

DOLE FOOD CO INC  
Form 10-K  
March 14, 2011

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form 10-K**

(Mark One)

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

**For the fiscal year ended January 1, 2011**

**or**

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

**For the transition period from                      to**

**Commission File Number 1-4455**

**Dole Food Company, Inc.**

*(Exact name of Registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of  
incorporation or organization)*

**99-0035300**

*(IRS Employer  
Identification No.)*

**One Dole Drive, Westlake Village, California 91362**

*(Address of principal executive offices)*

**Registrant's telephone number including area code:**

**(818) 879-6600**

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

<b><u>Title of Each Class</u></b>	<b><u>Name of Each Exchange on Which Registered</u></b>
Common Stock, \$0.001 Par Value	New York Stock Exchange

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

**None**

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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

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

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

As of the end of the company's second fiscal quarter, the approximate aggregate market value of voting and non-voting stock held by non-affiliates of the registrant was \$385,866,371.

The number of shares of Common Stock outstanding as of February 28, 2011 was 88,599,810.

**DOCUMENTS INCORPORATED BY REFERENCE**

**None**

**DOLE FOOD COMPANY, INC.**

**FORM 10-K**  
**Fiscal Year Ended January 1, 2011**

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**PART I**

**Item 1. *Business***

Dole Food Company, Inc. was founded in Hawaii in 1851 and was incorporated under the laws of Hawaii in 1894. Dole reincorporated as a Delaware corporation in July 2001. Unless the context otherwise requires, Dole Food Company, Inc. and its consolidated subsidiaries are referred to in this report as the Company, Dole and we.

Dole's principal executive offices are located at One Dole Drive, Westlake Village, California 91362, telephone (818) 879-6600. At January 1, 2011, we had approximately 37,600 full-time permanent employees and 36,700 full-time seasonal or temporary employees, worldwide. Dole is the world's largest producer and marketer of high-quality fresh fruit and fresh vegetables. Dole markets a growing line of packaged and frozen fruits and is a produce industry leader in nutrition education and research. Our website address is [www.dole.com](http://www.dole.com).

On October 28, 2009, Dole completed a \$446 million initial public offering of its common stock and received net proceeds of \$415 million.

Dole's operations are described below. For detailed financial information with respect to Dole's business and its operations, see Dole's Consolidated Financial Statements and the related Notes to Consolidated Financial Statements, which are included in this report.

**Overview**

Dole is the world's leading producer, marketer and distributor of fresh fruit and fresh vegetables, including an expanding line of value-added products. We are one of the world's largest producers of bananas and pineapples, and an industry leader in packaged fruit products, packaged salads and fresh-packed vegetables. Our most significant products hold the number 1 or number 2 positions in their respective markets. For the fiscal year ended January 1, 2011, Dole generated revenues of approximately \$6.9 billion and operating income of approximately \$194 million. At January 1, 2011 we had total assets of \$4.3 billion.

We provide wholesale, retail and institutional customers around the world with high quality food products that bear the DOLE® trademarks. The DOLE brand was introduced in 1933 and is one of the most recognized brands for fresh and packaged produce in the United States, as evidenced by Dole's 68% unaided consumer brand awareness—more than twice that of Dole's nearest competitor, according to a major global research company (Millward Brown). We utilize product quality, brand recognition, competitive pricing, food safety, nutrition education, customer service and consumer marketing programs to enhance our position within the food industry. Consumer and institutional recognition of the DOLE trademarks and related brands and the association of these brands with high quality food products contribute significantly to our leading positions in the markets that we serve.

Dole has built a fully-integrated operating platform as a result of which our nearly 200 products are sourced, grown, processed, marketed and distributed in more than 90 countries. Our products are produced both directly on Dole-owned or leased land and in Dole owned factories and through associated producer and independent grower arrangements under which we provide varying degrees of farming, harvesting, packing, storing, shipping and marketing services. We use our global refrigerated supply chain that features the largest dedicated refrigerated containerized fleet in the world, as well as an extensive network of packaging, ripening and distribution centers, to deliver fresh Dole products to market.

**Industry**

The global market for fresh fruit and vegetables is approximately \$675 billion, with just over \$100 billion in the U.S. The worldwide fresh produce industry enjoys consistent underlying demand and favorable growth dynamics. In recent years, the market for fresh produce has increased faster than the rate of population growth, supported by ongoing trends including greater consumer demand for healthy, fresh and convenient foods, increased retailer square footage devoted to fresh produce, and greater emphasis on fresh produce as a differentiating factor in attracting customers.

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Health-conscious consumers are driving much of the growth in demand for fresh produce. Over the past several decades, the benefits of natural, preservative-free foods have become an increasingly significant element of the public dialogue on health and nutrition. As a result, consumption of fresh fruit and vegetables has markedly increased. According to the U.S. Department of Agriculture, Americans consumed an additional 37 pounds of fresh fruit and vegetables per capita in 2008 than they did in 1988. Improving the eating habits of Americans has been a consistent theme of U.S. federal and state policy for a number of years, including most recently, First Lady Michelle Obama's widely promoted campaign to reduce child obesity.

As food retailers compete in a consolidating industry, they have sought to increase profits by focusing on product categories that are growing and on value-added products, which generally have higher margins. Thus, the higher growth and margins of the fresh produce category compared to the average grocery category are attractive to retailers. As a result, some retailers are reducing dry goods sections of the store, in favor of expanding fresh and chilled items. This trend provides Dole with new product and merchandising opportunities for fresh produce and packaged foods, especially for our value-added lines, such as packaged salads, FRUIT BOWLS® and fruit in plastic jars. Fully integrated produce companies, such as Dole, are well positioned to meet the needs of large retailers through the delivery of consistent, high-quality produce, reliable service, competitive pricing and innovative products. In addition, these companies, including Dole, have sought to strengthen relationships with leading retailers through value-added services such as banana ripening and distribution, category management, branding initiatives and establishment of long-term supply agreements.

The North American packaged foods industry is expected to show stable growth, over the next several years led by products that offer consumers healthy choices for their daily needs. Dole is capitalizing on this trend with its recent introduction of FRUIT BOWLS in 100% juice. This is the first product offering in the grocery environment that is not packed in syrup or that contains artificial sweeteners. Dole introduced FRUIT BOWLS in 1998 as an innovative item that delivered on consumer demand for quality convenience. The introduction of FRUIT BOWLS in 100% juice demonstrates that Dole is uniquely positioned to capitalize on the growing trend toward healthier eating. In independent research conducted in the shelf stable fruit category, FRUIT BOWLS in 100% juice was the number one consumer demand which had not been met.

## **Competitive Strengths**

Our competitive strengths have contributed to our strong historical operating performance and should enable us to capitalize on future growth opportunities:

*Strong Global Brand.* Consumer and institutional recognition of the DOLE trademark and related brands and the association of these brands with high quality food products contribute significantly to our leading positions in the markets that we serve. By implementing a global marketing program, we have made the distinctive red DOLE letters and sunburst a familiar symbol of freshness and quality recognized around the world. We actively continue to leverage the DOLE brand through product extensions and new product introductions.

*Market Share Leader.* Our most significant products hold the number 1 or number 2 positions in their respective markets. We maintain number 1 market share positions in North American bananas, North American iceberg lettuce, celery, cauliflower, and packaged fruit products, including our FRUIT BOWLS, FRUIT BOWLS in Gel, Fruit Parfaits and fruit in plastic jars.

*Valuable Asset Base.* We are an asset rich company, which provides significant competitive advantages to our operations and value to our investors. In addition to the DOLE trademark, we have an impressive base of tangible assets. We own 117,000 acres of farms and other land holdings, including 25,400 acres of farmland in Oahu, Hawaii and approximately 2,600 acres of peach orchards in California. We have the largest dedicated



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refrigerated containerized fleet in the world, which, at year end, included 13,800 refrigerated containers, 11 owned and 17 chartered vessels. We intend to return six of the chartered vessels during 2011. We own and operate over 60 ripening and distribution centers in Europe and Asia. We own and operate over one million square feet of state-of-the-art vegetable processing facilities. Additionally, our packaged food business processes its product lines in over 1.9 million square feet of owned manufacturing facilities.

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*State-of-the-Art Infrastructure.* Our production, processing, transportation and distribution infrastructure is state-of-the-art, enabling us to efficiently deliver the highest quality and freshest product to our customers. The investments in our infrastructure, including farms, packing houses, manufacturing facilities and shipping assets, allow for continued growth in the near term. In addition, our market-leading logistics and distribution capabilities allow us to act as a preferred fresh and packaged food provider to leading global supermarkets and mass merchandisers.

*Refrigerated Supply Chain Management.* One of our strongest core competencies is our ability to produce, transport and deliver high-quality perishable products around the world. Dole quality starts right on the farm, and that quality is preserved and protected in our farm-to-customer refrigerated supply chain. Our worldwide network of cold storage at the farm, on trucks, in containers, on ships and in our distribution centers in the world's market places provides a closed-loop cold storage supply chain that enables the worldwide transport of perishable products and is the key to Dole quality and shelf life.

*Low-Cost Production Capabilities.* Dole's valuable asset base enables us to be a low cost producer in many of our major product lines, including bananas, North American fresh vegetables and packaged fruit products. Over the last several years we have undertaken various initiatives to achieve and maintain this low-cost position, including investing in automation within our manufacturing facilities as well as in our farms, and leveraging our global logistics infrastructure more efficiently. We intend to maintain these low-cost positions through a continued focus on operating efficiency.

*Diversity of Sourcing Locations.* We currently source our fresh fruits and vegetables from over 20 countries and distribute products in more than 90 countries. We are not dependent on any one country for the sourcing of our products. The diversity of our production sources reduces our risk from exposure to natural disasters and political disruptions in any one particular country.

*Strong Management Team.* Our management team has a demonstrated history of delivering strong operating results through disciplined execution.

## **Business Strategy**

Key elements of our strategy include:

*Continue to Leverage our Strong Brand and Market Leadership Position.* Our most significant products hold number 1 or number 2 market positions in their respective markets. We intend to maintain those positions and continue to expand our leadership in new product areas as well as with new customers. We have a history of leveraging our strong brand to successfully enter, and in many cases become the largest player in value-added food categories. We intend to continue to evaluate and strategically introduce other branded products in the value-added sectors of our business.

*Focus on Value-Added Products.* We will continue to shift our product mix toward value-added food categories while maintaining and building on our key market leadership positions in commodity fruits and vegetables. For example, we have successfully increased our percentage of revenue from value-added products in our fresh vegetables and packaged foods businesses, where our packaged salad lines and FRUIT BOWL and other non-canned products now account for approximately 53% and 55% of those businesses' respective revenues. Value-added food categories are growing at a faster rate than traditional commodity businesses and typically generate stronger margins. We plan to continue to address the growing demand for convenient and innovative products by investing in our higher margin, value-added food businesses.

*Focus on Improving Operating Efficiency and Cash Flow.* We intend to continue to focus on profit improvement initiatives and maximizing cash flow by:

Analyzing our current customer base and focusing on profitable relationships with strategically important customers;

Leveraging our purchasing power to reduce our costs of raw materials;

Focusing capital investments to improve productivity;

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Selling non-core assets; and

Improving our balance sheet, thereby reducing interest expense.

*Pursue Disciplined Growth.* We see significant opportunities for growth in all of our product lines and throughout the world. Annual increases in purchasing power, especially in the developing economies, will provide a natural demand for our products. In the United States, we expect category growth in both our packaged salads and frozen fruit businesses in line with the trends toward healthy eating. Our packaged foods division has a large pipeline of new products that will be introduced both nationally and internationally, and which are expected to gain solid distribution gains in the years ahead. Finally, we continue to look at acquisition possibilities worldwide as we grow our global footprint and further strengthen our leadership position.

*Promote Education through Dole Nutrition Institute.* We seek to play a leading role in nutrition education by promoting the health benefits of a plant-based diet. Given the importance of fruit and vegetable consumption in maintaining a healthy weight, nutrition education is key to addressing the global obesity epidemic. Every day new scientific research reveals ways in which fruits and vegetables help prevent and even reverse disease. Dole is committed to leading the way in expanding the knowledge, growing the foods, and marketing the products that will enable people to lead healthier, more vital lives.

*Encourage Corporate Social Responsibility.* Our approach to corporate social responsibility includes sustainable agricultural practices, community service, employee wellness, provision of social services and worker safety. Our practices demonstrate how the world's leading provider of fruits and vegetables is an industry leader in respect for the environment, worker education and social contributions, among other aspects of corporate responsibility.

## **Business Segments**

We have three business segments: fresh fruit, fresh vegetables and packaged foods. The fresh fruit segment contains several operating divisions that produce and market fresh fruit to wholesale, retail and institutional customers worldwide. The fresh vegetables segment produces and markets fresh-packed and value-added vegetables and salads to wholesale, retail and institutional customers, primarily in North America, Europe and Asia. The packaged foods segment contains several operating divisions that produce and market packaged foods including fruit, juices, frozen fruit and healthy snack foods.

### **Fresh Fruit**

Our fresh fruit business segment has four primary operating divisions: bananas, European ripening and distribution, fresh pineapples and Dole Chile. We believe that we are the industry leader in growing, sourcing, shipping and distributing consistently high-quality fresh fruit. The fresh fruit business segment represented approximately 68% of 2010 consolidated revenues.

#### ***Bananas***

We are one of the world's largest producers of bananas, growing and selling approximately 153 million boxes of bananas in 2010. We sell most of our bananas under the DOLE brand. We primarily sell bananas to customers in North America, Europe and Asia. We are the number 1 brand of bananas in both the U.S. (an approximate 34% market share) and Japan (an approximate 32% market share) and the number 2 provider in Europe (an approximate

9% market share). In Latin America, we source our bananas primarily in Honduras, Costa Rica, Ecuador, Colombia, Guatemala and Peru, growing on approximately 32,000 acres of company-owned farms and approximately 71,500 acres of independent producers' farms. We ship our Latin American bananas to North America and Europe in our refrigerated and containerized shipping fleet. In Asia, we source our bananas primarily in the Philippines. Bananas accounted for approximately 40% of our fresh fruit business segment revenues in 2010.

Consistent with our strategy to focus on value-added products, we have continued to expand our focus on higher margin, niche bananas. While the traditional green bananas still comprise the majority of our banana sales, we have successfully introduced niche bananas (e.g., organic). We have also improved the profitability of our banana business by focusing on profitable customer relationships and markets.

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While bananas are sold year round, there is a seasonal aspect to the banana business. Banana prices and volumes are typically higher in the first and second calendar quarters before the increased competition from summer fruits.

Approximately 90% of our total retail volume in North America is sold under contract. The contracts are typically one year in duration and help to insulate us from fluctuations in the banana spot market. Our principal competitors in the international banana business are Chiquita Brands International, Inc. and Fresh Del Monte Produce, Inc.

### ***European Ripening and Distribution***

Our European ripening and distribution business distributes DOLE and non-DOLE branded fresh produce in Europe. This business operates 21 ripening and distribution centers in eight countries, predominantly in Western Europe. This is a value-added service Dole provides to customers since European retailers generally do not self-distribute or self-ripen. This business assists us in firmly establishing our European customer relationships. In 2010, European Ripening and Distribution accounted for approximately 40% of our fresh fruit business segment's revenues. Our principal competitors in this business are Total Produce Plc and Univeg.

### ***Fresh Pineapples***

We are the number 2 global marketer of fresh pineapples, growing and selling more than 32 million boxes in 2010. We source our pineapples primarily from Dole-operated farms and independent growers in Latin America, Hawaii, the Philippines and Thailand. We produce and sell several different varieties, including the sweet yellow pineapple. We introduced the sweet yellow pineapple in 1999, and now market a substantial portion of this fruit under the DOLE TROPICAL GOLD® label. Varieties of pineapple other than the sweet pineapples are also used in our packaged products. Our primary competitor in fresh pineapples is Fresh Del Monte Produce Inc. Pineapples accounted for approximately 8% of our fresh fruit business segment's revenues in 2010.

### ***Dole Chile***

We began our Chilean operations in 1982 and we are the largest exporter of Chilean fruit. We export grapes, apples, pears, stone fruit (e.g., peaches and plums) and kiwifruit from approximately 600 primarily leased acres and 12,400 contracted acres. The weather and geographic features of Chile are similar to those of the Western United States, with opposite seasons. Accordingly, Chile's harvest is counter-seasonal to that in the northern hemisphere, offsetting the seasonality in our other non-tropical fresh fruit. We primarily export Chilean fruit to North America, Latin America and Europe. Our Dole Chile business division accounted for approximately 5% of our fresh fruit business segment's revenues in 2010.

### ***Fresh Vegetables***

Our fresh vegetables business segment produces and markets fresh-packed and value-added vegetables. We source fresh vegetables from Dole-owned, leased and contracted farms. Our value-added products are produced in state-of-the-art processing facilities in Yuma, Arizona, Soledad, California, Springfield, Ohio and Bessemer City, North Carolina. Under arrangements with independent growers, we purchase fresh produce at the time of harvest and are generally responsible for harvesting, packing and shipping the product to our central cooling and distribution facilities. In 2010, value-added products accounted for 53% of our revenues for this segment. The fresh vegetables business segment accounted for approximately 15% of 2010 consolidated revenues.

### ***Fresh-packed Vegetables***

We source, harvest, cool, distribute and market more than 20 different types of fresh and fresh-cut vegetables, including iceberg lettuce, red and green leaf lettuce, romaine lettuce, butter lettuce, celery, cauliflower, broccoli, carrots, brussels sprouts, green onions, asparagus, snow peas, artichokes and radishes as well as fresh strawberries and raspberries. Products are grown by independent farmers under seasonal contracts, with harvesting primarily provided by us. Many of our fresh-packed vegetables are packaged in the field reducing handling and increasing product quality. We sell our fresh-packed vegetables products primarily in North America, Asia and, to a lesser

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extent, Western Europe. Based on our estimates, we are the largest supplier of iceberg lettuce and celery, and the third largest producer of cauliflower and strawberries in the U.S. Our primary competitors in this category include: Tanimura & Antle, Duda Farm Fresh Foods, Ocean Mist Farms, the Nunes Company, Inc. and Driscoll Strawberry Associates, Inc.

### ***Value-Added***

Our value-added vegetable products include packaged salads and packaged fresh-cut vegetables. Our U.S. unit market share of the packaged salads category for DOLE branded product, as reported by IRI, was approximately 26% for the 2010 fiscal year. New product development continues to drive growth in this area. Packaged salads go through a three-step process: (i) vegetables are grown for us by farmers under seasonal contracts, (ii) vegetables and other ingredients are delivered to our plants where they are washed three times in chilled, chlorinated water, and packaged under strict cold-chain and HACCP (Hazard Analysis and Critical Control Points) standards, and (iii) salads are shipped to retailers' warehouses for delivery to stores. Our primary competitors in packaged salads include Chiquita Brands International, Inc. (which markets Fresh Express), Ready Pac Produce, Inc. and Taylor Fresh Foods, Inc.

### **Packaged Foods**

Our packaged foods segment produces canned pineapple, canned pineapple juice, fruit juice concentrate, fruit in plastic cups, jars and pouches, fruit parfaits, healthy snack foods and frozen fruit. Most of our significant packaged food products hold the number 1 branded market position in North America. We remain the market leader in the plastic fruit cup category with six of the top ten items in category. Fruit for our packaged food products is sourced primarily in the Philippines, Thailand, the United States and China and packed primarily in four Asian canneries, two in Thailand and two in the Philippines. We have continued to focus on expanding our product range beyond our traditional canned fruit and juice products. FRUIT BOWL and other non-canned products accounted for approximately 55% of the segment's 2010 revenues. To keep up with demand for our products, we have made substantial investments in our Asian canneries, significantly increasing our FRUIT BOWLS capacity in the past five years. These investments should ensure our position as an industry innovator and low-cost producer.

In response to the trend towards convenient, healthy snacking, the plastic fruit cup category has grown to exceed the applesauce and shelf-stable gelatin cup categories combined. Our FRUIT BOWLS products, introduced in 1998, have achieved significant market share, as evidenced by our 46% dollar market share in the United States during 2010, as reported by IRI. In 2003, Dole introduced fruit in a 24.5 oz. plastic jar, which has attained a 61% share in the shelf-stable jar category, as reported by IRI. In late 2010, we introduced FRUIT BOWLS in 100% juice, the only non-refrigerated fruit bowl in 100% juice. FRUIT BOWLS in 100% juice have no added sugar or artificial sweeteners, and completely replaces our FRUIT BOWLS in light syrup in the U.S.

In the frozen fruit category, Dole has grown its revenue at a compounded annual growth rate of 8.1% over the past four years. Dole is the branded category leader in frozen fruit and expects to continue to grow its brand position in the future by increasing its distribution base with innovative new products using new processing technologies.

Our packaged foods segment accounted for approximately 16% of 2010 consolidated revenues.

### **Discontinued Operations**

During the fourth quarter of 2007, we approved and committed to a formal plan to divest our citrus and pistachio operations ( Citrus ) located in central California. During March 2008, we entered into an agreement to sell land and other related assets of Citrus. The sale was completed during the third quarter of 2008, and we received net proceeds of \$28.1 million. In addition, during the second quarter of 2008, we approved and committed to a formal plan to divest



our fresh-cut flowers operations, and during the third quarter of 2008 we signed a binding letter of intent to sell these operations. During the first quarter of 2009, the majority of the related assets of this business were sold. During the third quarter of 2010, Dole sold a building and a farm located in Colombia to the buyer of the fresh-cut flowers business.

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### **Global Logistics**

We have significant product sourcing and related operations in Chile, China, Costa Rica, Ecuador, Honduras, the Philippines, South Africa, Spain, Thailand and the United States. Significant volumes of Dole's fresh fruit and packaged products are marketed in Canada, Western Europe, Japan and the United States, with lesser volumes marketed in Australia, China, Hong Kong, New Zealand, South Korea, and other countries in Asia, Europe, and Central and South America.

The produce that we distribute internationally is transported primarily by 28 owned or leased ocean-going vessels. We ship our tropical fruit in owned or chartered refrigerated vessels. All of our tropical fruit shipments into the North American and core European markets are delivered using pallets or containers. This increases efficiency and minimizes damage to the product from handling. Most of the vessels are equipped with controlled atmosphere technology, to ensure product quality. Backhauling services, transporting our own and third-party cargo primarily from North America and Europe to Latin America, reduce net transportation costs. We use vessels that are both owned or operated under long-term leases, as well as vessels chartered under contracts that typically last one year.

### **Customers**

Our top 10 customers in 2010 accounted for approximately 31% of total revenues. No one customer accounted for more than 7% of total 2010 revenues. Our customer base is highly diversified, both geographically and in terms of product mix. Each of our segments' largest customers accounted for no more than approximately 20% of that segment's revenues. Our largest customers are leading global and regional mass merchandisers and supermarkets in North America, Europe and Asia.

### **Sales and Marketing**

We sell and distribute our fruit and vegetable products through a network of fresh produce operations in North America, Europe, Asia and Latin America. Some of these operations involve the sourcing, distribution and marketing of fresh fruits and vegetables while others involve only distribution and marketing. We have regional sales organizations dedicated to servicing major retail and wholesale customers. We also use the services of brokers in certain regions, including for some sales of packaged fruit products and packaged salads. Retail customers include large chain stores with which Dole enters into product and service contracts, typically for a one- or two-year term. Wholesale customers include large distributors in North America, Europe and Asia. We use consumer advertising, marketing and trade spending to promote new items, bolster our exceptional brand awareness and promote nutrition knowledge.

### **Competition**

The global fresh and packaged produce markets are intensely competitive, and generally have a small number of global producers, filled out with independent growers, packers and middlemen. Our large, international competitors are Chiquita, Fresh Del Monte Produce and Del Monte Foods. In some product lines, we compete with smaller national producers. In fresh vegetables, a limited number of grower shippers in the United States and Mexico supply a significant portion of the United States market, with numerous smaller independent distributors also competing. We also face competition from grower cooperatives and foreign government sponsored producers. Competition in the various markets in which we operate is affected by reliability of supply, product quality, brand recognition and perception, price and the ability to satisfy changing customer preferences through innovative product offerings.

### **Employees**

At January 1, 2011, we had approximately 37,600 full-time permanent employees and 36,700 full-time seasonal or temporary employees, worldwide. Approximately 37% of our employees work under collective bargaining agreements, some of which are in the process of being renegotiated. Certain other bargaining agreements are scheduled to expire in 2011, subject to automatic renewals unless a notice of non-extension is given by the union or us. We have not received any notice that a union intends not to extend a collective bargaining agreement. We believe our relations with our employees are generally good.

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### **Trademark Licenses**

In connection with the sale of the majority of our juice business to Tropicana Products, Inc. in May of 1995, we received cash payments up front and granted to Tropicana a license, requiring no additional future royalty payments, to use certain DOLE trademarks on certain beverage products. We continue to produce and market DOLE canned pineapple juice and pineapple juice blend beverages, which were not part of the 1995 sale. We have a number of additional license arrangements worldwide, none of which is material to Dole and its subsidiaries, taken as a whole.

### **Research and Development**

Our research and development programs concentrate on sustaining the productivity of our agricultural lands, food safety, nutrition science, product quality, value-added product development, and packaging design. Agricultural research is directed toward sustaining and improving product yields and product quality by examining and improving agricultural practices in all phases of production (such as development of specifically adapted plant varieties, land preparation, fertilization, cultural practices, pest and disease control, post-harvesting, handling, packing and shipping procedures), and includes on-site technical services and the implementation and monitoring of recommended agricultural practices. Research efforts are also directed towards integrated pest management and biological pest control. We develop specialized machinery for various phases of agricultural production and packaging that reduce labor costs, increase efficiency and improve product quality. We conduct agricultural research at field facilities primarily in California, Hawaii, Latin America and Asia. Our research at the Dole Nutrition Research Lab in Kannapolis, North Carolina, investigates both basic science as well as the next frontier in phytochemical research. We also sponsor research related to environmental improvements and the protection of worker and community health. The aggregate amounts we spent on research and development in each of the last three years have not been material in any of such years.

### **Food Safety**

Dole is undertaking strong measures to improve food safety. We spearheaded the industry-wide Leafy Greens Marketing Agreements in California and in Arizona. We developed and adopted enhanced Good Agricultural Practices, which include raw material testing in the fields, expanded buffer zones and increased water testing. We also use radio-frequency identification (RFID) tags to track leafy greens as they move from fields to trucks and through processing.

Dole salad plants are sanitized and inspected daily. We wash our leafy greens three times in chilled, chlorinated water. All of Dole's U.S. salad plants are SQF 2000, Level 2 certified.

### **Environmental and Regulatory Matters**

Our agricultural operations are subject to a broad range of evolving environmental laws and regulations in each country in which we operate. In the United States, these laws and regulations include the Food Quality Protection Act of 1996, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Federal Insecticide, Fungicide and Rodenticide Act and the Comprehensive Environmental Response, Compensation and Liability Act.

Compliance with these foreign and domestic laws and related regulations is an ongoing process that is not expected to have a material effect on our capital expenditures, earnings or competitive position. Environmental concerns are, however, inherent in most major agricultural operations, including those conducted by us, and there can be no assurance that the cost of compliance with environmental laws and regulations will not be material. Moreover, it is possible that future developments, such as increasingly strict environmental laws and enforcement policies thereunder,

including those driven by concerns about climate change, and further restrictions on the use of agricultural chemicals, could result in increased compliance costs.

Our food operations are also subject to regulations enforced by, among others, the U.S. Food and Drug Administration and state, local and foreign counterparts and to inspection by the U.S. Department of Agriculture and other federal, state, local and foreign environmental, health and safety authorities. The U.S. Food and Drug

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Administration enforces statutory standards regarding the labeling and safety of food products, establishes ingredients and manufacturing procedures for certain foods, establishes standards of identity for foods and determines the safety of food substances in the United States. Similar functions are performed by state, local and foreign governmental entities with respect to food products produced or distributed in their respective jurisdictions.

In the United States, portions of our fresh fruit and vegetable farm properties are irrigated by surface water supplied by local government agencies using facilities financed by federal or state agencies, as well as from underground sources. Water received through federal facilities is subject to acreage limitations under the 1982 Reclamation Reform Act. Worldwide, the quantity and quality of water supplies varies depending on weather conditions and government regulations. We believe that under normal conditions these water supplies are adequate for current production needs.

## **Legal Proceedings**

See Item 3, Legal Proceedings, in this Form 10-K.

## **Trade Issues**

Our foreign operations are subject to risks of expropriation, civil disturbances, political unrest, increases in taxes and other restrictive governmental policies, such as import quotas. Loss of one or more of our foreign operations could have a material adverse effect on our operating results. We strive to maintain good working relationships in each country in which we operate. Because our operations are a significant factor in the economies of some countries, our activities are subject to intense public and governmental scrutiny and may be affected by changes in the status of the host economies, the makeup of the government or public opinion in a particular country.

The European Union ( EU ) maintains banana regulations that impose tariffs on bananas. On January 1, 2006, the EU implemented a new tariff only import regime for bananas. Under this regime, the EU mandated a tariff of 176 euro per metric ton on all banana imports to the EU market from Latin America. The EU also mandated that 775,000 metric tons of bananas from African, Caribbean, and Pacific ( ACP ) countries could be imported to the EU duty-free.

Several Latin American countries challenged the legality of aspects of this trade regime by initiating proceedings in the Dispute Settlement Body ( DSB ) at the World Trade Organization ( WTO ). The DSB issued final rulings against the EU on November 27, 2008, concluding that the 176 euro per metric ton tariff imposed was legally inconsistent with WTO trade rules. The DSB also considered whether the zero tariff reserved for ACP countries was legally inconsistent with WTO trade rules but recognized that, with the current entry into force of Economic Partnership Agreements between the EU and ACP countries, ACP bananas now may have duty-free, quota-free access to the EU market.

In light of these WTO rulings against the tariff only regime as implemented, the EU proposed a settlement to the Latin American banana producing countries (Brazil, Colombia, Costa Rica, Ecuador, Guatemala, Honduras, Mexico, Nicaragua, Peru, Panama, and Venezuela) in resolution of the dispute. The settlement provided for a gradual tariff reduction from 148 euros per metric ton in 2010 to a final tariff of 114 euro per metric ton on January 1, 2017 or January 1, 2019 (the 2019 date applies if no further trade agreements are reached in the ongoing Doha Development Agenda global trade discussions). The EU also entered into a settlement with the U.S. and agreed that the EU will maintain a non-discriminatory, tariff-only regime for the importation of bananas.

The settlement was accepted and initialed by the EU, the U.S., and 11 Latin American banana producing countries on December 15, 2009 and was approved through a plenary vote of the European Parliament on February 3, 2011. Pending Parliamentary approval, the terms of the settlement have been provisionally applied since December 15, 2009.

Dole recorded tariff refunds of \$8 million for the period from December 15, 2009 through June 8, 2010, of which \$6 million was collected. Dole expects the remaining balance to be collected during the first quarter of 2011. The lower tariff rates benefitted fiscal 2010 earnings before income taxes by an additional amount of approximately \$7 million.

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In addition, the EU has negotiated several free trade areas agreements ( FTA ) which will allow for an even lower import tariff on specified volumes of banana exports from certain countries. An EU-Colombia-Peru FTA has been negotiated and an EU-Central America (i.e., Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) FTA has been negotiated. Both of these FTAs must be ratified by the European Parliament before they come into effect. Ecuador has not yet negotiated an FTA with the EU on bananas and may not benefit, like the other Latin American countries party to an FTA, unless a similar FTA can be negotiated with the EU. Dole continues to monitor these developments but cannot yet anticipate how, or if, they will be implemented.

## **Seasonality**

Our sales volumes remain relatively stable throughout the year. We experience seasonal earnings characteristics, predominantly in the fresh fruit segment, because fresh fruit prices traditionally are lower in the second half of the year, when summer fruits are in the markets. Our packaged foods segment experiences peak demand during some well-known holidays and observances; the impact is less than in the fresh-fruit segment.

## **Item 1A. Risk Factors**

### **RISK FACTORS**

In addition to the various risks described elsewhere in this Form 10-K, the following risk factors should be considered. The risks and uncertainties described below are not the only ones facing our company. Additional risks and uncertainties not presently known or that we have assessed in our risk assessment process or that we currently believe to be less significant may also adversely affect us.

#### **Adverse weather conditions, natural disasters, crop disease, pests and other natural conditions can impose significant costs and losses on our business.**

Fresh produce, including produce used in canning and other packaged food operations, is vulnerable to adverse weather conditions, including windstorms, floods, drought and temperature extremes, which are quite common but difficult to predict and may be influenced by global climate change. Unfavorable growing conditions can reduce both crop size and crop quality. This risk is particularly true with respect to regions or countries from which we source a significant percentage of our products. In extreme cases, entire harvests may be lost in some geographic areas. These factors can increase costs, decrease revenues and lead to additional charges to earnings, which may have a material adverse effect on our business, results of operations and financial condition.

Fresh produce is also vulnerable to crop disease and to pests, which may vary in severity and effect, depending on the stage of production at the time of infection or infestation, the type of treatment applied and climatic conditions. For example, black sigatoka is a fungal disease that affects banana cultivation in most areas where they are grown commercially. The costs to control this disease and other infestations vary depending on the severity of the damage and the extent of the plantings affected. Moreover, there can be no assurance that available technologies to control such infestations will continue to be effective. These infestations can increase costs, decrease revenues and lead to additional charges to earnings, which may have a material adverse effect on our business, results of operations and financial condition.

#### **Our business is highly competitive and we cannot assure you that we will maintain our current market share.**

Many companies compete in our different businesses. However, only a few well-established companies operate on both a national and a regional basis with one or several branded product lines. We face strong competition from these and other companies in all our product lines.



Important factors with respect to our competitors include the following:

Some of our competitors may have greater operating flexibility and, in certain cases, this may permit them to respond better or more quickly to changes in the industry or to introduce new products and packaging more quickly and with greater marketing support.

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Several of our packaged food product lines are sensitive to competition from national or regional brands, and many of our product lines compete with imports, private label products and fresh alternatives.

We cannot predict the pricing or promotional actions of our competitors or whether those actions will have a negative effect on us.

There can be no assurance that we will continue to compete effectively with our present and future competitors. See Item 1 Business.

### **Our earnings are sensitive to fluctuations in market prices and demand for our products.**

Excess supplies often cause severe price competition in our industry. Growing conditions in various parts of the world, particularly weather conditions such as windstorms, floods, droughts and freezes, as well as diseases and pests, are primary factors affecting market prices because of their influence on the supply and quality of product.

Fresh produce is highly perishable and generally must be brought to market and sold soon after harvest. Some items, such as lettuce, must be sold more quickly, while other items can be held in cold storage for longer periods of time. The selling price received for each type of produce depends on all of these factors, including the availability and quality of the produce item in the market, and the availability and quality of competing types of produce.

In addition, general public perceptions regarding the quality, safety or health risks associated with particular food products could reduce demand and prices for some of our products. To the extent that consumer preferences evolve away from products that we produce for health or other reasons, and we are unable to modify our products or to develop products that satisfy new consumer preferences, there will be a decreased demand for our products. However, even if market prices are unfavorable, produce items which are ready to be, or have been, harvested must be brought to market promptly. A decrease in the selling price received for our products due to the factors described above could have a material adverse effect on our business, results of operations and financial condition.

### **Our earnings are subject to seasonal variability.**

Our earnings may be affected by seasonal factors, including:

the seasonality of our supplies and consumer demand;

the ability to process products during critical harvest periods; and

the timing and effects of ripening and perishability.

Although banana production tends to be relatively stable throughout the year, banana pricing is seasonal because bananas compete against other fresh fruit that generally comes to market beginning in the summer. As a result, banana prices are typically higher during the first half of the year. Our fresh vegetables segment experiences some seasonality as reflected by higher earnings in the first half of the year. Our packaged foods segment experiences peak demand during some well-known holidays and observances.

### **Currency exchange fluctuations may impact the results of our operations.**

Our nearly 200 products are sourced, grown, processed, marketed and distributed in more than 90 countries throughout the world. Our international sales are usually transacted in U.S. dollars, and European and Asian

currencies. Our results of operations are affected by fluctuations in currency exchange rates in both sourcing and selling locations. Although we enter into foreign currency exchange forward contracts from time to time to reduce our risk related to currency exchange fluctuation, our results of operations may still be impacted by foreign currency exchange rates, primarily the yen-to-U.S. dollar and euro-to-U.S. dollar exchange rates. For instance, we currently estimate that a 10% strengthening of the U.S. dollar relative to the Japanese yen, euro and Swedish krona would have reduced 2010 operating income by approximately \$34 million, excluding the impact of foreign currency exchange hedges. Because we do not hedge against all of our foreign currency exposure, our business will continue to be susceptible to foreign currency fluctuations.

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**Increases in commodity or raw product costs, such as fuel, paper, plastics and resins, could adversely affect our operating results.**

Many factors may affect the cost and supply of fresh produce, including external conditions, commodity market fluctuations, currency fluctuations, changes in governmental laws and regulations, agricultural programs, severe and prolonged weather conditions and natural disasters. Increased costs for purchased fruit and vegetables have in the past negatively impacted our operating results, and there can be no assurance that they will not adversely affect our operating results in the future.

The price of various commodities can significantly affect our costs. For example, the price of bunker fuel used in shipping operations, including fuel used in ships that we own or charter, is an important variable component of transportation costs. Our fuel costs have increased substantially in recent years, and there can be no assurance that there will not be further increases in the future. In addition, fuel and transportation cost is a significant component of the price of much of the produce that we purchase from growers or distributors, and there can be no assurance that we will be able to pass on to our customers the increased costs we incur in these respects.

The cost of paper and tinplate are also significant to us because some of our products are packed in cardboard boxes or cans for shipment. If the price of paper or tinplate increases and we are not able to effectively pass these price increases along to our customers, then our operating income will decrease. Increased costs for paper and tinplate have in the past negatively impacted our operating income, and there can be no assurance that these increased costs will not adversely affect our operating results in the future.

**We face risks related to our former use of the pesticide DBCP.**

We formerly used dibromochloropropane, or DBCP, a nematocide that was used by growers on a variety of crops throughout the world. The registration for DBCP with the U.S. government was cancelled in 1979 based in part on an apparent link to male sterility among chemical factory workers who produced DBCP. There are a number of pending lawsuits in the United States and other countries against the manufacturers of DBCP and the growers, including us, who used it in the past. The cost to defend these lawsuits, and the costs to pay any judgments or settlements resulting from these lawsuits, or other lawsuits which might be brought, could have a material adverse effect on our business, financial condition or results of operations. See Note 19 to our Consolidated Financial Statements.

**The use of herbicides and other potentially hazardous substances in our operations may lead to environmental damage and result in increased costs to us.**

We use herbicides and other potentially hazardous substances in