately came to California, and we've been here all week, coordinating the effort to, you know, have this issue addressed as soon as possible, and we'll certainly learn more as we – as we go through it. But that's, you know, one example, and it's a fairly significant one in the overall issues.

(Scott Van Winkle): So it was a physical inventory that kind of, you know, tipped off that there was problems with the valuations?

Steve Bromley: Well, it wasn't – you know, there are physical inventory issues, but they weren't the main issues. It was more when we went through at the end of having balanced all of our inventories and, you know, take sort of a look at the cost, and one of the last things that you do is go through and compare it to your net realizable value, you know, to make sure that you're valuing at the lower cost for market, and surprisingly enough, on a number of these byproducts, our cost was higher than the market.

(Scott Van Winkle): Got you, and this is probably all centered between March of '07 and the end of the year?

Steve Bromley: That's what we believe, but we have a lot of work to do to prove that.

(Scott Van Winkle): OK, and who's the outside third party who's been engaged to look into the situation? Is it accountants, or is it IT people?

Steve Bromley: It's process engineers, consultant type – process engineering consulting type people that will do two things: one, help us dive into the root causes of the issues and have enough financial knowledge, and then, you know, we intend on retaining them to help us be sure that we have corrected all of the internal processes as well.

Male: And they also do have a strong IT background.

Steve Bromley: IT and – IT and executive, and they're going to report directly to me on this process.

(Scott Van Winkle): OK and they've probably seen situations like this before. Have they given you any estimates on, you know, time to complete an analysis?

Steve Bromley: I think their first wave will take four weeks.

(Scott Van Winkle): Four weeks.

Steve Bromley: And it certainly isn't – it's comforting, but certainly not comforting. When they came through the door, it was like they had seen this before, you know, so they have a very, very strong background in very similar businesses. They're located in California. They are – I met with them yesterday. So they're on the ground here now along with our auditors and others, and they will stay here until we have this resolved, which hopefully will be done in short order.

(Scott Van Winkle): You know, you mentioned, Steve, that this is kind of, you know, growing pains with the rapid growth, you know, a lot of acquisitions, consolidations. Do you think when you're getting now, you've got an $800-million business, you've got this, you know, large and thriving food business growing 20 percent, that maybe it's time to start, you know, spinning out some of these noncore businesses and just focus management attention on what you have like, you know, Opta Minerals and use these as a source of funds?

Steve Bromley: You know, (Scott), we've been pretty clear all along that at some point in time, the right time and the right – the right time for the right value, we would do that. I can tell you that Opta Minerals is a wonderfully profitable business that takes little to none of our time. So it really isn't a diversion for us, and clearly it's a nice opportunity if and when the time presents itself. Bioprocess, it's just too early, you know, to do that. You know, I think we've been pretty clear that, you know, down the road, you know, we're going to be focused, of course, on our food operations, and that's where we have been focused. In fact, you know, it's now 91 percent of our revenue and growing all the time.

You know, our intention, (Scott), is to continue to really focus on our – on our strategic core food business that we, you know, have great belief and confidence in, continue to refine our processes. We're continually, you know, we've just about got Oracle across the group, and you know, continue to work on refining and leveraging the system that we have in place, and we're going to do that, and this is just a very unfortunate – a very, very unfortunate turn of events here that we're going to address immediately.

(Scott Van Winkle): And you've got the trade and organic acquisition in the pipeline, obviously …

Steve Bromley: Yes, you know, (Scott), just given this, you know, we're very, very close on all of our – you know, nothing came out of the due diligence, as I said, and you know, our documentation is all but there. But we have some work to do around working through these internal issues to make sure that all parties are able to deal with this.

(Scott Van Winkle): OK, thank you.

Steve Bromley: Great. Thanks, (Scott).

Operator: Thank you. Your next question comes from (Bob Gibson) of (Octagon). Please go ahead.

(Bob Gibson): Good morning, everybody.

Steve Bromley: Good morning, (Bob).

Male: Good morning, (Bob).

(Bob Gibson): Did I hear correctly that Art McEvily has moved from ingredients to bioprocess?

Steve Bromley: Yes, you have.

(Bob Gibson): OK.

Steve Bromley: So just to give you a – you know, to give you some visibility into that, the new president of the – of the Ingredients Group is a gentlemen named Doug Shreves, who was the executive vice president in the group and who is an incredibly talented individual and who had been being groomed for some time to become the next president of the group, with Art moving on to additional responsibilities within the company, and that was always a part of our succession planning.

Art's PhD and background is a perfect fit for what the – what the talents are that are required within the – within the bioprocess group as we continue to grow, and so it was a unique opportunity, where we had strength in one part of the business, where we could free up a talent like Art to join the team, and then he has joined that team as executive vice president and COO, and Murray Burke is obviously president and chief technology officer, and they're working really closely together because there's so much going on in the group.

Art also has assumed a role as vice president of technology and innovation within SunOpta as a corporation leading, you know, some quality-focused efforts. But right now, it's primarily a focus on bioprocess because there's a lot on the go, and we've been recruiting, and he's just a wonderful talent to be able to bring in and have in that group. So that process of transition is ongoing now, and we're very, very comfortable with Doug in the leadership seat in the – within the ingredients group, really talented guy that we've been grooming to be able to step into there. So it's very positive.

(Bob Gibson): OK, good. Is it possible that you could recover some of the $3 million?

Steve Bromley: We'd like to recover it all.

(Bob Gibson): OK.

Steve Bromley: And I think that there's a reasonable likelihood, but at this stage we don't know.

(Bob Gibson): Have you considered relocating the Breckenridge Fire Department to your facility?

Steve Bromley: You know, (Bob), it's unbelievable. It's, you know, the luck that we've had there. No, we're not going to – well, thankfully they're just down the road anyways. You know, the good news is that – not the good news – yes, the good news is that, you know, the sort of main facility hasn't been impacted and it's been sort of, you know, a bin and sort of ancillary facility and that we're going to be able to continue to operate. The plant is operating. But, boy. You know, they say lightning doesn't strike three times in one place, but we got two hits there so far.

So we'll not be able to – we'll, you know, essentially on that topic, (Bob), is this was a precleaning facility feeding into the main facility, and it was precleaning seeds that ended up getting hulled. The hull was taken off, so the main operation will go – that also does this cleaning will go 24/7 and pick up a lot of the slack. It was always more efficient, given the type of seeds that we have to operate this other facility, but we'll make some modifications to the main line, and we'll be fine. There's also another facility in Wahpeton, which is just across the river from Breckenridge, and we can also clean there. So we're carrying on and, you know, obviously working with our insurance folks to settle the matter and replace that capacity.

(Bob Gibson): And in California, once the dust settles and everything, will you be providing us some guidance as to the profitability of this division?

Steve Bromley: Well, we always provide guidance on the overall business, but certainly we'll give you some insight into where we sit in the fruit business as a whole. Yes, we'll do that.

(Bob Gibson): Yes, so – OK. All right, thank you very much.

Steve Bromley: Thanks, (Bob).

Operator: Thank you. Your next question comes from Chris Krueger, Northland Securities. Please go ahead.

Chris Krueger: Hi, good morning, guys.

Steve Bromley: Good morning, Chris.

Male: Good morning, Chris.

Male: Good morning, Chris.

Chris Krueger: When I was looking at the – at the numbers you put in this press release and backing out, you know, the maximum amount of 14 million from the fourth quarter and cutting back on our Opta Minerals outlook for the fourth quarter as well, it appears that there still may be further weakness, bringing the full year down to about 12 cents. Am I – am I looking at that wrong, or does the new guidance imply just some other sort of restatement throughout the year, where I shouldn't look at it that way? Can you help me there?

Steve Bromley: Yes, Chris, there was clearly a weakness during the fourth quarter in the berry operations as, you know, and it's sort of indicative of what's happened here. They started to sell into some of this higher-valued inventory, and they hadn't passed pricing through the customers, which they've now done in January. So, you know, there was very strong results in all of the operations on the food side, including global sourcing, but with the exception of the berry operations. So there was some weakness here, and then of course we know about the cyclical issues in minerals, and we continue to investment spend, of course, in bioprocessing in anticipation of these contracts. So you know, that's a general overview.

Chris Krueger: OK, so the berry write down is basically the inventory, but the other kind of operational weakness, that would be the answer to that, OK.

Steve Bromley: Yes. Right. There were other – you know, there – as we got well into the fourth quarter, and there were kind of December type things where, you know, the industrial market and the food service market here ((inaudible)) things, but the industrial and its food service markets that use a lot of the byproduct. Of course, I think with the economy slowing down and the cool weather in the United States, we're quite slow in the back part of the year, and you know, as the economy slowed down, and just in these particular categories, I mean on the organic berry side, I mean the growth has been spectacular. But just in these sort of industrial and food service categories, which are where you use some of your byproduct, they really did seem to slow down in December. Interestingly enough, they've bounced back nicely in January. But, you know, so there was some weakness in there in the fourth.

Chris Krueger: OK, when you say that there's restatements are likely, how – can you give me any indication as to how large–like is it a penny a quarter, or can you give any kind of indication. I just – so we can be sort of mentally prepared for that?

Steve Bromley: Yes, Chris, you know, unfortunately, I can't tell you, and I also have to tell you that we don't know, and the reason for that is when this information has come to light, we know we have an issue at the end of the year. What we don't know and what we have to do a lot of analyses on is like is this all a fourth-quarter issue? Like, did all these markets drop, you know, or, you know, is it – like, could other quarters have been impacted, and our – I think it's, you know, fairly likely, and being totally, you know, upfront with everybody, and as we included in our 8-K that we filed, I can't, you know, I can't say for sure, but it sure seems likely that something must've been overstated in the prior quarters as well, and we have to do the work, so I apologize. We just – it's just one of those questions I wish we had the answer for you now.

Chris Krueger: OK, with this news, are there any issues with, like debt covenants, like any violations or anything like that that we should be aware of?

Steve Bromley: Right now, we're working with our banks, and we think we'll be OK there. We don't think there'll be an issue, Chris.

Chris Krueger: And I just …

Steve Bromley: Just so you know, we had a long, you know, we had a detailed discussion yesterday with our entire syndicate.

Chris Krueger: OK, on the soybean prices, you know, normal, non-organic soybeans have, I think, doubled in recent months. Can you just walk us through that yet again as to how that can impact your margins, if at all?

Steve Bromley: Well, you know, when we – when we buy and sell and lock ourselves in, we pretty much lock ourselves into the margin that we'll realize. So it doesn't really affect our margin dollars. It can affect the margin percentages because if the price goes up or down when the transaction is finally executed, you know, we're going to realize the same dollar amounts of margins. So …

Chris Krueger: OK, that makes – that makes sense. A few years ago, it wasn't quite like – quite as – quite like that, was it?

Steve Bromley: It's – no, that's generally the way it's gone, yes.

Chris Krueger: OK, last question. Over the years, it appears, you know, that you guys have made a lot of acquisitions, that it always seems like they work out pretty well on the – on the longer run, but it seems like there's always a division that's underperforming or has issues. Is there any thought of just settling down on acquisitions, just, you know, for a year or two, and then – until you feel like every piece of the business is operating where you want it to be, is kind of our overall though there?

Steve Bromley: Yes, well, it's a very good question. You know, you're right. For the most part, we've been very successful in our acquisitions, and they've, you know, really been a key part of us building a strong globally-oriented strategic model, and, you know, it's most unfortunate what's happened here in the berry operations because they were very profitable over the last two years, and, you know, we would've said that we were extremely pleased and continuing to be pleased with the business, and quite frankly, we still believe it's a – it's a good business. There's no question that, you know, we want to continue to keep growing this business, and when there are acquisitions that make sense, do them. But, you know, clearly, we are going to be incredibly focused on correcting the issues that we have, continuing to drive the margins and earnings in each one of our businesses, and we have made good success on many fronts. But obviously, this is a major – a major issue for us.

We're going to be very focused on making what we have work exceptionally well and exceptionally profitably, and we have our work to do there. We're a growing company. If there's a correct opportunity, we'll assess it. Everything in balance, but right now we need to be very, very focused on what it is that we're doing.

Chris Krueger: All right. That's all I've got. Thank you.

Operator: Thank you. Your next question comes from (Bret Gillan) of RBC Capital Markets. Please go ahead.

(Bret Gillan): Thanks. Good morning, guys.

Steve Bromley: Good morning, (Bret).

(Bret Gillan): A couple of quick ones for you. It sounds like Friday of last week was kind of when all this came to light. Is that sort of the first time that you guys kind of knew something was wrong or how long has this kind of been going on?

Steve Bromley: Well, let me just say that last Friday we became aware that there was an issue of magnitude, and we acted accordingly.

(Bret Gillan): OK.

Steve Bromley: So yes, you're right.

(Bret Gillan): Yes. Any concerns that the intellectual property issues that you're having with the – with the, I guess, customer in the bioprocess group that has a negative effect on the value of that business in any way?

Steve Bromley: I don't think so. You know, these things are going to happen at times, and I think that we'll all be able to resolve the issue. I don't – I don't believe so.

(Bret Gillan): OK and I guess a couple of big picture …

Steve Bromley: I, you know, there's no certainty of that, but you know, our feeling is that we'll be able to resolve this in a rational manner.

(Bret Gillan): OK. And I guess, give us some comfort that, you know, this kind of issue couldn't pop up elsewhere in the business given it sounds like you've migrated a lot or most of the business over to kind of your new cost system.

Steve Bromley: Well, you know, (Bret), we've been SOX, you know, we've been a SOX certified company for a number of years. We have good internal controls across the company. We have an internal audit group. We have, you know, regular reporting. You know, you can never say never, but I've always believed and still believe, and I think we're all confident that we have, you know, the proper checks and balances in place.

Having said that, with this issue having found its way to us, we'll be reevaluating and insuring that all of those processes do what they're supposed to do. This is the first time in our history, at least as long as I've been around here, that an issue like this has found its way, you know, has found us, and you know, controls are only as good as the people that are operating them, and you know, we have some work to do.

(Bret Gillan): Sure.

Steve Bromley: That's why, you know, we're comfortable. We're always comfortable. I mean – which is a shock.

(Bret Gillan): Yes, I'm trying to get my head around, you know, kind of how the model shakes out here in terms of the fourth quarter, and I guess I know this question was asked earlier, but I guess I didn't really understand the answer. You know, when I – when I look at what you guys have reported already and I look at the guidance for the year, it sounds like we're talking about, you know, a 10-to-13-cent loss or so in the fourth quarter, but then you're also talking about restating possibly prior quarters.

So I guess the question is – I guess I know that you're saying that you don't know if the loss is focused just in the quarter or if it goes, you know, back to prior quarters, but I guess what I'm trying to understand is does the guidance assume just the loss that you know about in the fourth quarter, and there could be, you know, restatements of further loss, or is this where you think it's going to shake out after restatements and everything else?

Steve Bromley: No, we have given you, (Bret), a range of $9-to-11 million, OK, as the potential loss in the berry operations, and that's a fairly wide range at this stage of the game because, you know, there are still issues that we want to make sure that we fully understand, and we've tried to give you a range that, you know, sort of covers what we believe could be the worst-case scenario. Being reasonable here, I sure as hell hope it's not up at the top end. I don't think it's going to be, but until we've worked through everything, we don't know.

(Bret Gillan): So your earnings guidance really includes sort of the worst-case scenario of …

Steve Bromley: We hope so. That's our hope, yes.

Male: And what we need to sort out is where that nine to 11, which bucket or which border that should be applied.

(Bret Gillan): Sure. OK, well, that …

Steve Bromley: That's our hope, but if you told me last Friday I'd be talking to you this Friday …

(Bret Gillan): I understand. Yes, it – that makes sense. I'm just trying to get kind of some sense for how – could it get worse and it sound like you guys are pretty sure that this is as bad as it can – it can be.

Steve Bromley: You know, as I've said and as we've said in our chat, you know, we've put out – you know, we've put out our best valuation.

(Bret Gillan): Sure.

Steve Bromley: Yes, that's …

(Bret Gillan): And how do we think about the profitability of the fruit group going forward?

Steve Bromley: Well, you know, we, you know, other than the – other than the berry operations, which we have some work to do on, you know, we feel very comfortably. That's an area that, you know, I'd prefer, you know, we need to – we need to come back to you when we get some comfort here.

(Bret Gillan): Sure.

Steve Bromley: But we're very comfortable that we have a profitable business model in the berry operations. It's been profitable historically. You know, we know for a fact that the industry generally is profitable. I say generally because I just don't know about everybody for sure, but you know, we do understand the industry. So we're very comfortable that we've just got to get our work done, and you know, we should be back to having a very profitable business, and it's our intention to do that pronto, get this done and make it happen.

(Bret Gillan): OK, appreciate all the answers, guys. Thanks.

Operator: Thank you. Your next question comes from (William Dittl) of (Ghetto Group).

(William Dittl): Gentlemen, good morning.

Steve Bromley: Good morning, (William).

Male: Good morning.

(William Dittl): Just kind of going over the Central Minnesota Ethanol Cooperative, are you guys pursuing tax-exempt bonds in terms of, you know, the fractionation components and how you guys will put a facility like that together?

Steve Bromley: Well, right now, you know, (William), we're at the – we're in the feasibility and detailed planning phase and all various opportunities for funding and financing and government programs are all part of that analysis, and so I'm certain that that's probably part of it.

(William Dittl): OK, and then given the projections recently by the CEO of Whole Foods in terms of produce sales, you know, between now and 2010, do you guys see kind of adjusting some of the role of the fruit group in terms of supplying some of those retailers that you guys work with?

Steve Bromley: This is going to sound really bad, but I've been up to my ying-yang in strawberries since last Friday, so I haven't seen the comments from Whole Foods. I apologize. What did he say?

(William Dittl): The – well, the projections going from 600 million in sales in 2007 to a billion-and-a-half sales in just three years to about – in 2010.

Steve Bromley: Yes, sure.

(William Dittl): Given that, you know, across the industry we'll probably see similar growth in produce among a lot of those retailers, do you guys feel that either adjusting part of that business or even having the capacity to meet that demand, is that – are you guys feel comfortable in that respect?

Steve Bromley: Well, you know, look at – one of the things that we've said for quite some time and where one of our core strategic strengths is in supply – the sourcing and the supply of organic food products, you know, for our customers and, you know, I've been on record many times saying that one of the issues that could slow down growth in this industry if not managed properly is supply because there's clearly lots of demand out in the marketplace, but it takes three years to convert growers, and there needs to be an economic incentive to move the growers through the conversion. We've been very successful at doing that, and we have, you know, grower programs that are now starting to move around the world where we can certainly help create – you know, create the supply for this industry.

So that's one of our core strategic strengths, and we're going to continue to focus on that. You know, that's why some of our global initiatives become very important, and especially as weather patterns and things change, you know, I'm in California here today, and it's raining like crazy, and you know, all of the various weather patterns at times, you know, have an impact on crop quality in certain regions. So having global reach becomes really important. There's no question that demand in this industry continues to grow. It's a wonderful opportunity for us, and I think we're really well positioned to be a major player in that market.

(William Dittl): OK, those are all the questions I have.

Steve Bromley: Thank you.

(William Dittl): Thanks very much.

Operator: Thank you. Your next question comes from Walter Ramsley of Walrus Partners. Please go ahead.

Walter Ramsley: Thank you. Good morning. I got a couple …

Steve Bromley: Good morning.

Walter Ramsley: … of further questions. Out of the 800 million total sales for the year, approximately how much do the berry operations contribute?

Steve Bromley: Of the 800?

Walter Ramsley: Yes.

Male: John, 75?

(John Dietrich): Yes, I think – I think it was 68 million this past year.

Walter Ramsley: OK and the inventory was written down nine to 11 million. What was the starting number that, you know, you deducted that from?

Steve Bromley: I'm sorry, maybe give us your question again, and I'm not so sure we're ready to talk about those specifics. But ask the question one more time.

Walter Ramsley: Just, you know, what was the inventory figure that, you know, you started with in the berry operations before you subtracted the nine to 11 million? You know, approximately what percentage of the inventory was written down?

Steve Bromley: Yes, that's not numbers that we're prepared to provide at this time.

Walter Ramsley: OK, the managers who run that business – I mean you said earlier that, you know, the actual physical accounts were, you know, more or less correct. Don't they kind of, just off the top of their head, know what the selling prices are and what the costs are?

Steve Bromley: Yes, that should be the case, and with a systems conversion, it appears it wasn't the case. Appropriately, I can tell you that we've reorganized and restructured, and you know, decisions will be made in a different manner here.

Walter Ramsley: OK, and just one last thing – you mentioned that prices for, you know, the – some of the products, at least, were increased in January. Were they increased enough to, you know, get the business back to an appropriate level, or is this kind of an incremental process?

Steve Bromley: Well, we've taken some substantial pricing based on the increase in commodity costs and the market conditions, and you know, one of the things that we're going to have and one of the things that I don't think that this group has been focused quite enough on is the fact that, you know, we're in supply-restricted markets, and you know, we have valuable supply that needs to be much more leveraged and managed, and pricing will be an ongoing daily focus here to make sure that we're pricing properly as the markets move and as, you know, as we're contracted. So it's – the increases that have been taken in January are substantial, and we believe we'll be, you know, quite influential in helping to address a lot of these issues, and we'll be continuing to address those on an ongoing basis.

Male: And we'll also, as we move through this inventory, we'll continue to look at the product mix that we sell, and we may change that up just to focus more on the higher margin areas of the business and less on the – on the areas where we had our write downs.

Walter Ramsley: But does – in general, I mean the managers think they've got the business back to profitability in the first quarter?

Steve Bromley: We have a detailed business and turnaround plan that is being executed, and that is our hope. But I'm going to reserve judgment until I see it. But that's the plan.

Walter Ramsley: OK, thanks.

Operator: Thank you. Your next question comes from (Ronald Emmerman) of (Remco Group). Please go ahead.

(Ronald Emmerman): Hi, Steve and Jeremy. I hear your disappoint, as all of us are, and shocked and surprised.

Steve Bromley: Yes. You're right.

(Ronald Emmerman): I think my questions may appear redundant, but I just want to be sure I understand a little better some of the issues. One, the $9 to 11 million inventory adjustment, you're talking about spreading that – possibly, it's going to be spread over previous periods.

Steve Bromley: It could potentially go back over prior periods, just given the size of it, (Ron), you know, and when you evaluate this – I mean we know there were some market conditions, and we know there are some issues in the fourth quarter, and we know – I truly believe that, you know, I shouldn't comment. I think that the majority of this is probably fourth quarter, but at this time, you know, we couldn't be honest to everybody and say that there isn't a chance here that the inventory may have been overstated at the end of the third quarter as well.

You know, we're in a year end, where you, you know, like we go through a very diligent process at quarter end, but year end is like, you know, quarter ends on steroids when you do your year-end audit, you know, and it's in these really detailed testing that some of this stuff has come out.

So I don't think that we can honestly say that there isn't a chance for sure that it could impact the prior quarters.

(Ronald Emmerman): Well, whatever, whether it's all to be taken in the fourth quarter or spread, just to be clear because there's been a lot of discussion here, the adjustment is going to be somewhere between nine and 11million, whether it's all in the fourth quarter or a spread. That's the maximum adjustment that we're talking about …

Steve Bromley: We sure hope it's the maximum adjustment. We've tried to give ourselves some cushion there.

(Ronald Emmerman): No, I mean assuming that your analysis is correct as to the amount, it's just a question as to what periods it's going to affect.

Steve Bromley: That's right, (Ron).

Male: That's correct.

Steve Bromley: Yes, you're absolutely right.

(Ronald Emmerman): So on the assumption that – so the inventories have been overstated, which obviously meant that your gross margins would – have been better than what – than reality. Going forward, how do you see your gross margins being affected?

Steve Bromley: Well, you know, clearly, there's a number of factors that would've gone into this. Our internal mission, for lack of a better word, is to grow our margins, and the detailed business and turnaround plan that we have is focused on improving the margins through combinations of pricing, cost control, product rationalization, product mix, plant efficiencies. I mean we are not going to leave a rock turned over here, and every single item that participates in the buildup of cost and also participates in the amount that we sell these products for is going to be thoroughly reviewed, and any change that's required is going to be made on an ongoing and committed basis to make this happen. So, you know, we are going to expand and grow our margins in this business, and you know, I'm not in a position right now to comment on exactly what that final number is going to look like, but they are going to improve.

(Ronald Emmerman): I understand it. I guess my question wasn't very clear. My question – excuse me. Given the overstatement of inventory – inadvertent, obviously, overstatement – obviously, you've been reporting gross margins higher than reality, assuming your amount is somewhere between nine and 11 exactly. I'm not questioning the amount; I just want to understand. And assuming that you've been operating as efficiently as could be, my concern was how do you now keep or improve your margins, not so much through efficiency, but just through your selling price? Are you – will the market be able to absorb higher selling prices simply now that you know that you've been perhaps operating this division at a loss?

Steve Bromley: You know, a lot of the – a lot of the pricing, (Ron), that we initially need is now in the market, OK? There's already, you know, this group realized during the fourth quarter that, you know, commodity prices were changing, and they needed to (take) pricing. They didn't realize whether it was doing – they, you know, they missed on the overall impact of it. So, you know, these commodities are moving all the time, and we're constantly pricing. So you know, we've moved very quickly. The last round of price increases have all been accepted by retailers. You know, retailers always want to wait three months before they change their pricing and those sort of things, and that's sort of the general period of time, so we had planned price increases going in anyways, and we'll continue to do those things.

So, you know, I think – I'm pretty confident that we can move this pricing through. But you know what – you've got to be the low-cost provider, and so that's where we also must focus here. We can't count on price to change these to, you know, help us – this isn't all about changing price; this is about changing cost, getting a lot better at what we do in all facets of our supply chain. So healthy pricing to the market, where the market can absorb it and much better focus on our supply chain and the costs in there in getting this product to market …

Male: and also focus on mix, where we don't feel we can get the acceptable markets …

Steve Bromley: (Ron), this is a business that was very profitable since the day we acquired it, you know, in 2005 and 2006, and the fundamental dynamics of the industry haven't changed. We've changed internally, and here we sit, so …

(Ronald Emmerman): I have one other question. It was actually asked by a previous caller, but I'll ask it a different way and maybe you can answer it. He wanted to know, basically, how large was the berry inventory before this proposed write down, and you decided it wasn't appropriate to answer. Could you just give me – excuse me, a range of in the past what the berry inventories for each quarter have been stated?

Steve Bromley: You're really going to push me to give this number, aren't you, (Ron)?

(Ronald Emmerman): Well …

Steve Bromley: Very diligent guy.

(Ronald Emmerman): … not really. I just want to get an idea to what extent, you know, if the inventory was, say, 20,000, you got a $10 million – a 20 million, you get a $10 million write down, that's one thing. If, on the other hand, it's 50, it's a different thing. I just want to know what percentage of the total write down does this represent?

Steve Bromley: Between 10 and 15 percent.

(Ronald Emmerman): So you're saying that the berry inventory was typically in the range of somewhere around, what, $80 million?

Steve Bromley: They grew substantially this year, given our global sourcing and some of the strategies that we had here. So they did grow. Traditionally, they were much lower …

Male: They were much lower …

Steve Bromley: You'll note that we, you know, our inventories have grown throughout the year, and we have talked about the fact that one of the areas that we were growing was strategically around some of our berry – our berry supply. So, you know, they did grow throughout the year. The great news is that one of our greatest strengths is our sourcing and supply expertise. In this particular case, we got really long on some of the lower value – lower value products and you know …

(Ronald Emmerman): All right. Well, I didn't realize the berry inventory was in that range, that high range, and actually, it's more – if the word is appropriate – more comforting that such a large write down took place. But it could go – I don't want to say I noticed, but ((inaudible)) it was over an $80 million inventory versus, say, a $20 million inventory.

Steve Bromley: Right.

(Ronald Emmerman): All right, well, I …

Steve Bromley: (Ron), I appreciate that – I appreciate that comment, but let me tell you, this write off – this write off is totally inexcusable, OK?

(Ronald Emmerman): I'm on your side on that, but nevertheless, it …

Steve Bromley: You can't – you can't …

(Ronald Emmerman): … things happen, and I can appreciate it.

Steve Bromley: Well, I appreciate – I appreciate your understanding. You're much kinder than me.

(Ronald Emmerman): OK, take care, fellows.

Steve Bromley: Thank you.

Operator: Thank you. Your next question comes from (Art Bascomb) of Oppenheimer Capital. Please go ahead.

(Art Bascomb): Hey, guys. My question was – is similar along the lines of a couple of callers ago, and I was just trying to get to, you know, the – I guess really the value of that berry business, you know, that you just talked about the revenue in '07. I'd be curious what type of profitability you see from it. You know, in other words, if this thing goes to zero, what's the lost value within your overall fruit business?

Steve Bromley: Oh, by lost value, do you mean in terms of earnings?

(Art Bascomb): Just – yes, earnings, revenue.

Steve Bromley: (Art), this business, just in – boy, let's just take a look at a couple of things, here. This business normally would've contributed 3-to-5 cents a share. So if it went to zero, you know, that's sort of the range of the impact arc.

(Art Bascomb): OK, that's helpful.

Steve Bromley: Yes, but it's – it will be back.

(Art Bascomb): OK. That was a simple answer to a simple …

Steve Bromley: All right. Yes, thanks a lot.

Operator: Thank you. Your next question comes from Bruce McFadden of Atlas Capital. Please go ahead.

Bruce McFadden: Hello, Steve.

Steve Bromley: Good morning, Bruce. How are you?

Bruce McFadden: Good. Just a quick question I may have missed earlier. The status of the acquisition in Europe as well as, you know, what have you guys communicated as far as the financing of that deal?

Steve Bromley: We haven't communicated, but you know, given that we're, you know, the status is that we're pretty much through all of the due diligence and through the documentation phase, and you know, given these issues, you know, we've wanted to take and, you know, we've asked, you know, and we're working with the folks at Tradin. You know, we've asked for a little bit of time here so we can work through all of the various stakeholders internally here before we do anything. You know, we don't want to be doing something – well, we're going to be clear enough to do something that's going to put us outside banking covenants and those sort of things. So the financing on the deal is primarily, you know, through our cash and debt facilities with a very small amount of shares.

Bruce McFadden: OK, so no equity offering to help finance that …

Steve Bromley: Not at all, no.

Bruce McFadden: OK, all right. Thank you very much.

Steve Bromley: All right. Thank you.

Operator: Thank you. There are no further questions at this time.

Steve Bromley: All right. Well, I'd just like to close by thanking everyone for joining the call today. I am most disappointed that we had to make this call, but you know, I'm very, very comfortable that we have a great business, and I have great confidence in this business, and we're hard at work here to address this issue. It's totally unacceptable what's happened, and I want you to know that we all feel very disappointed. But we are going to bounce back and be a better company, and I thank you all for joining today and look forward to chatting with you soon.

Male: Thank you.

END