FRESH DEL MONTE PRODUCE INC
Form 10-Q
August 03, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 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

1-14706
(Commission file number)

FRESH DEL MONTE PRODUCE INC.
(Exact Name of Registrant as Specified in Its Charter)

The Cayman Islands (State or Other Jurisdiction of Incorporation or Organization)	N/A (I.R.S Employer Identification No.)
c/o Walkers SPV Limited Walker House, 87 Mary Street George Town, Grand Cayman, KY1-9002 Cayman Islands (Address of Registrant's Principal Executive Office)	N/A (Zip Code)

(305) 520-8400
(Registrant's telephone number including area code)

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

c/o Del Monte Fresh Produce Company
241 Sevilla Avenue

Coral Gables, Florida 33134
(Address of Registrant's U.S. Executive Office)

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 x 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 x No ¨

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

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

As of July 22, 2011, there were 59,856,535 Ordinary Shares of Fresh Del Monte Produce Inc. issued and outstanding, respectively.

Forward-Looking Statements

This report, information included in future filings by us and information contained in written material, press releases and oral statements, issued by or on behalf of us contains, or may contain, statements that constitute forward-looking statements. In this report, these statements appear in a number of places and include statements regarding the intent, beliefs or current expectations of us or our officers (including statements preceded by, followed by or that include the words “believes”, “expects”, “anticipates” or similar expressions) with respect to various matters, including our plans and future performance. These forward-looking statements involve risks and uncertainties. Fresh Del Monte’s actual plans and performance may differ materially from those in the forward-looking statements as a result of various factors, including (i) the uncertain global economic environment and the timing and strength of a recovery in the markets we serve, and the extent to which adverse economic conditions continue to affect our sales volume and results, including our ability to command premium prices for certain of our principal products, or increase competitive pressures within the industry, (ii) the impact of governmental initiatives in the United States and abroad to spur economic activity, including the effects of significant government monetary or other market interventions on inflation, price controls and foreign exchange rates, (iii) the impact of governmental trade restrictions, including adverse governmental regulation that may impact our ability to access certain markets, (iv) our anticipated cash needs in light of our liquidity, (v) the continued ability of our distributors and suppliers to have access to sufficient liquidity to fund their operations, (vi) trends and other factors affecting our financial condition or results of operations from period to period, including changes in product mix or consumer demand for branded products such as ours, particularly as consumers remain price-conscious in the current economic environment; anticipated price and expense levels; the impact of crop disease, severe weather conditions, such as flooding, or natural disasters, such as earthquakes, on crop quality and yields and on our ability to grow, procure or export our products; the impact of prices for petroleum-based products and packaging materials; and the availability of sufficient labor during peak growing and harvesting seasons, (vii) the impact of pricing and other actions by our competitors, particularly during periods of low consumer confidence and spending levels, (viii) the impact of foreign currency fluctuations, (ix) our plans for expansion of our business (including through acquisitions) and cost savings, (x) our ability to successfully integrate acquisitions into our operations, (xi) the impact of impairment or other charges associated with exit activities, crop or facility damage or otherwise, (xii) the timing and cost of resolution of pending legal and environmental proceedings, (xiii) the impact of changes in tax accounting or tax laws (or interpretations thereof), and the impact of settlements of adjustments proposed by the Internal Revenue Service or other taxing authorities in connection with our tax audits, and (xiv) the cost and other implications of changes in regulations applicable to our business, including potential legislative or regulatory initiatives in the United States or elsewhere directed at mitigating the effects of climate change. All forward-looking statements in this report are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. Our plans and performance may also be affected by the factors described in Item 1A-“Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2010 along with other reports that we have on file with the Securities and Exchange Commission.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Unaudited)
(U.S. dollars in millions, except share and per share data)

	July 1, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$55.1	$49.1
Trade accounts receivable, net of allowance of $9.3 and $7.8, respectively	350.4	313.8
Other accounts receivable, net of allowance of $8.0 and $12.3, respectively	50.6	63.4
Inventories	358.7	410.4
Deferred income taxes	15.6	17.5
Prepaid expenses and other current assets	26.5	27.1
Total current assets	856.9	881.3
Investments in and advances to unconsolidated companies	3.0	4.0
Property, plant and equipment, net	1,038.0	1,033.1
Deferred income taxes	54.2	57.2
Other noncurrent assets	130.5	135.7
Goodwill	405.6	406.4
Total assets	$2,488.2	$2,517.7
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	$389.6	$331.9
Current portion of long-term debt and capital lease obligations	6.1	5.3
Deferred income taxes	26.7	27.5
Income taxes and other taxes payable	16.6	2.8
Total current liabilities	439.0	367.5
Long-term debt and capital lease obligations	81.3	290.3
Retirement benefits	77.3	76.5
Other noncurrent liabilities	60.4	69.6
Deferred income taxes	81.0	82.3
Total liabilities	739.0	886.2
Commitments and contingencies		
Shareholders' equity:		
Preferred shares, $0.01 par value; 50,000,000 shares authorized; none issued or outstanding	-	-

Ordinary shares, $0.01 par value; 200,000,000 shares authorized; 59,834,535 issued and outstanding and 58,725,430 issued and outstanding, respectively	0.6	0.6
Paid-in capital	487.8	462.9
Retained earnings	1,252.3	1,167.8
Accumulated other comprehensive loss	(17.7)	(24.1)
Total Fresh Del Monte Produce Inc. shareholders' equity	1,723.0	1,607.2
Noncontrolling interests	26.2	24.3
Total shareholders' equity	1,749.2	1,631.5
Total liabilities and shareholders' equity	$2,488.2	$2,517.7

See accompanying notes.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(U.S. dollars in millions, except share and per share data)

	Quarter ended		Six months ended	
	July 1, 2011	July 2, 2010	July 1, 2011	July 2, 2010
Net sales	$1,039.7	$1,000.0	$2,013.7	$1,943.1
Cost of products sold	936.8	917.0	1,788.0	1,762.3
Gross profit	102.9	83.0	225.7	180.8
Selling, general and administrative expenses	48.4	43.0	94.5	85.0
Gain on sales of property, plant and equipment	0.7	3.1	0.8	3.4
Asset impairment and other charges	10.3	23.0	12.2	24.0
Operating income	44.9	20.1	119.8	75.2
Interest expense	1.5	3.0	3.7	6.4
Interest income	0.2	0.2	0.4	0.4
Other expense, net	0.4	0.6	3.4	9.6
Income before income taxes	43.2	16.7	113.1	59.6
Provision for (benefit from) income taxes	6.4	(4.5)	20.3	1.5
Net income	$36.8	$21.2	$92.8	$58.1
Less: net income attributable to noncontrolling interests	1.6	0.1	2.4	0.8
Net income attributable to Fresh Del Monte Produce Inc.	$35.2	$21.1	$90.4	$57.3
Net income per ordinary share attributable to Fresh Del Monte Produce Inc. - Basic	$0.59	$0.34	$1.53	$0.91
Net income per ordinary share attributable to Fresh Del Monte Produce Inc. - Diluted	$0.59	$0.34	$1.52	$0.91
Dividends declared per ordinary share	$0.05	$-	$0.10	$-
Weighted average number of ordinary shares:				
Basic	59,562,202	61,880,666	59,202,865	62,727,426
Diluted	59,887,929	62,048,263	59,579,250	62,883,663

See accompanying notes.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(U.S. dollars in millions)

	Six months ended July 1, 2011	Six months ended July 2, 2010
Operating activities:		
Net income	$92.8	$58.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	36.8	39.7
Amortization of debt issuance costs	1.3	1.1
Stock-based compensation expense	4.0	4.5
Asset impairment charges	8.7	23.4
Change in uncertain tax positions	4.1	(0.9)
Gain on sales of property, plant and equipment	(0.8)	(3.4)
Equity in loss (income) of unconsolidated companies	0.6	(0.1)
Deferred income taxes	2.0	(2.6)
Foreign currency translation adjustment	(3.4)	(8.8)
Changes in operating assets and liabilities:		
Receivables	(24.0)	(13.4)
Inventories	52.8	55.3
Prepaid expenses and other current assets	3.8	(6.4)
Accounts payable and accrued expenses	73.5	22.5
Other noncurrent assets and liabilities	(8.6)	(10.0)
Net cash provided by operating activities	243.6	159.0
Investing activities:		
Capital expenditures	(42.4)	(28.8)
Proceeds from sales of property, plant and equipment	1.1	5.9
Return of investment by an unconsolidated company	-	4.2
Net cash used in investing activities	(41.3)	(18.7)
Financing activities:		
Proceeds from long-term debt	180.3	281.2
Payments on long-term debt	(388.6)	(388.2)
Contributions from (distributions to) noncontrolling interests, net	(3.1)	1.5
Proceeds from stock options exercised	20.9	0.2
Dividends paid	(5.9)	-
Repurchase of shares	-	(49.7)
Net cash used in financing activities	(196.4)	(155.0)
Effect of exchange rate changes on cash	0.1	6.7
Net increase (decrease) in cash and cash equivalents	6.0	(8.0)
Cash and cash equivalents, beginning	49.1	34.5
Cash and cash equivalents, ending	$55.1	$26.5

Supplemental cash flow information:		
Cash paid for interest	$2.6	$5.5
Cash paid for income taxes	$2.6	$3.1
Non-cash financing and investing activities:		
Purchase of assets under capital lease obligations	$0.3	$0.4
Retirement of treasury shares	$-	$49.7
Prurchase of unconsolidated subsidiary	$0.5	$-
Sale of unconsolidated subsidiary	$0.8	$-

See accompanying notes.

FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. General

Reference in this report to Fresh Del Monte, “we”, “our”, “us” and the “Company” refer to Fresh Del Monte Produce Inc. and its subsidiaries, unless the context indicates otherwise.

We were incorporated under the laws of the Cayman Islands in 1996 and are engaged primarily in the worldwide production, transportation and marketing of fresh produce. We source our products, which include bananas, pineapples, melons and non-tropical fruit (including grapes, apples, pears, peaches, plums, nectarines, avocados, citrus and kiwis) and tomatoes, primarily from Central America, South America, Africa and the Philippines. We also source products from North America and Europe and distribute our products in North America, Europe, Asia, South America, Africa and the Middle East. Products are sourced from our Company-owned farms, through joint venture arrangements and through supply contracts with independent growers. We have the exclusive right to use the DEL MONTE® brand for fresh fruit, fresh vegetables and other fresh and fresh-cut produce and certain other specified products on a royalty-free basis under a worldwide, perpetual license from Del Monte Corporation, an unaffiliated company that owns the DEL MONTE® trademark. Del Monte Corporation and several other unaffiliated companies manufacture, distribute and sell under the DEL MONTE® brand canned or processed fruit, vegetables and other produce, as well as dried fruit, snacks and other products in certain geographic regions.

We are also a producer, marketer and distributor of prepared fruit and vegetables, juices and snacks and we hold a perpetual, royalty-free license to use the DEL MONTE® brand for prepared foods throughout Europe, Africa, the Middle East and countries formerly part of the Soviet Union.

The accompanying unaudited Consolidated Financial Statements for the quarter and six months ended July 1, 2011 have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments of a normal recurring nature considered necessary for fair presentation have been included. Operating results for the quarter and six months ended July 1, 2011, are subject to significant seasonal variations and are not necessarily indicative of the results that may be expected for the year ending December 30, 2011. For further information, refer to the Consolidated Financial Statements and notes thereto included in our annual report on Form 10-K for the fiscal year ended December 31, 2010.

Certain amounts from 2010 have been reclassified to conform to the 2011 presentation. As a result of our decision to exit grain operations during 2010 and the elimination of third-party ocean freight services from Northern Europe to the Caribbean during 2009, we have combined the other products and services segment with the other fresh produce segment in 2011 due to the relative size of the remaining operations.

We are required to evaluate events occurring after July 1, 2011 for recognition and disclosure in the Consolidated Financial Statements for the quarter and six months ended July 1, 2011. Events are evaluated based on whether they represent information existing as of July 1, 2011, which require recognition in the Consolidated Financial Statements, or new events occurring after July 1, 2011, which do not require recognition but require disclosure if the event is significant to the Consolidated Financial Statements. We evaluated events occurring subsequent to July 1, 2011 through the date of issuance of these Consolidated Financial Statements.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)

2. Recently Issued Accounting Pronouncement

In June 2011, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update (“ASU”) to amend guidance in the Accounting Standards Codification ("ASC") related to the Presentation of Comprehensive Income. This amendment will require us to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements. It eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The amended guidance, which must be applied retroactively, is effective for interim and annual periods beginning the first day of our 2012 fiscal year, with earlier adoption permitted. This ASU impacts presentation only, it will have no effect on our financial condition, results of operations or cash flows.

In May 2011, the FASB issued an ASU to amend the guidance in the ASC on Fair Value Measurements and Disclosures. This amendment is intended to result in convergence between U.S. GAAP and International Financial Reporting Standards (“IFRS”) requirements for measurement of and disclosures about fair value. This guidance clarifies the application of existing fair value measurements and disclosures, and changes certain principles or requirements for fair value measurements and disclosures. The amendment is effective for interim and annual periods beginning the first day of our 2012 fiscal year. We are currently evaluating the impact, if any, of adopting this ASU to our financial condition, results of operations or cash flows.

3. Asset Impairment and Other Charges

The following represents a summary of asset impairment and other charges recorded during the quarter and six months ended July 1, 2011 and July 2, 2010 (U.S. dollars in millions):

	Quarter ended		Six months ended	
	July 1, 2011	July 2, 2010	July 1, 2011	July 2, 2010
Asset impairments and other charges	$10.3	$5.3	$12.2	$6.3
Asset impairment and other charges related to exit activities	-	17.7	-	17.7
Total asset impairment and other charges	$10.3	$23.0	$12.2	$24.0

The $10.3 million in asset impairment and other charges for the quarter ended July 1, 2011 includes $4.9 million of asset impairments and contract termination costs and $3.3 million of goodwill impairment as a result of rationalization of our melon operations in Central America in the other fresh produce segment. Also included in asset impairment and other charges is $1.1 million in other charges related to legal costs in Hawaii in the other fresh produce segment and $1.0 million in asset impairments and contract termination costs primarily related to our banana segment in Costa Rica as a result of exiting low-production areas.

The $12.2 million in asset impairment and other charges for the six months ended July 1, 2011 includes the charges described above for the quarter ended July 1, 2011 and $1.1 million in contract termination costs and termination benefits as a result of our decision to abandon an isolated area of our banana operation in the Philippines due to crop disease in the banana segment. Also included in asset impairment and other charges is $0.6 million of other costs related to our previously exited Hawaii pineapple operations in the other fresh produce segment and $0.2 million of other impairment charges.

The $23.0 million in asset impairment and other charges for the quarter ended July 2, 2010 includes a $16.6 million impairment as a result of exit activities in South Africa in the prepared food segment and a $5.8 million impairment as a result of flood damage to our Guatemala banana plantation, partially offset by $0.5 million of insurance recoveries related to the 2008 Brazil floods in our banana plantation in the banana segment. Also included in the $23.0 million are termination benefits of $1.1 million related to our decision to discontinue melon growing operations in Brazil in the other fresh produce segment.

The $24.0 million in asset impairment and other charges for the six months ended July 2, 2010 includes the charges described above for the quarter ended July 2, 2010 and a $1.0 million impairment related to damage caused by an earthquake in Chile in the other fresh produce segment.

FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)

3. Asset Impairment and Other Charges (continued)

Exit Activity and Other Reserves

The following represents a rollforward of 2011 exit activity and other reserves (U.S. dollars in millions):

	Exit activity and other reserve balance at December 31, 2010	Impact to Earnings	Cash Paid	Exit activity and other reserve balance at July 1, 2011
Termination benefits	$1.3	$0.3	$(0.4)	$1.2
Contract termination and other exit activity charges	1.5	1.4	(1.5)	1.4
	$2.8	$1.7	$(1.9)	$2.6

Included in the exit activity and other reserve balance at July 1, 2011 are $1.4 million in contract termination costs related to the closure of an under-utilized distribution center in the United Kingdom in the banana segment and $1.2 million in termination benefits primarily related to the previously announced decision to exit Hawaiian production operations in the other fresh produce segment. We do not expect additional charges related to the exit and other activities mentioned above that would significantly impact our results of operations and financial condition.

4. Noncontrolling Interests

The following table reconciles shareholders' equity attributable to noncontrolling interests (U.S. dollars in millions):

	Six months ended	
	July 1, 2011	July 2, 2010
Noncontrolling interests, beginning	$24.3	$22.1
Net income attributable to the noncontrolling interests	2.4	0.8
Translation adjustments	0.4	0.4
Capital (distributions) contributions	(0.9)	0.8
Noncontrolling interests, ending	$26.2	$24.1

FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)

5. Variable Interest Entities

Effective January 2, 2010, we adopted the Accounting Standards Update ("ASU") issued by the Financial Accounting Standards Board ("FASB") on December 23, 2009, which codifies Statement of Financial Accounting Standard No. 167, "Amendments to FASB Interpretation No. 46(R)" and amends the consolidation guidance that applies to Variable Interest Entities ("VIEs"). The ASU amends many important provisions of the existing Accounting Standards Codification ("ASC") guidance on "Consolidation". This amended consolidation guidance for VIEs replaces the existing quantitative approach for identifying which enterprise should consolidate a VIE, which was based on which enterprise is exposed to a majority of the risks and rewards, with a qualitative approach, based on which enterprise has both (1) the power to direct the economically significant activities of the entity and (2) the obligation to absorb losses of, or the right to receive benefits from, the entity that could potentially be significant to the VIE. Determinations about whether an enterprise should consolidate a VIE are required to be evaluated continuously as changes to existing relationships or future transactions may result in a consolidation or deconsolidation of VIEs. The adoption of the ASU did not have an impact on our Consolidated Financial Statements other than to require additional disclosures.

One of our Del Monte Gold® Extra Sweet pineapple producers meets the definition of a VIE pursuant to the ASC guidance on "Consolidation" and is consolidated. Our variable interest in this entity includes an equity investment and certain debt guarantees. All of this entity's pineapple production is sold to us. Based on the criteria of this ASC, as amended by this ASU, we are the primary beneficiary of this entity's expected residual returns or losses in excess of our ownership interest. Although we are the primary beneficiary, the VIE's creditors do not have recourse against our general credit. At July 1, 2011, the VIE had total assets of $41.4 million and total liabilities of $9.4 million. The VIE had long-term debt of $5.2 million, which is collateralized by its property, plant and equipment and further guaranteed by a $1.0 million standby letter of credit issued by us. As of July 1, 2011, the VIE is current on the guaranteed long-term debt. There are no other restrictions on the assets of the VIE.

We have provided funding for capital investments in the VIE in proportion to our voting interest. We may from time to time in the future provide additional funding for capital investments in the VIE.

6. Financing Receivables

In July 2010, the FASB issued an ASU relating to improving disclosure on the credit quality of financing receivables and allowances for credit losses and requires expanded disclosures on the balance of financing receivables, aging of those receivables and related allowance for doubtful accounts information at a disaggregated level. The ASU also requires roll-forward of the allowance for doubtful accounts related to financing receivables. Financing receivables are defined as a contractual right to receive money, on demand or on fixed or determinable dates and is recognized as an asset in the creditor's balance sheet. We adopted the guidance in this ASU on December 31, 2010 and additional guidance regarding disclosure of reporting period activity such as roll-forwards of the related allowance for doubtful accounts in our financial statements for the quarter ended July 1, 2011. This ASU did not have an impact to our Consolidated Financial Statements other than require us to provide increased disclosures.

Other accounts receivable less allowances are recognized on our accompanying Consolidated Balance Sheets at net realizable value, which approximates fair value. Other accounts receivable includes value-added taxes ("VAT") receivables, seasonal advances to growers and suppliers, which are usually short-term in nature, and other financing receivables.

We source our products from various independent growers primarily in Central and South America, Africa and the Philippines. We also source products from North America and Europe. A significant portion of the fresh produce we sell is acquired through supply contracts with independent growers. In order to ensure the consistent high quality of our products and packaging, we make advances to independent growers and suppliers. These growers and suppliers typically sell all of their production to us and make payments on their advances as a deduction to the agreed upon selling price of the fruit or packaging material. The majority of the advances to growers and suppliers are for terms less than one year and typically span a growing season. In certain cases, there may be longer term advances with terms of up to 10 years. These advances are collateralized by property liens and pledges of the season’s produce; however certain factors such as the impact of weather (i.e. flooding) and crop disease may impact the ability for these growers to repay their advance.

Allowances against advances to growers and suppliers are established based on the company’s knowledge of the financial condition of the paying party and historical loss experience. Allowances are recorded and charged to expense when an account is deemed to be uncollectible. Occasionally, we agree to a payment plan or take steps to recover the advance via established collateral. Reserves for uncollectible advances are determined on a case by case basis depending on the production for the season and other contributing factors. Recoveries of advances to growers and suppliers previously reserved in the allowance are credited to operating income.

FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)

6. Financing Receivables (continued)

We also from time to time enter into notes receivable primarily related to asset sales. The majority of our notes receivable have terms that are less than one year.

The following table details financing receivables including the related allowance for doubtful accounts (U.S. dollars in millions):

	July 1, 2011		December 31, 2010		
	Short-term	Long-term	Short-term		Long-term
Gross advances to growers	$ 27.5	$ 0.4	$ 34.2		$ 0.5
Allowance for advances to growers	(3.7)	-	(3.8)		(0.2)
Net advances to growers	$ 23.8	$ 0.4	$ 30.4		$ 0.3
Gross notes receivable	$ 0.7	$ 0.7	$ 8.2		$ 1.0
Allowance for notes receivable	-	-	(0.6)		-
Net notes receivable	$ 0.7	$ 0.7	$ 7.6	(a)	$ 1.0

(a) Includes $6.9 million of notes receivable, net of allowance of $0.6 million, related to the sale of the assets of our South Africa canning operation, which was paid in January 2011.

The current and noncurrent portions of the financing receivables included above are classified in the Consolidated Balance Sheets in other accounts receivable and other noncurrent assets, respectively.

The following table details the credit risk profile of the above listed financing receivables (U.S. dollars in millions):

	Current Status	Past Due Status	Total
Gross advances to growers:			
July 1, 2011	$24.2	$3.7	$27.9
December 31, 2010	30.7	4.0	34.7
Gross notes receivable:			
July 1, 2011	$1.4	$-	$1.4
December 31, 2010	9.2	-	9.2

The allowance for doubtful accounts and the related financing receivables for the quarter ended July 1, 2011 were as follows (U.S. dollars in millions):

	Quarter ended July 1, 2011	Six months ended July 1, 2011
Allowance for advances to growers:		
Balance, beginning of period	$3.9	$4.0

Deductions to allowance including recoveries	(0.2)	(0.3)
Balance, end of period	$3.7	$3.7
Allowance for notes receivable:		
Balance, beginning of period	$-	$0.6
Deductions to allowance including recoveries	-	(0.6)
Balance, end of period	$-	$-

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)

7. Uncertain Tax Position

During the six months ended July 1, 2011, there was a net increase of $4.7 million of uncertain tax positions including interest and penalties of $1.8 million, of which $4.3 million will affect the effective tax rate. The increase includes an accrual of $4.5 million, including $1.7 million of interest and penalties related to a position in a foreign jurisdiction, affecting the years 2005 and 2006, that is no longer at more likely than not of being sustained. This position is expected to be settled within the next 12 months.

8. Stock-Based Compensation

On May 5, 2011, our shareholders approved and ratified the 2011 Omnibus Share Incentive Plan (the "2011 Plan"). Under the 2011 Plan, the Board of Directors is authorized to grant options to purchase up to 2,500,000 ordinary shares and grant up to 500,000 restricted stock units or other stock based awards that are not options. There were no options or stock based awards granted under the 2011 Plan for the quarter ended July 1, 2011.

Stock-based compensation expense included in selling, general and administrative expenses related to stock options on a straight-line, single-award basis and restricted stock awards included in the accompanying Consolidated Statements of Income was as follows (U.S. dollars in millions, except per share data):

	Quarter ended		Six months ended	
	July 1, 2011	July 2, 2010	July 1, 2011	July 2, 2010
Stock-based compensation expense	$1.5	$2.5	$4.0	$4.5
Stock-based compensation expense per diluted share	$0.03	$0.04	$0.07	$0.07

We are in a net operating loss carry-forward position in the relevant jurisdictions. Therefore, for the quarter and six months ended July 1, 2011, excess share-based payment deductions resulting from stock options exercised in these periods have not been realized through a reduction in taxes currently payable or related effect on cash flows. Proceeds of $20.9 million and $0.2 million were received from the exercise of stock options for the six months ended July 1, 2011 and July 2, 2010, respectively.

The following table lists the various stock option grants occurring for the quarter and six months ended July 1, 2011 and July 2, 2010:

Stock Option Grant	Number of Options Granted	Exercise Price	Fair Value
March 2, 2011 - Chairman and Chief Executive Officer	161,000	$26.67	$9.57
March 3, 2010 - Chairman and Chief Executive Officer	161,000	20.13	7.46

All stock options were granted from our 1999 Share Incentive Plan and may be exercised over a period not in excess of 10 years. These options vested 20% on the applicable grant date and will vest an additional 20% on each of the first four anniversaries of the applicable grant dates.

Under our 2010 Non-Employee Directors Equity Plan (the "Directors Equity Plan"), we may award restricted stock to non-employee members of our Board of Directors. Awards of restricted stock will be made on the first business day of each calendar year beginning in 2011, with exception of the initial award which was granted on May 5, 2010. A share of restricted stock is one ordinary share of the Company that has restrictions on transferability until certain vesting conditions have been met. The number of ordinary shares that may be covered by awards granted under the Directors Equity Plan is limited to a total of 150,000 ordinary shares.

FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)

8. Stock-Based Compensation (continued)

Fifty percent of each award of restricted stock granted under the Directors Equity Plan will vest on the date on which it was granted. The remaining 50% of each award will vest upon the six-month anniversary of the date on which the recipient ceases to serve as a member of the Board of Directors. The provision in the Director's Equity Plan that allows directors to retain all of their awards once they cease to serve as a member of the Board of Directors is considered a nonsubstantive service condition in accordance with the guidance provided by the ASC on "Compensation – Stock Compensation". Accordingly, we recognize compensation cost immediately for restricted stock awards granted to non-management members of the Board of Directors.

On January 3, 2011, we awarded 27,853 shares from our Directors Equity Plan at a price of $25.14 per share. On May 5, 2010, we awarded 32,956 restricted shares from our Directors Equity Plan at a price of $21.24 per share. Stock-based compensation expense was $0.7 million for each grant of restricted shares.

9. Inventories

Inventories consisted of the following (U.S. dollars in millions):

	July 1, 2011	December 31, 2010
Finished goods	$110.4	$138.8
Raw materials and packaging supplies	130.5	134.1
Growing crops	117.8	137.5
Total inventories	$358.7	$410.4

10. Long-Term Debt and Capital Lease Obligations

On July 17, 2009, we entered into a 3.5-year, $500 million senior secured revolving credit facility, expiring on January 17, 2013 (the "Credit Facility"), with Rabobank Nederland, New York Branch, as administrative agent and lead arranger. The Credit Facility includes a swing line facility and a letter of credit facility with a $100 million sublimit. Borrowings under the Credit Facility bear interest at a spread over the London Interbank Offer Rate ("LIBOR") that varies with our leverage ratio. The Credit Facility is collateralized directly or indirectly by substantially all of our assets and is guaranteed by certain of our subsidiaries. On March 28, 2011, we amended the Credit Facility by lowering the applicable margins over LIBOR or Base rate borrowings that vary with our leverage ratio.

The Credit Facility requires us to be in compliance with financial and other covenants, including limitations on capital expenditures, the amount of dividends that can be paid in the future, the amount and types of liens and indebtedness, material asset sales and mergers. As of July 1, 2011, we were in compliance with all of the covenants contained in the Credit Facility. The Credit Facility permits borrowings under the revolving commitment with an interest rate (1.86% per annum at July 1, 2011) determined based on our leverage ratio and spread over LIBOR. In addition, we pay a fee on unused commitments.

At July 1, 2011, we had $427.0 million available under committed working capital facilities, primarily under the Credit Facility. At July 1, 2011, we applied $14.8 million to the letter of credit facility, comprised primarily of certain contingent obligations and other governmental agency guarantees combined with guarantees for purchases of raw materials and equipment. Included in the letter of credit facility, $1.0 million relates to a debt guarantee for a VIE. We also had $10.0 million in other letters of credit and bank guarantees not included in the letter of credit facility. Refer to Note 5, “Variable Interest Entities”, for further discussion of VIEs.

At July 1, 2011, we had $87.4 million of long-term debt and capital lease obligations, including the current portion, consisting of $77.7 million outstanding under the Credit Facility, $2.5 million of capital lease obligations and $7.2 million of other long-term debt and notes payable.

FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)

11. Comprehensive Income

The following table sets forth comprehensive income for the quarter and six months ended July 1, 2011 and July 2, 2010 (U.S. dollars in millions):

	Quarter ended		Six months ended	
	July 1, 2011	July 2, 2010	July 1, 2011	July 2, 2010
Comprehensive income:				
Net income	$36.8	$21.2	$92.8	$58.1
Net unrealized (loss) gain on derivatives	(4.8)	(7.9)	(3.6)	1.9
Net unrealized foreign currency translation gain (loss)	2.4	5.1	10.1	(5.1)
Net change in retirement benefit adjustment, net of tax	0.2	0.3	0.3	-
Comprehensive income	34.6	18.7	99.6	54.9
Less: comprehensive income attributable to noncontrolling interests	1.8	0.3	2.8	1.2
Comprehensive income attributable to Fresh Del Monte Produce Inc.	$32.8	$18.4	$96.8	$53.7

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)

12. Commitments and Contingencies

DBCP Litigation

Beginning in December 1993, certain of our U.S. subsidiaries were named among the defendants in a number of actions in courts in Texas, Louisiana, Hawaii, California and the Philippines involving claims by numerous non-U.S. plaintiffs alleging that they were injured as a result of exposure to a nematocide containing the chemical dibromochloropropane ("DBCP") during the period 1965 to 1990. As a result of a settlement entered into in December 1998, the remaining unresolved DBCP claims against our U.S. subsidiaries are pending in Hawaii, Louisiana and California.

In 1997, plaintiffs from Costa Rica and Guatemala named certain of our U.S. subsidiaries in a purported class action in Hawaii. On June 28, 2007, plaintiffs voluntarily dismissed our U.S. subsidiaries named in the action without ties to Hawaii. At a hearing held on June 9, 2009, the court granted summary judgment in favor of our remaining U.S. subsidiaries with ties to Hawaii, holding that the claims of the remaining plaintiffs are time-barred. A final judgment dismissing all remaining claims and terminating the action was entered on July 28, 2010. On August 24, 2010, plaintiffs filed a notice of appeal. The appeal is fully briefed and remains pending.

On November 15, 1999, one of our subsidiaries was served in two actions entitled Godoy Rodriguez, et al. v. AMVAC Chemical Corp., et al. and Martinez Puerto, et al. v. AMVAC Chemical Corp., et al., in the 29th Judicial District Court for the Parish of St. Charles, Louisiana. At this time, it is not known how many of the approximately 315 remaining Godoy Rodriguez and Martinez Puerto plaintiffs are making claims against our subsidiary.

On October 14, 2004, two of our subsidiaries were served with a complaint in an action styled Angel Abarca, et al. v. Dole Food Co., et al. filed in the Superior Court of the State of California for the County of Los Angeles on behalf of more than 2,600 Costa Rican banana workers who claim injury from exposure to DBCP. An initial review of the plaintiffs in the Abarca action found that a substantial number of the plaintiffs were claimants in prior DBCP actions in Texas and may have participated in the settlement of those actions. On June 27, 2008, the court dismissed the claims of 1,329 plaintiffs who were parties to prior DBCP actions. On June 30, 2008, our subsidiaries moved to dismiss the claims of the remaining Abarca plaintiffs on grounds of forum non conveniens in favor of the courts of Costa Rica. Hearings on the motion to dismiss were held on February 24, 2009, May 19, 2009 and September 17, 2009. On September 22, 2009, the court granted the motion conditionally dismissing the claims of those remaining plaintiffs who allege employment on farms in Costa Rica affiliated with our subsidiaries.

On April 25, 2005, two of our subsidiaries were served with a complaint styled Juan Jose Abrego, et al. v. Dole Food Company, et al. filed in the Superior Court of the State of California for the County of Los Angeles on behalf of 955 Guatemalan residents who claim injury from exposure to DBCP. An initial review of the plaintiffs in the Abrego action found that a substantial number of the plaintiffs were claimants in prior DBCP actions and may have participated in the settlement of those actions. On June 27, 2008, the court dismissed the claims of 206 plaintiffs who were parties to prior DBCP actions. On October 1, 2009, our subsidiaries joined a motion to dismiss the claims of the remaining Abrego plaintiffs on grounds of forum non conveniens in favor of the courts of Michigan. On December 15, 2009, the court granted the joint motion. On February 16, 2010, plaintiffs appealed the court's dismissal of the action. On December 29, 2010, the appellate court affirmed the Superior Court's dismissal of the remaining plaintiffs, who have sought review of the dismissal by the California Supreme Court which was denied. To date plaintiffs have not filed their claims with the courts of Michigan.

On January 2, 2009, three of our subsidiaries were served with multiple complaints in related actions styled Jorge Acosta Cortes, et al. v. Dole Food Company, et al. filed in the Superior Court of the State of California for the County of Los Angeles on behalf of 461 Costa Rican residents, 389 Guatemalan residents, 962 Panamanian residents and 673 Honduran residents who claim injury from exposure to DBCP. We and our subsidiaries have never owned, managed or otherwise been involved with any banana growing operations in Panama or Honduras. Accordingly, the Panamanian and Honduran plaintiffs filed requests to dismiss our subsidiaries without prejudice on March 26, 2009. The claims of the new Costa Rican plaintiffs were consolidated with those of the Costa Rican plaintiffs in Abarca and conditionally dismissed as in the Abarca case. Similarly, the claims of the new Guatemalan plaintiffs were consolidated with those of the Guatemalan plaintiffs in Abrego and dismissed in favor of the courts of Michigan as in the Abrego case.

On July 13, 2011, one of our subsidiaries was served with multiple complaints filed in the United States District Court for the Eastern District of Louisiana on behalf of 121 Panamanian residents, 72 Costa Rican residents and 68 Ecuadorian residents who claim injury from exposure to DBCP.

FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Commitments and Contingencies (consolidated)

Pineapple Class Action Litigation

On August 2, 2004, a consolidated complaint was filed against two of our subsidiaries in the U.S. District Court for the Southern District of New York. This consolidated action was brought as a putative class action on behalf of all direct and indirect purchasers of Del Monte Gold® Extra Sweet pineapples from March 1, 1996 through the present and merges four actions brought by fruit wholesalers and two actions brought by individual consumers. The consolidated complaint alleges claims for: (i) monopolization and attempted monopolization; (ii) restraint of trade; (iii) unfair and deceptive trade practices; and (iv) unjust enrichment. On May 27, 2005, our subsidiaries filed a motion to dismiss the indirect and direct purchasers' claims for unjust enrichment. On June 29, 2005, plaintiffs filed a joint motion for class certification. On February 20, 2008, the court denied plaintiffs' motion for class certification of the indirect purchasers and only granted class certification of the direct purchasers' claims for monopolization and attempted monopolization, which was uncontested by our subsidiaries. Also on February 20, 2008, the court granted the motion of our subsidiaries to dismiss the direct purchasers' claims for unjust enrichment and denied as moot the motion to dismiss the indirect purchasers' state law claims on the basis of the court's denial of plaintiffs' motion for class certification of the indirect purchasers. On August 13, 2008, our subsidiaries filed a motion for summary judgment on plaintiffs' remaining claims. Plaintiffs filed an opposition to the motion on October 6, 2008, which our subsidiaries replied to on December 8, 2008. On September 30, 2009, the court granted the motion for summary judgment in favor of our subsidiaries. On October 29, 2009, plaintiffs filed a notice of appeal. On November 3, 2010, the appellate court affirmed the District Court's decision granting summary judgment in favor of our subsidiaries.

On March 5, 2004, an alleged individual consumer filed a putative class action complaint against our subsidiaries in the state court of Tennessee on behalf of consumers who purchased (other than for resale) Del Monte Gold® Extra Sweet pineapples in Tennessee from March 1, 1996 to May 6, 2003. The complaint alleges violations of the Tennessee Trade Practices Act and the Tennessee Consumer Protection Act. On February 18, 2005, our subsidiaries filed a motion to dismiss the complaint. On May 15, 2006, the court granted the motion in part, dismissing plaintiffs' claim under the Tennessee Consumer Protection Act.

Between March 17, 2004 and March 18, 2004, three alleged individual consumers separately filed putative class action complaints against us and our subsidiaries in the state court of California on behalf of residents of California who purchased (other than for re-sale) Del Monte Gold® Extra Sweet pineapples between March 1, 1996 and May 6, 2003. On November 9, 2005, the three actions were consolidated under one amended complaint with a single claim for unfair competition in violation of the California Business and Professional Code. On September 26, 2008, plaintiffs filed a motion to certify a class action. On August 20, 2009, the court denied class certification. On October 19, 2009, plaintiffs filed a notice of appeal of the court's order denying class certification, which appeal remains pending.

On April 19, 2004, an alleged individual consumer filed a putative class action complaint against our subsidiaries in the state court of Florida on behalf of Florida residents who purchased (other than for re-sale) Del Monte Gold® Extra Sweet pineapples between March 1, 1996 and May 6, 2003. The only surviving claim under the amended complaint alleges violations of the Florida Deceptive and Unfair Trade Practices Act relating only to pineapples purchased since April 19, 2000. Our subsidiaries filed an answer to the surviving claim on October 12, 2006. On August 5, 2008, plaintiffs filed a motion to certify a class action. Our subsidiaries filed an opposition on January 22, 2009 to which plaintiffs filed a reply on May 11, 2009.

European Union Antitrust Investigation

On June 2, 2005, one of our German subsidiaries was visited by the antitrust authority of the European Union ("EU") as part of its investigation of certain of our overseas subsidiaries as well as other produce companies for possible violations of the EU's competition laws. Our subsidiaries cooperated fully with the investigation. On October 17, 2008, the European Commission concluded its investigation without finding any infringement of EU competition rules by, or imposing any fines on, our subsidiaries.

FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Commitments and Contingencies (consolidated)

The European Commission did, however, find that Internationale Fruchtimport Gesellschaft Weichert & Co KG ("Weichert"), an entity in which one of our subsidiaries formerly held an indirect 80% noncontrolling interest, infringed EU competition rules and imposed upon it a €14.7 million ($21.4 million using exchange rates as of July 1, 2011) fine. The European Commission has asserted that we controlled Weichert during the period by virtue of our subsidiary's former, indirect noncontrolling interest and has therefore held that we are jointly and severally liable for Weichert's payment of the fine. On December 31, 2008, we filed an appeal of this determination on grounds, among others, that Weichert did not violate EU competition rules and that, in any event, we cannot be held jointly and severally liable for Weichert's acts under applicable German law. On April 14, 2010, Weichert filed a statement of intervention in support of our appeal and seeking annulment of the European Commission's determination.

Breach of Contract Litigation

On July 31, 2003, Net Results, Inc., a consulting company, filed a complaint alleging breach of contract against one of our subsidiaries in an action styled Net Results, Inc. v. Del Monte Fresh Produce Company in the Eleventh Judicial Circuit of Florida (Miami-Dade County, Florida). On April 15, 2008, the plaintiff amended its complaint to include an additional claim of anticipatory repudiation and sought a significant amount of damages. Our subsidiary denied liability and brought a counterclaim against the plaintiff. In November 2009, the jury returned a verdict in favor of the plaintiff in the amount of $10 million. Our subsidiary's post-trial motions requested, among other things, that the jury's verdict be set aside and that judgment be entered in favor of our subsidiary. On March 25, 2010, the trial court denied the motions and entered a final judgment in the amount of $15.7 million (plus attorneys' fees). On April 15, 2010, our subsidiary appealed the judgment. The oral argument hearing on the appeal of our subsidiary was held on July 13, 2011.

Kunia Well Site

In 1980, elevated levels of certain chemicals were detected in the soil and ground-water at a plantation leased by one of our U.S. subsidiaries in Honolulu, Hawaii (the "Kunia Well Site"). Shortly thereafter, our subsidiary discontinued the use of the Kunia Well Site and provided an alternate water source to area well users and the subsidiary commenced its own voluntary cleanup operation. In 1993, the Environmental Protection Agency ("EPA") identified the Kunia Well Site for potential listing on the National Priorities List ("NPL") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended. On December 16, 1994, the EPA issued a final rule adding the Kunia Well Site to the NPL.

On September 28, 1995, our subsidiary entered into an order (the "Order") with the EPA to conduct the remedial investigation and the feasibility study of the Kunia Well Site. Under the terms of the Order, our subsidiary submitted a remedial investigation report in November 1998 and a final draft feasibility study in December 1999 (which was updated from time to time) for review by the EPA. The EPA approved the remedial investigation report in February 1999 and the feasibility study on April 22, 2003.

As a result of communications with the EPA in 2001, we recorded a charge of $15.0 million in the third quarter of 2001 to increase the recorded liability to the estimated expected future cleanup cost for the Kunia Well Site to $19.1 million. Based on conversations with the EPA in the third quarter of 2002 and consultation with our legal counsel and other experts, we recorded a charge of $7.0 million during the third quarter of 2002 to increase the accrual for the expected future clean-up costs for the Kunia Well Site to $26.1 million.

On September 25, 2003, the EPA issued the Record of Decision ("ROD"). The EPA estimates in the ROD that the remediation costs associated with the cleanup of the Kunia Well Site will range from $12.9 million to $25.4 million and will last approximately 10 years. The undiscounted estimates are between $14.8 million and $28.7 million. The undiscounted estimate on which our accrual is based totals $22.7 million and is discounted using a 5.0% rate. As of July 1, 2011, there is $16.8 million included in other noncurrent liabilities and $1.0 million included in accounts payable and accrued expenses in the Consolidated Balance Sheets for the Kunia Well Site clean-up. We expect to expend approximately $1.0 million in cash in the next 12 months and $0.5 million in cash per year for the following five years. Certain portions of the EPA's estimates have been discounted using a 5.0% interest rate.

FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Commitments and Contingencies (consolidated)

On January 13, 2004, the EPA deleted a portion of the Kunia Well Site (Northeast section) from the NPL. On May 2, 2005, our subsidiary signed a Consent Decree with the EPA for the performance of the clean-up work for the Kunia Well Site. On September 27, 2005, the U.S. District Court for Hawaii approved and entered the Consent Decree. Based on findings from remedial investigations at the Kunia Well Site, our subsidiary continues to evaluate with the EPA the clean-up work currently in progress in accordance with the Consent Decree.

Other

In addition to the foregoing, we are involved from time to time in various claims and legal actions incident to our operations, both as plaintiff and defendant. In the opinion of management, after consulting with legal counsel, none of these other claims are currently expected to have a material adverse effect on the results of operations, financial position or our cash flows. We intend to vigorously defend ourselves in all of the above matters. At this time, management is not able to evaluate the likelihood of a favorable or unfavorable outcome in any of the above-described matters. Accordingly, management is not able to estimate the range or amount of loss, if any, from any of the above-described matters and no accruals or expenses have been recorded for these matters as of July 1, 2011, except as related to the Kunia Well Site.

13. Earnings Per Share

Basic and diluted net income per ordinary share is calculated as follows (U.S. dollars in millions, except share and per share data):

	Quarter ended		Six months ended	
	July 1, 2011	July 2, 2010	July 1, 2011	July 2, 2010
Numerator:				
Net income attributable to Fresh Del Monte Produce Inc.	$35.2	$21.1	$90.4	$57.3
Denominator:				
Weighted average number of ordinary shares - Basic	59,562,202	61,880,666	59,202,865	62,727,426
Effect of dilutive securities - employee stock options	325,727	167,597	376,385	156,237
Weighted average number of ordinary shares - Diluted	59,887,929	62,048,263	59,579,250	62,883,663
Net income per ordinary share attributable to Fresh Del Monte Produce Inc.:				
Basic	$0.59	$0.34	$1.53	$0.91
Diluted	$0.59	$0.34	$1.52	$0.91

We issued 667,476 and 1,109,105 of our ordinary shares during the quarter and six months ended July 1, 2011 and, of which 27,853 were issued as a result of restricted stock grants for the six months ended July 1, 2011 and the remaining were issued upon the exercise of stock options. There were no retirements of treasury shares during the quarter ended July 1, 2011. We issued 1,800 and 14,472 of our ordinary shares upon the exercise of stock options during the quarter and six months ended July 2, 2010, respectively and 32,956 of restricted stock during the quarter and six months ended July 2, 2010. We retired 2,138,824 and 2,366,679 of treasury shares during the quarter and six months ended July 2, 2010. Refer to Note 18, “Shareholders’ Equity”, for disclosures related to the stock repurchase program and retired shares.

FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)

14. Retirement and Other Employee Benefits

The following table sets forth the net periodic benefit costs of our pension plans and post-retirement plans (U.S. dollars in millions):

	Quarter ended		Six months ended	
	July 1, 2011	July 2, 2010	July 1, 2011	July 2, 2010
Service cost	$0.9	$0.8	$1.8	$1.6
Interest cost	1.7	1.8	3.5	3.7
Expected return on assets	(0.9)	(0.8)	(1.9)	(1.7)
Amortization of net actuarial loss	0.3	0.2	0.7	0.5
Net periodic benefit costs	$2.0	$2.0	$4.1	$4.1

We funded our U.S. based non-contributory defined benefit pension plan by $1.2 million during the six months ended July 1, 2011. The funding was actuarially determined based on U.S. funding regulations.

15. Business Segment Data

We are principally engaged in one major line of business, the production, distribution and marketing of bananas, other fresh produce and prepared food. Our products are sold in markets throughout the world, with our major producing operations located in North, Central and South America, Europe, Asia and Africa.

Our operations are aggregated into business segments on the basis of our products: bananas, other fresh produce and prepared food. Other fresh produce includes pineapples, melons, non-tropical fruit (including grapes, apples, pears, peaches, plums, nectarines, avocados, citrus and kiwis), fresh-cut products, other fruit and vegetables, a third-party ocean freight business, a plastic product and box manufacturing business and a grain business. During the fourth quarter of 2010, we sold the grain silos and exited the grain business. Prepared food includes prepared fruit and vegetables, juices, beverages, snacks, poultry and meat products.

As a result of our decision to exit grain operations during 2010 and the elimination of third-party ocean freight services from Northern Europe to the Caribbean during 2009 and due to the relative size of the remaining operations, we have combined the other products and services segment with the other fresh produce segment in 2011. Prior year amounts have been reclassified to conform to the 2011 presentation. We evaluate performance based on several factors, of which net sales and gross profit by product are the primary financial measures (U.S. dollars in millions):

	Quarter ended			
	July 1, 2011		July 2, 2010	
	Net Sales	Gross Profit	Net Sales	Gross Profit
Banana	$466.0	$40.7	$452.1	$30.4
Other fresh produce	476.6	44.6	458.1	41.7
Prepared food	97.1	17.6	89.8	10.9
Totals	$1,039.7	$102.9	$1,000.0	$83.0

	Six months ended			
	July 1, 2011		July 2, 2010	
	Net Sales	Gross Profit	Net Sales	Gross Profit
Banana	$893.5	$92.2	$854.9	$48.9
Other fresh produce	929.2	99.7	915.5	108.3
Prepared food	191.0	33.8	172.7	23.6
Totals	$2,013.7	$225.7	$1,943.1	$180.8

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)

16. Derivative Financial Instruments

We account for derivative financial instruments in accordance with the ASC guidance on “Derivatives and Hedging”. This ASC requires us to recognize the value of derivative instruments as either assets or liabilities in the statement of financial position at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated as a hedge and qualifies as part of a hedging relationship. The accounting also depends on the type of hedging relationship, whether a cash flow hedge, a fair value hedge, or hedge of a net investment in a foreign operation. On entry into a derivative instrument, we formally designate and document it as a hedge of a specific underlying exposure, as well as the risk management objectives and strategies for undertaking the hedge transaction.

Derivatives are recorded in the Consolidated Balance Sheets at fair value in prepaid expenses and other current assets, other noncurrent assets, accounts payable and accrued expenses or other noncurrent liabilities, depending on whether the amount is an asset or liability and whether it is short-term or long-term in nature. The fair values of derivatives used to hedge or modify our risks fluctuate over time. These fair value amounts should not be viewed in isolation, but rather in relation to the cash flows or fair value of the underlying hedged transactions or assets and other exposures, as well as the overall reduction in our risk. In addition, the earnings impact resulting from our derivative instruments is recorded in the same line item within the Consolidated Statements of Income as the underlying exposure being hedged.

We predominantly designate our hedges as cash flow hedges. A cash flow hedge requires that the effective portion of the change in the fair value of a derivative instrument be recognized in other comprehensive income, a component of shareholders’ equity, and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of the change in fair value of a derivative instrument is to be recognized in earnings in the same line in which the hedge transaction affects earnings.

Counterparties expose us to credit loss in the event of non-performance on hedges. We monitor our exposure to counterparty non-performance risk both at inception of the hedge and at least quarterly thereafter. However, because the contracts are entered into with highly rated financial institutions, we do not anticipate non-performance by any of these counterparties. The exposure is usually the amount of the unrealized gains, if any, in such contracts.

Because of the high degree of effectiveness between the hedging instrument and the underlying exposure being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the cash flows or fair value of the underlying exposures being hedged. In addition, we perform an assessment of hedge effectiveness, both at inception and at least quarterly thereafter, in order to determine whether the financial instruments that are used in hedging transactions are effective at offsetting changes in the cash flows or fair value of the related underlying exposures. Any ineffective portion of a financial instrument’s change in fair value is immediately recognized in earnings.

Foreign Currency Hedges

We are exposed to fluctuations in currency exchange rates against the U.S. dollar on our results of operations and financial condition and we mitigate that exposure by entering into foreign currency forward contracts. Certain of our subsidiaries periodically enter into foreign currency forward contracts in order to hedge portions of forecasted sales or cost of sales denominated in foreign currencies with forward contracts, which generally expire within one year.

Certain of our foreign currency hedges were entered into to hedge our 2011 and 2012 foreign currency exposure.

The foreign currency forward contracts qualifying as cash flow hedges were designated as single-purpose cash flow hedges of forecasted cash flows. Based on our formal assessment of hedge effectiveness of our qualifying foreign currency forward contracts, we determined that the impact of hedge ineffectiveness was de minimis for the quarters and six month periods ended July 1, 2011 and July 2, 2010, respectively.

Bunker Fuel Hedges

We are exposed to fluctuations in bunker fuel prices on our results of operations and financial condition and mitigate that exposure by entering into bunker fuel swap agreements, which permit us to lock in bunker fuel purchase prices. One of our subsidiaries entered into bunker fuel swap agreements in order to hedge fuel costs incurred by our owned and chartered vessels through 2010. We designated our bunker fuel swap agreements as cash flow hedges. We have not entered into any bunker fuel hedges during 2011 to hedge our fuel costs for 2011 or beyond.

FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)

16. Derivative Financial Instruments (continued)

Certain of our derivative instruments contain provisions that require the current credit relationship between the Company and its counterparty to be maintained throughout the term of the derivative instruments. If that credit relationship changes, certain provisions could be triggered, and the counterparty could request immediate collateralization of derivative instruments in net liability position above a certain threshold. The aggregate fair value of all derivative instruments with a credit-risk-related contingent feature that are in a liability position on July 1, 2011 is $15.1 million. As of July 1, 2011, no triggering event has occurred and thus we are not required to post collateral. If the credit-risk-related contingent features underlying these agreements were triggered on July 1, 2011, the entity would not be required to post $15.1 million of collateral to its counterparty because the collateralization threshold has not been met.

We had the following outstanding foreign currency forward contracts as of July 1, 2011:

	Notional Amount		
Foreign Currency Contracts Qualifying as Cash Flow Hedges:			
Euro	€	258.4	million
British pound	£	17.8	million
Japanese yen	JPY	16,813.7	million
Polish zloty	PLN	3.4	million
Costa Rican colon	CRC	49,500.0	million
Chilean peso	CLP	3,250.0	million
Foreign Currency Contracts Not Qualifying as Cash Flow Hedges:			
Korean won	KRW	13,500.0	million

The following table reflects the fair values of derivative instruments as of July 1, 2011 and December 31, 2010 (U.S. dollars in millions):

Derivatives Designated as Hedging Instruments (1)(2)

	Foreign exchange contracts	
Balance Sheet Location:	July 1, 2011	December 31, 2010
Asset derivatives:		
Prepaid expenses and other current assets	$1.3	$4.1
Other noncurrent assets	0.1	-
Total asset derivatives	$1.4	$4.1
Liability derivatives:		

Accounts payable and accrued expenses	$18.9	$13.6
Other noncurrent liabilities	4.7	9.1
Total liability derivatives	$23.6	$22.7

(1) We expect that $17.6 million of the net fair value of hedges recognized as a net loss in accumulated other comprehensive income ("AOCI") will be transferred to earnings during the next 12 months and $4.6 million will be transferred to earnings during 2012 along with the effect of the related forecasted transaction.
(2) See Note 17, "Fair Value Measurements", for fair value disclosures.

FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)

16. Derivative Financial Instruments (continued)

The following table reflects the effect of derivative instruments on the Consolidated Statements of Income for the quarters ended July 1, 2011 and July 2, 2010, respectively (U.S. dollars in millions):

Derivatives in Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivatives (Effective Portion) Quarter ended July 1, 2011	Quarter ended July 2, 2010	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion) Quarter ended July 1, 2011	Quarter ended July 2, 2010
Foreign exchange contracts	$ (6.2)	$ (4.2)	Net sales	$ (9.3)	$ 11.4
Foreign exchange contracts	1.4	(0.2)	Cost of products sold	0.3	0.3
Bunker fuel swap agreements (1)	-	(3.4)	Cost of products sold	-	0.7
Total	$ (4.8)	$ (7.8)		$ (9.0)	$ 12.4
	Six months ended July 1, 2011	Six months ended July 2, 2010		Six months ended July 1, 2011	Six months ended July 2, 2010
Foreign exchange contracts	$ (4.5)	$ 7.3	Net sales	$ (12.2)	$ 16.0
Foreign exchange contracts	0.9	(0.9)	Cost of products sold	0.4	0.9
Bunker fuel swap agreements (1)	-	(4.5)	Cost of products sold	-	1.6
Total	$ (3.6)	$ 1.9		$ (11.8)	$ 18.5

(1) The bunker fuel swap agreements had an inneffective portion of less than $0.1 million for the quarter ended July 2, 2010.

During the quarter and six months ended July 1, 2011, one of our subsidiaries entered into a foreign currency forward contract denominated in Korean won that did not qualify for cash flow hedge accounting and recognized a loss of $0.4 million in other expense, net on our Consolidated Statements of Income related to this contract. We have included $0.4 million in accounts payable and accrued expenses on our Consolidated Balance Sheets related to the Korean won foreign currency forward contract.

17. Fair Value Measurements

We measure fair value for financial instruments, such as derivatives, on an ongoing basis. We measure fair value for non-financial assets when a valuation is necessary, such as for impairment of long-lived and indefinite-lived assets when indicators of impairment exist. Fair value is measured in accordance with the ASC on “Fair Value Measurements and Disclosures”. The ASC on “Fair Value Measurements and Disclosures” defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measures required under other accounting pronouncements, but does not change existing guidance as to whether or not an instrument is carried at fair value.

Fair Value of Derivative Instruments

We may choose to mitigate the risk of fluctuations in currency exchange rates and bunker fuel prices on our results of operations and financial condition by entering into foreign currency cash flow hedges and bunker fuel hedges, respectively. We account for the fair value of the related forward contracts as either an asset in other current assets or a liability in accrued expenses. We use an income approach to value our outstanding foreign currency and bunker fuel cash flow hedges. An income approach consists of a discounted cash flow model that takes into account the present value of future cash flows under the terms of the contracts using current market information as of the measurement date such as foreign currency and bunker fuel spot and forward rates. Additionally, an element of default risk based on observable inputs was built into the fair value calculation.

FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)

17. Fair Value Measurements (continued)

The following table provides a summary of the fair values of assets and liabilities measured on a recurring basis under the ASC on “Fair Value Measurements and Disclosures” (U.S. dollars in millions):

	Fair Value Measurements Foreign currency forward contracts, net asset (liability)	
	July 1, 2011	December 31, 2010
Quoted Prices in Active Markets for Identical Assets (Level 1)	$-	$-
Significant Observable Inputs (Level 2)	(22.6)	(18.6)
Significant Unobservable Inputs (Level 3)	-	-

In estimating our fair value disclosures for financial instruments, we use the following methods and assumptions:

Cash and cash equivalents: The carrying amount of these items approximates fair value due to their liquid nature.

Trade accounts receivable and other accounts receivable, net: The carrying value reported in the Consolidated Balance Sheets for these items is net of allowances for doubtful accounts, which includes a degree of counterparty non-performance risk.

Accounts payable and other current liabilities: The carrying value reported in the Consolidated Balance Sheets for these items approximates their fair value, which is the likely amount for which the liability with short settlement periods would be transferred to a market participant with a similar credit standing as the Company.

Capital lease obligations: The carrying value of our capital lease obligations reported in the Consolidated Balance Sheets approximates their fair value based on current interest rates, which contain an element of default risk. Refer to Note 10, “Long-Term Debt and Capital Lease Obligations”.

Long-term debt: The carrying value of our long-term debt reported in the Consolidated Balance Sheets approximates their fair value since they bear interest at variable rates or fixed rates which contain an element of default risk. Refer to Note 10, “Long-Term Debt and Capital Lease Obligations”.

Fair Value of Non-Financial Assets

During the second quarter of 2011, we recognized $7.7 million in impairment charges related to the melon program rationalization. The carrying value of these assets was $10.5 million including $7.2 million in property, plant and equipment consisting primarily of buildings and machinery and equipment and $3.3 million of melon goodwill. Property, plant and equipment were written down to a fair value of $2.8 million. We estimated the fair value of these assets using the income based approach considering the cash flows that would be obtained as a result of the production and distribution of melons in areas of continued production. The income based approach utilizes unobservable inputs. Due to the use of unobservable inputs, we classify the fair value of these growing areas within Level 3 of the fair value hierarchy.

As a result of the decision to discontinue planting certain melon varieties in Central America, which significantly reduced melon volumes in the future, we estimated an implied fair value of the melon reporting unit's goodwill by allocating the fair value of the reporting unit to all of the assets and liabilities other than goodwill (including any unrecognized intangible assets). This exercise yielded a write-off of the melon goodwill of $3.3 million.

FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)

17. Fair Value Measurements (continued)

The following is a tabular presentation of the non-recurring fair value measurement along with the level within the fair value hierarchy in which the fair value measurement in its entirety falls (U.S. dollars in millions):

		Fair Value Measurements		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Central American melon assets	$2.8	$-		$2.8
	$2.8	$-	$-	$2.8

The fair value of the prepared food unit's goodwill and trademarks is highly sensitive to differences between the estimated and actual cash flows and changes in the related discount rate used to evaluate the fair value of these assets. We disclosed the sensitivities related to the prepared food unit's goodwill in our annual financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2010.

18. Shareholders' Equity

Our shareholders have authorized 50,000,000 preferred shares at $0.01 par value of which none has been issued or is outstanding. Our shareholders have authorized 200,000,000 Ordinary Shares of common stock of which 59,834,535 Ordinary Shares are issued and outstanding at July 1, 2011.

On July 31, 2009, our Board of Directors approved a three-year stock repurchase program of up to $150 million of our Ordinary Shares. On May 5, 2010, our Board of Directors approved an additional three-year stock repurchase program of up to $150 million of our ordinary shares. We have repurchased $108.1 million, or 5,058,659 ordinary shares, under the aforementioned $300 million repurchase program. We have retired all of the 5,058,659 ordinary shares. We have a maximum dollar value of $192.0 million of shares that may yet be purchased under the stock repurchase program. During the quarter and six months ended July 1, 2011, no repurchases were made under any of the aforementioned plans.

On March 3, 2011, our Board of Directors declared an interim cash dividend of $0.05 per ordinary share to shareholders of record on March 16, 2011. At the Annual General Meeting of Shareholders held on May 4, 2011, the shareholders approved a cash dividend previously declared by the Board of Directors for the year ended December 31, 2010, of $0.05 per ordinary share, payable on June 10, 2011, to shareholders of record on May 18, 2011. We paid $5.9 million in dividends during the six months ended July 1, 2011.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We are one of the world's leading vertically integrated producers, marketers and distributors of high-quality fresh and fresh-cut fruit and vegetables, as well as a leading producer and marketer of prepared fruit and vegetables, juices, beverages and snacks in Europe, Africa, the Middle East and countries formerly part of the Soviet Union. We market our products worldwide under the DEL MONTE® brand, a symbol of product innovation, quality, freshness and reliability since 1892. Our global sourcing and logistics system allows us to provide regular delivery of consistently high-quality produce and value-added services to our customers. Our major producing operations are located in North, Central and South America, Asia and Africa. Production operations are aggregated on the basis of our products: bananas, other fresh produce and prepared foods. Other fresh produce includes pineapples, melons, tomatoes, non-tropical fruit (including grapes, apples, pears, peaches, plums, nectarines, avocados, citrus and kiwis), fresh-cut produce, other fruit and vegetables and a plastic product and box manufacturing business, a grain business (which we exited in 2010) and third-party ocean freight services (which we significantly curtailed in 2009). Prepared foods include prepared fruit and vegetables, juices, beverages, snacks, poultry and meat products.

Liquidity and Capital Resources

Net cash provided by operating activities was $243.6 million for the first six months of 2011 as compared with $159.0 million for the first six months of 2010, an increase of $84.6 million. The increase in cash provided by operating activities was principally attributable to higher net income, combined with changes in operating assets and liabilities which were primarily comprised of higher levels of accounts payable and accrued expenses that resulted from increased grower payments in Asia due to higher selling prices combined with higher income taxes payable in foreign jurisdictions.

Working capital was $417.9 million at July 1, 2011 compared with working capital of $513.8 million at December 31, 2010. The decrease in working capital of $95.9 million was primarily attributable to lower inventories and higher accounts payable and accrued expenses as a result of seasonal reductions of inventory in-transit of non-tropical fruit and melons and increased grower payments in Asia due to higher selling prices combined with higher income taxes payable in foreign jurisdictions and higher cost of product sold. This decrease in working capital was partially offset by higher trade accounts receivable which resulted from higher net sales.

Net cash used in investing activities for the first six months of 2011 was $41.3 million compared with $18.7 million for the first six months of 2010. Net cash used in investing activities for the first six months of 2011 consisted of capital expenditures of $42.4 million, partially offset by proceeds from sales of property, plant and equipment of $1.1 million. Capital expenditures for the first six months of 2011 were primarily for improvements and expansion of production facilities in Jordan, Kenya and Greece related to the prepared food segment and Costa Rica, Guatemala and the Middle East related to the other fresh produce segment. Capital expenditures for the first six months of 2011 also included improvements of distribution facilities in North America and production facilities in Guatemala principally related to the banana segment. Proceeds from sales of property, plant and equipment for the first six months of 2011 consisted primarily of the sale of surplus equipment.

Net cash used in investing activities for the first six months of 2010 consisted of capital expenditures of $28.8 million, partially offset by proceeds from sales of property, plant and equipment of $5.9 million and the return of capital by one of our Costa Rica subsidiaries of $4.2 million. Capital expenditures for the first six months of 2010 were primarily for expansion of production facilities in Costa Rica, Guatemala, Brazil, Philippines and Kenya and port facilities in North America related to the banana, other fresh produce and prepared food segments. Proceeds from sales of property, plant and equipment for the first six months of 2010 consisted primarily of the sale of three refrigerated vessels.

Net cash used in financing activities for the first six months of 2011 was $196.4 million compared with $155.0 million for the first six months of 2010. Net cash used in financing activities for the first six months of 2011 consisted of net repayments on long-term debt of $208.3 million, distributions to noncontrolling interests of $3.1 million and $5.9 million of dividends paid, partially offset by proceeds from stock options exercised of $20.9 million.

Net cash used in financing activities for the first six months of 2010 consisted of net repayments on long-term debt of $107.0 million and repurchases of our ordinary shares of $49.7 million, partially offset by contributions from noncontrolling interests of $1.5 million and proceeds from stock options exercised of $0.2 million.

We finance our working capital and other liquidity requirements primarily through cash from operations and borrowings under our $500.0 million senior secured revolving credit facility (the “Credit Facility”) administered by Rabobank Nederland, New York Branch. The Credit Facility has a 3.5-year term, with a scheduled termination date of January 17, 2013. The Credit Facility includes a swing line facility and a letter of credit facility with a $100.0 million sublimit. Borrowings under the Credit Facility bear interest at a spread over the London Interbank Offer Rate (“LIBOR”) that varies with our leverage ratio. On March 28, 2011, we amended the Credit Facility by lowering the applicable margins over LIBOR or Base rate borrowings that vary with our leverage ratio. The Credit Facility is collateralized directly or indirectly by substantially all of our assets and is guaranteed by certain of our subsidiaries. At July 1, 2011, we had $77.7 million outstanding under the Credit Facility bearing interest at a per annum rate of 1.86%. In addition, we pay a fee on unused commitments.

The Credit Facility requires us to be in compliance with financial and other covenants, including limitations on capital expenditures, the amount of dividends that can be paid in the future, the amount and types of liens and indebtedness, material asset sales and mergers. As of July 1, 2011, we were in compliance with all of the financial and other covenants contained in the Credit Facility.

At July 1, 2011, we had $427.0 million available under committed working capital facilities, primarily under the Credit Facility. At July 1, 2011, we applied $14.8 million to the letter of credit facility, comprised primarily of certain contingent obligations and other governmental agencies and purchases of equipment guarantees. We also had $10.0 million in other letters of credit and bank guarantees not included in the letter of credit facility.

As of July 1, 2011, we had $87.4 million of long-term debt and capital lease obligations, including the current portion, consisting of $77.7 million outstanding under the Credit Facility, $2.5 million of capital lease obligations and $7.2 million of other long-term debt and notes payable.

Based on our operating plan, combined with our borrowing capacity under our Credit Facility, we believe we will have sufficient resources to meet our cash obligations in the foreseeable future.

As of July 1, 2011, we had cash and cash equivalents of $55.1 million.

As a result of abandoning isolated areas in the Philippines banana operations due to plant disease, melon program rationalization in Costa Rica and Guatemala and the closure of an under-utilized facility in the United Kingdom, we paid approximately $0.3 million in termination benefits and $1.4 million in contractual obligations during the first six months of 2011. We expect to make additional payments of approximately $2.6 million principally related to the previously announced closure of our Hawaii pineapple operations and the under-utilized facility in the United Kingdom. In addition, we expect to pay approximately $4.3 million as a result of an unfavorable outcome to litigation regarding a tax position in a foreign jurisdiction of which $2.6 million is expected to be paid in 2011. These cash outlays will be funded from operating cash flows and available borrowings under credit facilities.

The fair value of our derivatives changed from a net liability of $18.6 million as of December 31, 2010, to a net liability of $22.6 million as of July 1, 2011 related to our foreign currency cash flow hedges primarily as a result of the weakening of the U.S. dollar relative to the Japanese yen and euro currencies being hedged and the contracted exchange rates. We expect that $17.6 million in net liabilities outstanding will be transferred to earnings during the next 12 months and $4.6 million in 2012, along with the earnings effect of the related forecasted transaction for each year.

Results of Operations

The following tables present for each of the periods indicated (i) net sales by geographic region and (ii) net sales and gross profit by product category, and in each case, the percentage of the total represented thereby (U.S. dollars in millions, except percent data):

As a result of our decision to exit grain operations during 2010 and the elimination of third-party ocean freight services from Northern Europe to the Caribbean during 2009 and the relative size of the remaining operations, we have combined the other products and services segment with the other fresh produce segment in 2011. Prior year amounts have been reclassified to conform to the 2011 presentation.

Net sales by geographic region:

	Quarter ended		Six months ended	
	July 1, 2011	July 2, 2010	July 1, 2011	July 2, 2010

North America	$514.0	50	%	$475.9	48	%	$1,030.7	51	%	$974.9	50	%
Europe	257.1	25	%	262.3	26	%	491.2	24	%	505.5	26	%
Asia	138.4	13	%	132.5	13	%	247.6	12	%	225.5	12	%
Middle East	115.5	11	%	113.3	11	%	210.1	11	%	199.6	10	%
Other	14.7	1	%	16.0	2	%	34.1	2	%	37.6	2	%
Total	$1,039.7	100	%	$1,000.0	100	%	$2,013.7	100	%	$1,943.1	100	%

Product net sales and gross profit:

	Quarter ended															
	July 1, 2011								July 2, 2010							
	Net Sales				Gross Profit				Net Sales				Gross Profit			
Banana	$466.0	45	%		$40.7	40	%		$452.1	45	%		$30.4	37	%	
Other fresh produce	476.6	46	%		44.6	43	%		$458.1	46	%		$41.7	50	%	
Prepared food	97.1	9	%		17.6	17	%		$89.8	9	%		$10.9	13	%	
Total	$1,039.7	100	%		$102.9	100	%		$1,000.0	100	%		$83.0	100	%	

	Six months ended															
	July 1, 2011								July 2, 2010							
	Net Sales				Gross Profit				Net Sales				Gross Profit			
Banana	$893.5	44	%		$92.2	41	%		$854.9	44	%		$48.9	27	%	
Other fresh produce	929.2	46	%		99.7	44	%		$915.5	47	%		$108.3	60	%	
Prepared food	191.0	10	%		33.8	15	%		$172.7	9	%		$23.6	13	%	
Total	$2,013.7	100	%		$225.7	100	%		$1,943.1	100	%		$180.8	100	%	

Second Quarter 2011 Compared with Second Quarter 2010

Net Sales. Net sales for the second quarter of 2011 were $1,039.7 million compared with $1,000.0 million for the second quarter of 2010. The increase in net sales of $39.7 million was attributable to higher net sales in all of our segments.

Net sales in the other fresh produce segment increased $18.5 million principally as a result of higher net sales of non-tropical fruit, pineapples and fresh-cut products, partially offset by lower net sales of melons, strawberries and Argentine grain.

o Net sales of non-tropical fruit increased principally due to significantly higher per unit sales prices of avocados in North America as a result of supply shortages, combined with higher sales volume of grapes in Asia and higher per unit sales prices of grapes in the Middle East and North America.

o Net sales of pineapples increased principally as a result of higher sales volume in North America, the Middle East and Asia, partially offset by lower sales volume in Europe. Per unit sales prices were higher in Europe and North America and lower in the Middle East and Asia. Worldwide sales volume increased 8% primarily due to favorable weather conditions in Costa Rica which forced the fruit to mature ahead of schedule.

o Net sales of fresh-cut products increased primarily due to higher per unit sales prices in North America and Europe that resulted from increased sales of higher priced products combined with higher sales volume in the Middle East as a result of an expanded customer base.

o Net sales of melons decreased principally as a result of further rationalization of melon operations combined with lower per unit sales prices in North America.

o Net sales of strawberries decreased due to lower customer demand in North America.

o Net sales of Argentine grain decreased as a result of our decision in 2010 to exit grain operations in Argentina.

Net sales of bananas increased by $13.9 million principally due to higher sales volume and per unit sales prices in North America and higher per unit sales prices in Asia partially offset by lower sales volume in the Middle East, Asia and Europe. Worldwide banana per unit sales prices increased 7% and sales volume decreased by 4% due to lower industry supply.

- North America banana net sales increased principally as a result of higher per unit sales prices due to industry shortages.

- Asia banana net sales increased principally due to higher per unit sales prices as a result of improved market conditions and favorable exchange rates.

- Middle East banana net sales decreased due to reduced sales volume in the market partially offset by higher per unit sales prices resulting from improved market conditions.

- Europe banana net sales decreased primarily as a result of lower sales volumes.

Net sales in the prepared food segment increased $7.3 million principally due to higher net sales of pineapple products in Europe from our Kenya operations combined with higher sales volumes of beverage products. Also contributing to the increase in net sales in our prepared food segment were increased sales in our Jordanian poultry and processed meat business that resulted from improved selling prices and an expanded customer base.

Cost of Products Sold. Cost of products sold was $936.8 million for the second quarter of 2011 compared with $917.0 million for the second quarter of 2010, an increase of $19.8 million. This increase in cost of products sold was primarily attributable to higher fruit cost that resulted from an increase in input costs combined with higher fuel costs and unfavorable exchange rates in producing countries. Partially offsetting these increases in cost of products sold was a reduction of other charges associated with exit activities and floods. During the second quarter of 2010, we incurred $8.5 million principally related to melon exit activities in Brazil and the write-off of inventory as a result of damage caused by floods in our Guatemala banana farms.

Gross Profit. Gross profit was $102.9 million for the second quarter of 2011 compared with $83.0 million for the second quarter of 2010, an increase of $19.9 million. The increase in gross profit was primarily attributable to higher gross profit on bananas, prepared food and other fresh produce.

Gross profit in the banana segment increased $10.3 million primarily due to higher per unit sales prices in North America, the Middle East and Asia that resulted from industry shortages and improved market conditions, partially offset by higher fuel costs and lower sales volume and per unit sales prices in Europe. Also contributing to the increase in gross profit during the second quarter of 2011 was the absence of inventory write-offs and other charges related to floods in Guatemala incurred during the second quarter of 2010.

Gross profit in the prepared food segment increased by $6.7 million principally as a result of lower costs of deciduous products as a result of operational improvements made during 2010, combined with increases in per unit sales prices of pineapple and beverage products that resulted from improved market conditions. These increases in gross profit were partially offset by higher costs in the Jordanian poultry business, primarily the cost of corn feed.

Gross profit in the other fresh produce segment increased $2.9 million principally due to higher gross profit on pineapples and fresh-cut products, partially offset by lower gross profit on tomatoes.

o Gross profit on pineapples increased principally due to higher sales volumes in North America primarily the result of favorable weather conditions in Costa Rica which forced the fruit to mature ahead of schedule. Worldwide per unit sales prices and per unit cost were relatively flat and sales volume increased 8%.

o Gross profit on fresh-cut products increased principally due to higher sales volume and per unit sales prices in North America that resulted from higher sales volume and increased sales of higher priced products.

o Gross profit on tomatoes decreased due to higher procurement costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $5.4 million from $43.0 million in the second quarter of 2010 to $48.4 million for the second quarter of 2011. The increase was principally due to higher professional fees.

Gain on Sales of Property, Plant and Equipment. The gain on sales of property, plant and equipment was $0.7 million during the second quarter of 2011 as compared with $3.1 million during the second quarter of 2010.

Asset Impairment and Other Charges, Net. Asset impairment and other charges, net were $10.3 million during the second quarter of 2011 as compared with $23.0 million during the second quarter of 2010. During the second quarter of 2011, we recorded $4.9 million in asset impairments and contract termination charges and a $3.3 million goodwill impairment charge as a result of our Central America melon program rationalization and we also recorded $1.1 million in other charges related to legal costs in Hawaii. These charges were related to the other fresh produce segment. In addition, during the second quarter of 2011, we recorded $1.0 million in asset impairments and other charges related to our banana segment in Costa Rica and the Philippines as a result of abandoned low-production areas.

During the second quarter of 2010, we entered into an agreement to sell substantially all of the assets of our South Africa canning operations. As a result, we recognized a $16.6 million asset impairment of our investment in South Africa related to the prepared food segment. Also included in asset impairment and other charges for the second quarter of 2010 were $5.8 million related to flood damage to our banana plantation in Guatemala and $1.1 million related to the discontinuance of melon growing operations in Brazil related to the other fresh produce segment and

$0.5 million of insurance recoveries related to the 2008 flood damage to our Brazil banana plantations.

Operating Income. Operating income for the second quarter of 2011 increased by $24.8 million from $20.1 million in the second quarter of 2010 to $44.9 million for the second quarter of 2011. The increase in operating income was due to higher gross profit, lower asset impairment and other charges, partially offset by higher selling, general and administrative expenses and lower gain on sales of property, plant and equipment.

Interest Expense. Interest expense decreased by $1.5 million from $3.0 million for the second quarter of 2010 to $1.5 million for the second quarter of 2011, principally due to lower interest rates and average debt balances.

Other Expense, Net. Other expense, net was $0.4 million for the second quarter of 2011 as compared with $0.6 million for the second quarter of 2010, a decrease of $0.2 million.

Provision for (Benefit from) Income Taxes. Provision for (benefit from) income taxes was a provision of $6.4 million for the second quarter of 2011 as compared with a benefit of ($4.5) million for the second quarter of 2010. During the second quarter of 2011 there were higher earnings in taxable jurisdictions. In addition the second quarter of 2010 included a benefit of $7.3 million as a result of a change in estimate.

First Six Months of 2011 Compared with First Six Months of 2010

Net Sales. Net sales for the first six months of 2011 were $2,013.7 million compared with $1,943.1 million for the first six months of 2010. The increase in net sales of $70.6 million was attributable to higher net sales of bananas, prepared food and other fresh produce.

Net sales of bananas increased by $38.6 million principally due to higher sales volume and per unit sales prices in North America and higher per unit sales prices in Asia, partially offset by lower sales volume in Europe, the Middle East and Asia. Worldwide banana per unit sales prices increased 8% and sales volume decreased by 3% due to reduced industry supply.

- North America banana net sales increased principally as a result of higher per unit sales prices due to industry shortages.
- Asia banana net sales increased principally due to higher per unit sales prices as a result of improved market conditions and favorable exchange rates.
- Middle East banana net sales decreased due to reduced sales volume in the market partially offset by higher per unit sales prices resulting from improved market conditions.
- Europe banana net sales decreased primarily as a result of lower industry sales volumes in the market, partially offset by higher per unit sales prices and favorable exchange rates.

Net sales in the prepared food segment increased $18.3 million principally due to higher net sales of pineapple products in Europe from our Kenya operations combined with higher sales volumes of beverage products. Also contributing to the increase in net sales in our prepared food segment were increased sales in our Jordanian poultry and processed meat business that resulted from improved selling prices and an expanded customer base.

Net sales in the other fresh produce segment increased $13.7 million principally as a result of higher net sales of non-tropical fruit, fresh-cut products and pineapples, partially offset by lower net sales of melons, strawberries and Argentine grain.

- Net sales of non-tropical fruit increased principally due to significantly higher per unit sales prices of avocados in North America as a result of increased demand, combined with higher sales volume of grapes in Asia, North America and the Middle East and higher per unit sales prices of grapes in the Middle East, partially offset by lower per unit selling prices in North America.
- Net sales of pineapples increased principally as a result of higher sales volume in Asia, the Middle East and North America due to favorable growing conditions, partially offset by lower sales volume in Europe and lower per unit sales prices in Asia, the Middle East and North America.
- Net sales of fresh-cut products increased primarily due to higher per unit sales prices and sales volume in North America, Europe and the Middle East that resulted from improved market conditions and an expanded customer base.
- Net sales of melons decreased principally as a result of planned sales volume reductions combined with lower per unit sales prices in North America.
- Net sales of strawberries decreased due to lower customer demand in North America.
- Net sales of Argentine grain decreased as a result of our decision in 2010 to exit grain operations in Argentina.

Cost of Products Sold. Cost of products sold was $1,788.0 million for the first six months of 2011compared with $1,762.3 million for the first six months of 2010, an increase of $25.7 million. This increase in cost of products sold was primarily attributable to higher fruit cost that resulted from an increase of input costs combined with higher fuel cost and unfavorable exchange rates in producing countries. Partially offsetting these increases in cost of product sold was a reduction of other charges associated with exit activities, floods and an earthquake. During the first six months of 2010, we incurred $9.5 million principally related to exit activities in Brazil and the write-off of inventory as a result of damage caused by floods in our Guatemala banana farms and by an earthquake in our Chile non-tropical fruit operations.

Gross Profit. Gross profit was $225.7 million for the first six months of 2011 compared with $180.8 million for the first six months of 2010, an increase of $44.9 million. The increase in gross profit was primarily attributable to higher gross profit on bananas and prepared food, partially offset by lower gross profit on other fresh produce.

Gross profit in the banana segment increased $43.3 million primarily due to higher per unit sales prices in North America, the Middle East and Asia that resulted from industry shortages and improving market conditions, partially offset by higher fuel costs and lower sales volume in Europe.

Gross profit in the prepared food segment increased by $10.2 million principally as a result of lower costs of canned deciduous products as a result of operational improvements made during 2010, combined with increases in per unit sales prices and sales volume of pineapple products and beverage products that resulted from improved market conditions and increased shipments from our Kenya operations. These increases in gross profit were partially offset by higher costs in the Jordanian poultry business, primarily the cost of corn feed.

Gross profit in the other fresh produce segment decreased $8.6 million principally due to lower gross profit on non-tropical fruit, pineapples and tomatoes, partially offset by higher gross profit on fresh-cut products.

o Gross profit on non-tropical fruit decreased principally due to lower selling prices of grapes in North America and Asia, higher costs of grapes in North America as a result of increased fuel costs and lower per unit selling prices of stonefruit in North America and Europe, partially offset by higher per unit selling prices for grapes in the Middle East due to reduced supplies in the region.

o Gross profit on pineapples decreased principally due to lower selling prices in Europe and Asia combined with higher fuel costs. Worldwide per unit sales prices decreased 2%, per unit cost were slightly higher and sales volume increased 6%.

o Gross profit on tomatoes decreased due to higher procurement costs.

o Gross profit on fresh-cut products increased principally due to higher sales volume and per unit sales prices in North America that resulted from increased sales of higher priced products.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $9.5 million from $85.0 million for the first six months of 2010 to $94.5 million for the first six months of 2011. The increase was principally due to higher professional fees.

Gain on Sales of Property, Plant and Equipment. The gain on sales of property, plant and equipment was $0.8 million during the first six months of 2011 as compared with $3.4 million during the first six months of 2010. During the first six months of 2011 gain on sales of property, plant and equipment consisted primarily of sales of surplus equipment and during the first six months of 2010 it consisted primarily of the sale of refrigerated vessels.

Asset Impairment and Other Charges, Net. Asset impairment and other charges, net were $12.2 million during the first six months of 2011 as compared with $24.0 million during the first six months of 2010. During the first six months of 2011, we recorded $4.9 million in asset impairments and contract termination charges and a $3.3 million goodwill impairment charge as a result of our Central America melon program rationalization and we also recorded $1.3 million in contract termination and severance charges related to our decision to abandon an isolated area in our banana operations in the Philippines, $1.7 million in other charges and legal costs related to Hawaii, $0.8 million related to the write-off of an abandoned banana producing area in Costa Rica due to low productivity and $0.2 million in other charges. These charges were related to the banana and the other fresh produce segments.

During the first six months 2010, we entered into an agreement to sell substantially all of the assets of our South Africa canning operations. As a result, we recognized a $16.6 million asset impairment of our investment in South Africa related to the prepared food segment. Also included in asset impairment and other charges during the first six months of 2010 were $5.8 million related to flood damage to our banana plantation in Guatemala, $1.1 million related to the discontinuation of melon growing operations in Brazil related to the other fresh produce segment, $1.0 million related to damages caused by an earthquake in Chile in the other fresh produce segment and $0.5 million of insurance recoveries related to the 2008 flood damage in our Brazil banana plantations.

Operating Income. Operating income for the first six months of 2011 increased by $44.6 million from $75.2 million in the first six months of 2010 to $119.8 million for the first six months of 2011. The increase in operating income was due to higher gross profit, lower asset impairment and other charges, partially offset by higher selling, general and administrative expenses and lower gain on sales of property, plant and equipment.

Interest Expense. Interest expense decreased by $2.7 million from $6.4 million for the first six months of 2010 to $3.7 million for the first six months of 2011, principally due to lower interest rates and average debt balances.

Other Expense, Net. Other expense, net was $3.4 million for the first six months of 2011 as compared with $9.6 million for the first six months of 2010, a decrease of $6.2 million. The decrease in other expense is primarily attributable to lower foreign exchange losses.

Provision for (Benefit from) Income Taxes. Provision for (benefit from) income taxes was a provision of $20.3 million for the first six months of 2011 as compared with $1.5 million for the first six months of 2010. The increase in the tax provision is due to higher earnings in certain taxable jurisdictions combined with an accrual of $4.3 million for an uncertain tax position in a foreign jurisdiction. In addition, the provision for income taxes for the first six months of 2010 included a benefit of $7.3 million as a result of a change in estimate.

Fair Value Measurements

During the second quarter of 2011, we recognized $7.7 million in impairment charges related to a second quarter decision to discontinue planting certain melon varieties in Central America as part of the ongoing melon rationalization program. The carrying value of these assets was $10.5 million including $7.2 million in property, plant and equipment consisting primarily of buildings and machinery and equipment and $3.3 million of melon goodwill. Property, plant and equipment was written down to a fair value of $2.8 million. We estimated the fair value of these assets using the income based approach considering the cash flows that would be obtained as a result of the production and distribution of melons in areas of continued production. The income based approach utilizes unobservable inputs. Due to the use of unobservable inputs, we classify the fair value of these growing areas within Level 3 of the fair value hierarchy.

We assess goodwill for impairment on an annual basis on the first day of the fourth quarter of each year, or sooner if events indicate such a review is necessary. As a result of the decision to discontinue planting certain melon varieties, which significantly reduced melon volumes in the future, we estimated an implied fair value of the melon reporting unit’s goodwill by allocating the fair value of the reporting unit to all of the assets and liabilities other than goodwill (including any unrecognized intangible assets). This exercise yielded a write-off of the melon goodwill of $3.3 million. As of July 1, 2011, we were not aware of any other items or events that would cause us to further adjust the recorded value of goodwill for impairment.

Potential impairment exists if the fair value of a reporting unit to which goodwill has been allocated is less than the carrying value of the reporting unit. The amount of the impairment to recognize, if any, is calculated as the amount by which the carrying value of goodwill exceeds its implied value. Future changes in the estimates used to conduct the impairment review, including revenue projection, market values and changes in the discount rate used, could cause the analysis to indicate that our goodwill is impaired in subsequent periods and result in a write-off of a portion or all of goodwill. The discount rate used is based on independently calculated risks, our capital mix and an estimated market risk premium. The fair value of the prepared food reporting unit's goodwill is highly sensitive to differences between estimated and actual cash flows and changes in the related discount rate used to evaluate the fair value of this asset. If we are unable to recover from current challenging economic conditions in Europe, the prepared food reporting unit goodwill may be at risk for impairment in the future. We disclosed the sensitivities related to the prepared food reporting unit's goodwill in our annual financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2010.

Seasonality

Interim results are subject to significant variations and may not be indicative of the results of operations that may be expected for the entire 2011 fiscal year. See the information under the caption "Seasonality" provided in Item 1. Business, of our annual report on Form 10-K for the year ended December 31, 2010.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in market risk from the information provided in Item 7A. Quantitative and Qualitative Disclosures About Market Risk of our annual report on Form 10-K for the year ended December 31, 2010.

Item 4. Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of July 1, 2011. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of such date to ensure that information required to be disclosed in the reports the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms. Such officers also confirm that there was no change in our internal control over financial reporting during the quarter ended July 1, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Note 12, “Commitments and Contingencies”, to the Consolidated Financial Statements, Part I, Item 1 included herein.

Item 1A. Risk Factors

There have been no material changes in the risk factors from the information provided in Item 1A. Risk Factors of our annual report on Form 10-K for the year ended December 31, 2010.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information regarding our purchases of Ordinary Shares during the periods indicated:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program (1)(2)
April 1, 2011 through April 30, 2011	-	$ -	-	$ 191,965,965
May 1, 2011 through May 31, 2010	-	$ -	-	$ 191,965,965
June 1, 2011 through July 1, 2011	-	$ -	-	$ 191,965,965
Total	-	$ -	-	$ 191,965,965

(1) On August 3, 2009, we announced that our Board of Directors, at their July 31, 2009 board meeting, approved a three-year stock repurchase program of up to $150.0 million of our ordinary shares.

(2) On May 5, 2010, we announced that our Board of Directors, at their May 5, 2010 board meeting, approved a three-year stock repurchase program of up to $150.0 million of our ordinary shares in addition to the program announced on August 3, 2009.

Item 6. Exhibits

10.1	2011 Omnibus Share Incentive Plan (incorporated by reference to Exhibit A in the Company's Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on March 24, 2011).
31.1*	Certification of Chief Executive Officer filed pursuant to 17 CFR 240.13a-14(a).
31.2*	Certification of Chief Financial Officer filed pursuant to 17 CFR 240.13a-14(a).
32*	Certification of Chief Executive Officer and Chief Financial Officer furnished pursuant to 17 CFR 240.13a-14(b) and 18 U.S.C. Section 1350.
101.INS**	XBRL Instance Document.
101.SCH**	XBRL Taxonomy Extension Schema Document.
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith

** In accordance with Rule 406T of Regulation S-T, this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	Fresh Del Monte Produce Inc.	
Date: August 3, 2011	By:	/s/ Hani El-Naffy Hani El-Naffy President & Chief Operating Officer
	By:	/s/ Richard Contreras Richard Contreras Senior Vice President & Chief Financial Officer

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