SMUCKER J M CO
Form 10-Q
March 11, 2008

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# UNITED STATES <br> SECURITIES AND EXCHANGE COMMISSION <br> WASHINGTON, D.C. 20549 <br> FORM 10-Q 

## p QUARTERLY REPORT PURSUANT TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 2008
or

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

For the transition period from $\qquad$ to $\qquad$
Commission file number 1-5111
THE J. M. SMUCKER COMPANY
(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of incorporation or organization)

One Strawberry Lane
Orrville, Ohio 44667-0280
(Address of principal executive offices)

34-0538550
(I.R.S. Employer Identification No.)
(Zip code)

Registrant s telephone number, including area code: (330) 682-3000
N/A
(Former name, former address and former fiscal year, if changed since last report)
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 at least the past 90 days. Yes p No o
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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 of the Exchange Act of 1934. Yes o No p

The Company had 55,587,702 common shares outstanding on February 29, 2008.
The Exhibit Index is located at Page No. 24.

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## PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.
THE J. M. SMUCKER COMPANY
CONDENSED STATEMENTS OF CONSOLIDATED INCOME
(UNAUDITED)

|  | Three Months Ended January 31, |  | Nine Months Ended January 31, |  |
| :---: | :---: | :---: | :---: | :---: |
|  | 2008 | 2007 | 2008 | 2007 |
|  | (Dollars in thousands, except per share data) |  |  |  |
| Net sales | \$ 665,373 | \$ 523,081 | \$ 1,934,776 | \$ 1,654,545 |
| Cost of products sold | 469,658 | 349,425 | 1,334,589 | 1,122,412 |
| Cost of products sold restructuring | 262 | 689 | 262 | 9,981 |
| Gross Profit | 195,453 | 172,967 | 599,925 | 522,152 |
| Selling, distribution, and administrative expenses | 122,907 | 108,789 | 371,018 | 333,274 |
| Other restructuring costs (credits) | 705 | (199) | 1,606 | 1,337 |
| Merger and integration costs | 2,900 |  | 5,884 |  |
| Operating Income | 68,941 | 64,377 | 221,417 | 187,541 |
| Interest income | 3,694 | 2,629 | 11,015 | 6,625 |
| Interest expense | $(10,725)$ | $(5,656)$ | $(31,735)$ | $(17,681)$ |
| Other income (expense) net | 250 | (902) | 1,162 | $(1,210)$ |
| Income Before Income Taxes | 62,160 | 60,448 | 201,859 | 175,275 |
| Income taxes | 19,759 | 20,021 | 68,531 | 60,555 |
| Net Income | \$ 42,401 | \$ 40,427 | \$ 133,328 | \$ 114,720 |
| Earnings per common share: |  |  |  |  |
| Net Income | \$ 0.75 | \$ 0.72 | 2.35 | \$ 2.03 |
| Net Income Assuming Dilution | \$ 0.75 | \$ 0.71 | \$ 2.33 | \$ 2.01 |
| Dividends declared per common share | \$ 0.30 | \$ 0.28 | \$ 0.90 | \$ 0.84 |

See notes to unaudited condensed consolidated financial statements.

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THE J. M. SMUCKER COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

|  | January 31, 2008 |  | April 30, 2007 housands) |  |
| :---: | :---: | :---: | :---: | :---: |
| ASSETS |  |  |  |  |
| CURRENT ASSETS |  |  |  |  |
| Cash and cash equivalents | \$ | 327,664 | \$ | 200,119 |
| Trade receivables, less allowances |  | 141,215 |  | 124,048 |
| Inventories: |  |  |  |  |
| Finished products |  | 238,132 |  | 196,177 |
| Raw materials |  | 110,145 |  | 89,875 |
|  |  | 348,277 |  | 286,052 |
| Other current assets |  | 37,161 |  | 29,147 |
| Total Current Assets |  | 854,317 |  | 639,366 |
| PROPERTY, PLANT, AND EQUIPMENT |  |  |  |  |
| Land and land improvements |  | 45,200 |  | 41,456 |
| Buildings and fixtures |  | 189,294 |  | 176,950 |
| Machinery and equipment |  | 575,812 |  | 536,825 |
| Construction in progress |  | 44,690 |  | 25,284 |
| Accumulated depreciation |  | $854,996$ |  | $780,515$ |
| Accumulated depreciation |  | (365,548) |  | $(326,487)$ |
| Total Property, Plant, and Equipment |  | 489,448 |  | 454,028 |
| OTHER NONCURRENT ASSETS |  |  |  |  |
| Goodwill |  | 1,110,341 |  | 990,771 |
| Other intangible assets, net |  | 592,812 |  | 478,194 |
| Marketable securities |  | 17,202 |  | 44,117 |
| Other assets |  | 98,133 |  | 87,347 |
| Total Other Noncurrent Assets |  | 1,818,488 |  | 1,600,429 |
|  |  | 3,162,253 | \$ | 2,693,823 |
| LIABILITIES AND SHAREHOLDERS EQUITY CURRENT LIABILITIES |  |  |  |  |
|  |  |  |  |  |
| Accounts payable | \$ | 114,634 | \$ | 93,500 |
| Current portion of long-term debt |  |  |  | 33,000 |
| Other current liabilities |  | 129,289 |  | 109,968 |
| Total Current Liabilities |  | 243,923 |  | 236,468 |
| NONCURRENT LIABILITIES |  |  |  |  |
| Long-term debt |  | 790,424 |  | 392,643 |


| Deferred income taxes | 158,943 | 158,418 |
| :--- | ---: | ---: |
| Other noncurrent liabilities | 118,359 | 110,637 |
|  |  |  |
| Total Noncurrent Liabilities | $1,067,726$ | 661,698 |
| SHAREHOLDERS EQUITY | 13,975 | 14,195 |
| Common shares | $1,207,503$ | $1,216,091$ |
| Additional capital | 585,698 | 553,631 |
| Retained income | $(5,479)$ | $(6,017)$ |
| Less: | 48,907 | 17,757 |
| Amount due from ESOP |  |  |
| Accumulated other comprehensive income | $1,850,604$ | $1,795,657$ |
| Total Shareholders Equity | $\$ 3,162,253$ | $\$$ |
|  |  | $2,693,823$ |

See notes to unaudited condensed consolidated financial statements.

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THE J. M. SMUCKER COMPANY
CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS
(Unaudited)

|  | Nine Months Ended January 31, |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  |  | 2008 |  | 2007 |
|  | (Dollars in thousands) |  |  |  |
| OPERATING ACTIVITIES |  |  |  |  |
| Net income | \$ | 133,328 | \$ | 114,720 |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |  |  |  |
| Depreciation |  | 43,528 |  | 42,387 |
| Amortization |  | 2,940 |  | 1,186 |
| Asset impairments and other restructuring charges |  | 262 |  | 10,089 |
| Share-based compensation expense |  | 8,692 |  | 8,282 |
| Change in assets and liabilities, net of effect from businesses acquired: |  |  |  |  |
| Trade receivables |  | $(6,205)$ |  | 29,668 |
| Inventories |  | $(15,176)$ |  | $(1,864)$ |
| Accounts payable and accrued items |  | 25,096 |  | $(8,040)$ |
| Other adjustments |  | $(14,043)$ |  | 15,614 |
| Net cash provided by operating activities |  | 178,422 |  | 212,042 |
| INVESTING ACTIVITIES |  |  |  |  |
| Businesses acquired, net of cash acquired |  | $(166,963)$ |  | $(60,488)$ |
| Proceeds from sale of business |  | 3,407 |  | 84,054 |
| Additions to property, plant, and equipment |  | $(53,562)$ |  | $(42,903)$ |
| Purchases of marketable securities |  | $(229,405)$ |  | $(20,000)$ |
| Sales and maturities of marketable securities |  | 256,861 |  | 23,195 |
| Disposals of property, plant, and equipment |  | 1,766 |  | 882 |
| Other net |  | (793) |  | $(1,826)$ |
| Net cash used for investing activities |  | $(188,689)$ |  | $(17,086)$ |
| FINANCING ACTIVITIES |  |  |  |  |
| Proceeds from long-term debt |  | 400,000 |  |  |
| Repayments of long-term debt |  | $(148,000)$ |  |  |
| Revolving credit arrangements net |  |  |  | $(28,310)$ |
| Dividends paid |  | $(51,478)$ |  | $(47,820)$ |
| Purchase of treasury shares |  | $(86,300)$ |  | $(51,943)$ |
| Proceeds from stock option exercises |  | 16,680 |  | 16,363 |
| Other net |  | 2,009 |  | 292 |
| Net cash provided by (used for) financing activities |  | 132,911 |  | $(111,418)$ |
| Effect of exchange rate changes |  | 4,901 |  | $(3,326)$ |
| Net increase in cash and cash equivalents |  | 127,545 |  | 80,212 |
| Cash and cash equivalents at beginning of period |  | 200,119 |  | 71,956 |

Cash and cash equivalents at end of period
\$ $327,664 \quad \$ \quad 152,168$
( ) Denotes use of cash
See notes to unaudited condensed consolidated financial statements.

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# THE J. M. SMUCKER COMPANY <br> NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 

(Dollars in thousands, except per share data)
Note A Basis of Presentation
The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the U.S. for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles in the U.S. for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the nine-month period ended January 31, 2008, are not necessarily indicative of the results that may be expected for the year ending April 30, 2008. For further information, reference is made to the consolidated financial statements and footnotes included in the Company s Annual Report on Form 10-K for the year ended April 30, 2007.
Note B Eagle Acquisition
On May 1, 2007, the Company completed its acquisition of Eagle Family Foods Holdings, Inc. ( Eagle ), a privately held company headquartered in Columbus, Ohio, for $\$ 133$ million in cash and the assumption of $\$ 115$ million in debt, in a transaction valued at approximately $\$ 248$ million. Results for the three-month and nine-month periods ended January 31, 2008, include the operations of Eagle since the acquisition closing date. Eagle is the largest producer of canned milk in North America, with sales primarily in retail and foodservice channels. Eagle generated net sales of approximately $\$ 206$ million during its fiscal year ended July 1, 2006. The acquisition expands the Company s position in the baking aisle and complements the Company s strategy, which is to own and market leading North American food brands sold in the center of the store. Eagle s primary brands include Eagle Brand and Magnolia sweetened condensed milk.
The Company utilized cash on-hand and borrowings against its revolving credit facility to fund the cash portion of the purchase price and to deposit funds in escrow in exchange for a covenant defeasance on Eagle s $\$ 115$ million Senior Notes that were assumed as of the acquisition date. On May 31, 2007, the escrow was distributed to note holders in full payment of the Senior Notes.
The purchase price will be allocated to the underlying assets acquired and liabilities assumed based upon their fair values at the date of acquisition. The Company will determine the estimated fair values based on independent appraisals, discounted cash flows, quoted market prices, and estimates made by management. To the extent the purchase price exceeds the fair value of the net identifiable tangible and intangible assets acquired, such excess will be allocated to goodwill.
The initial estimated fair value of the net assets acquired is approximately $\$ 248$ million, which consists of current assets of $\$ 49$ million; property, plant, and equipment of $\$ 20$ million; other intangible assets, primarily customer relationships and trademarks, of $\$ 100$ million; goodwill of $\$ 100$ million; noncurrent assets of $\$ 1$ million; and current liabilities of $\$ 22$ million. The allocation of the purchase price is preliminary and subject to adjustment following completion of the valuation process. The Company expects the allocation of purchase price to be completed by April 30, 2008. Goodwill will be assigned to the U.S. retail market and special markets segments upon finalization of the allocation of the purchase price.

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Had the acquisition of Eagle occurred on May 1, 2006, unaudited, pro forma consolidated results would have been as follows:

Three Months<br>Ended<br>January 31, 2007

Nine Months<br>Ended<br>January 31, 2007

| Net sales | $\$ 586,000$ | $\$ 1,831,000$ |  |
| :--- | ---: | ---: | ---: |
| Operating income | $\$$ | 68,000 | $\$$ |
| Net income | $\$$ | 41,000 | $\$$ |
| Net income per common share | assuming dilution | $\$$ | 0.72 |

The unaudited, pro forma consolidated results are based on the Company s historical financial statements and those of the acquired business and do not necessarily indicate the results of operations that would have resulted had the acquisition been completed at the beginning of the applicable period presented, nor is it indicative of the results of operations in future periods.

## Note C Share-Based Payments

The Company provides for equity-based incentives to be awarded to key employees and nonemployee directors. These incentives are administered through various plans, and currently consist of restricted shares, restricted stock units, deferred shares, deferred stock units, performance units, performance shares, and stock options.
During the nine months ended January 31, 2008, the Company granted 11,390 deferred stock units and 188,500 restricted shares to employees, with 67,440 of these representing the conversion of performance shares and performance units into restricted shares, all with a grant date fair value of $\$ 57.73$ and a total fair value of $\$ 11,540$. Also during the nine months ended January 31, 2008, the Company granted performance units to certain executives. The performance units granted correspond to approximately 50,580 common shares with a grant date fair value of $\$ 57.73$ and a total fair value of $\$ 2,920$. During the nine months ended January 31, 2008, 7,840 deferred stock units were granted to nonemployee directors with a grant date fair value of $\$ 53.60$ and a total fair value of $\$ 420$. The grant date fair value of these awards was the average of the high and low stock price on the date of grant.
Compensation expense related to share-based awards was $\$ 2,719$ and $\$ 2,596$ for the three months ended January 31 , 2008 and 2007, and $\$ 8,692$ and $\$ 8,282$ for the nine months ended January 31,2008 and 2007, respectively. The related tax benefit recognized was $\$ 864$ and $\$ 857$ for the three months ended January 31, 2008 and 2007, and $\$ 2,951$ and $\$ 2,861$ for the nine months ended January 31, 2008 and 2007, respectively.
As of January 31, 2008, total compensation cost related to nonvested share-based awards not yet recognized was approximately $\$ 15,984$. The weighted-average period over which this amount is expected to be recognized is approximately 3.0 years.
Note D Restructuring
In 2003, the Company announced its plan to restructure certain operations as part of its ongoing efforts to refine its portfolio, optimize its production capacity, improve productivity and operating efficiencies, and improve the Company s overall cost base as well as service levels in support of its long-term strategy. The Company s strategy is to own and market leading North American food brands sold in the center of the store.
To date, the Company closed its fruit processing operations at its Watsonville, California, and Woodburn, Oregon, locations and subsequently sold these facilities; completed the combination of its two manufacturing facilities in Ripon, Wisconsin, into one expanded site; completed a restructuring program to streamline operations in Europe and the United Kingdom, including the exit of a contract packaging arrangement and certain portions of its retail business; completed the sale of its U.S. industrial ingredient business; completed the realignment of distribution warehouses; sold the Salinas, California, facility after

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production was relocated to plants in Orrville, Ohio, and Memphis, Tennessee; and sold the Canadian nonbranded businesses, which were acquired as part of International Multifoods Corporation, to Horizon Milling G.P., a subsidiary of Cargill and CHS Inc., as part of a strategic plan to focus the Canadian operations on its branded consumer retail and foodservice businesses. The restructurings resulted in the reduction of approximately 410 full-time positions.
The Canadian nonbranded divestiture was completed on September 22, 2006. The sale and related restructuring activities are expected to result in total expense of approximately $\$ 18.6$ million. Costs will include noncash, long-lived asset charges, as well as transaction, legal, severance, and pension costs. To date, charges of approximately $\$ 13.3$ million were recognized related to the Canadian restructuring.
The Company expects to incur total restructuring costs of approximately $\$ 61$ million related to these initiatives, of which $\$ 55.7$ million has been incurred since the announcement of the initiatives in March 2003. The balance of the costs and remaining cash payments, estimated to be approximately $\$ 5.3$ million and $\$ 5.7$ million, respectively, are related to the Canadian restructuring and will primarily be incurred through 2009.
The following table summarizes the activity with respect to the restructuring and related long-lived asset charges recorded and reserves established and the total amount expected to be incurred.

|  | Long-Lived |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Employee |  |  |  |  |  |  | Other |  |  |
|  | Separation |  | Charges |  | Relocation |  | Costs |  | Total |  |
| Total expected restructuring charge | \$ | 16,900 | \$ | 19,400 | \$ | 6,900 | \$ | 17,800 |  | 61,000 |
| Balance at May 1, 2006 | \$ | 1,694 | \$ |  | \$ |  | \$ |  | \$ | 1,694 |
| First quarter charge to expense |  | 458 |  | 7,173 |  | 28 |  | 245 |  | 7,904 |
| Second quarter charge to expense |  | (85) |  | 2,119 |  | 5 |  | 885 |  | 2,924 |
| Third quarter charge to expense |  | (43) |  |  |  |  |  | 533 |  | 490 |
| Fourth quarter charge to expense |  | 27 |  |  |  | 34 |  | 722 |  | 783 |
| Cash payments |  | $(1,415)$ |  |  |  | (67) |  | $(1,696)$ |  | $(3,178)$ |
| Noncash utilization |  | (108) |  | $(9,292)$ |  |  |  | (689) |  | $(10,089)$ |
| Balance at April 30, 2007 | \$ | 528 | \$ |  | \$ |  | \$ |  | \$ | 528 |
| First quarter charge to expense |  | 53 |  |  |  |  |  | 260 |  | 313 |
| Second quarter charge to expense |  |  |  |  |  |  |  | 588 |  | 588 |
| Third quarter charge to expense |  |  |  | 262 |  | 64 |  | 641 |  | 967 |
| Cash payments |  | (176) |  |  |  | (64) |  | $(1,489)$ |  | $(1,729)$ |
| Noncash utilization |  |  |  | (262) |  |  |  |  |  | (262) |
| Balance at January 31, 2008 | \$ | 405 | \$ |  | \$ |  | \$ |  | \$ | 405 |
| Remaining expected restructuring charge | \$ | 400 | \$ |  | \$ |  | \$ | 4,900 | \$ | 5,300 |

Approximately $\$ 262$ and $\$ 689$ of the total net restructuring charges of $\$ 967$ and $\$ 490$ recorded in the three-months ended January 31, 2008 and 2007, respectively, and $\$ 262$ and $\$ 9,981$ of the total restructuring charges of $\$ 1,868$ and $\$ 11,318$ recorded in the nine-months ended January 31, 2008 and 2007, respectively, were reported in the cost of products sold in the accompanying Condensed Statements of Consolidated Income, while the remaining charges were reported in other restructuring costs. The restructuring costs included in cost of products sold include long-lived asset charges and inventory disposition costs. Expected employee separation costs are being recognized over the estimated
future service period of the related employees. The obligation related to employee separation costs is included in other current liabilities in the Condensed Consolidated Balance Sheets.
Long-lived asset charges include impairments and accelerated depreciation related to machinery and equipment that will be used at the affected production facilities until they close or are sold. Other costs include miscellaneous expenditures associated with the Company s restructuring initiative and are

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expensed as incurred. These costs include employee relocation, professional fees, and other closed facility costs.
Note E Common Shares
At January 31, 2008, 150,000,000 common shares were authorized. There were $55,901,752$ and $56,779,850$ shares outstanding at January 31, 2008, and April 30, 2007, respectively. Shares outstanding are shown net of 9,527,741 and 8,619,519 treasury shares at January 31, 2008, and April 30, 2007, respectively.
Note F Operating Segments
The Company operates in one industry: the manufacturing and marketing of food products. The Company has two reportable segments: U.S. retail market and special markets. The U.S. retail market segment includes the consumer and consumer oils and baking business areas. This segment primarily represents the domestic sales of Smucker s, Jif, Crisco, Pillsbury, Eagle Brand, Hungry Jack, White Lily, and Martha White branded products to retail customers. The special markets segment is comprised of the international, foodservice, beverage, and Canada strategic business areas. Special markets segment products are distributed domestically and in foreign countries through retail channels, foodservice distributors and operators (i.e., restaurants, schools and universities, health care operations), and health and natural foods stores and distributors.

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The following table sets forth reportable segment information:

|  | Three Months Ended January 31, |  | Nine Months Ended January 31, |  |
| :---: | :---: | :---: | :---: | :---: |
|  | 2008 | 2007 | 2008 | 2007 |
| Net sales: |  |  |  |  |
| U.S. retail market | \$502,174 | \$393,797 | \$1,455,553 | \$1,181,556 |
| Special markets | 163,199 | 129,284 | 479,223 | 472,989 |
| Total net sales | \$665,373 | \$523,081 | \$1,934,776 | \$ 1,654,545 |
| Segment profit: |  |  |  |  |
| U.S. retail market | \$ 79,379 | \$ 77,751 | \$ 256,544 | \$ 236,796 |
| Special markets | 25,206 | 17,230 | 67,630 | 52,448 |
| Total segment profit | \$ 104,585 | \$ 94,981 | \$ 324,174 | \$ 289,244 |
| Interest income | 3,694 | 2,629 | 11,015 | 6,625 |
| Interest expense | $(10,725)$ | $(5,656)$ | $(31,735)$ | $(17,681)$ |
| Amortization expense | $(1,402)$ | (118) | $(2,940)$ | $(1,186)$ |
| Share-based compensation | $(2,719)$ | $(2,596)$ | $(8,692)$ | $(8,282)$ |
| Restructuring costs | (967) | (490) | $(1,868)$ | $(11,318)$ |
| Merger and integration costs | $(2,900)$ |  | $(5,884)$ |  |
| Corporate administrative expenses | $(28,050)$ | $(27,184)$ | $(83,430)$ | $(80,742)$ |
| Other unallocated income (expense) | 644 | $(1,118)$ | 1,219 | $(1,385)$ |
| Income before income taxes | \$ 62,160 | \$ 60,448 | \$ 201,859 | \$ 175,275 |

Note G Long-Term Debt and Financing Arrangements
Long-term debt consists of the following:

|  | January 31, 2008 |  |  | $\begin{array}{r} \text { April 30, } 2007 \end{array}$ |
| :---: | :---: | :---: | :---: | :---: |
| 6.77\% Senior Notes due June 1, 2009 | \$ | 75,000 | \$ | 75,000 |
| $7.87 \%$ Series B Senior Notes due September 1, 2007 |  |  |  | 33,000 |
| $7.94 \%$ Series C Senior Notes due September 1, 2010 |  | 10,000 |  | 10,000 |
| $4.78 \%$ Senior Notes due June 1, 2014 |  | 100,000 |  | 100,000 |
| 6.60\% Senior Notes due November 13, 2009 |  | 205,424 |  | 207,643 |
| 5.55\% Senior Notes due April 1, 2022 |  | 400,000 |  |  |
| Total long-term debt | \$ | 790,424 | \$ | 425,643 |
| Current portion of long-term debt |  |  |  | 33,000 |
| Total long-term debt less current portion | \$ | 790,424 | \$ | 392,643 |

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On May 31, 2007, the Company issued $\$ 400$ million of 5.55 percent Senior Notes, due April 1, 2022, with required prepayments, the first of which is $\$ 50$ million on April 1, 2013. Proceeds from this issuance were used to repay borrowings under the revolving credit facility used in financing the acquisition of Eagle. Additional proceeds will be used to finance other strategic and long-term initiatives as determined by the Company.
The notes are unsecured and interest is paid annually on the 6.60 percent Senior Notes and semiannually on the other notes. The 6.60 percent Senior Notes are guaranteed by Diageo plc. The guarantee may terminate, in limited circumstances, prior to the maturity of the notes. Among other restrictions, the note purchase agreements contain certain covenants relating to liens, consolidated net worth, and sale of assets as defined in the agreements. The Company is in compliance with all covenants.

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Note H Earnings per Share
The following table sets forth the computation of earnings per common share and earnings per common share assuming dilution:

|  | Three Months Ended January 31, |  |  |  | Nine Months Ended January 31, |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Numerator: <br> Net income | \$ | 42,401 | \$ | 40,427 | \$ | 133,328 | \$ | 114,720 |
| Denominator: |  |  |  |  |  |  |  |  |
| Weighted-average shares |  | 56,400,147 |  | 56,185,039 |  | 56,716,734 |  | 56,494,799 |
| Effect of dilutive securities: |  |  |  |  |  |  |  |  |
| Stock options |  | 167,425 |  | 386,558 |  | 250,285 |  | 372,089 |
| Restricted shares |  | 255,693 |  | 216,003 |  | 239,719 |  | 193,330 |
| Weighted-average shares assuming dilution |  | 56,823,265 |  | 56,787,600 |  | 57,206,738 |  | 57,060,218 |
| Net income per common share | \$ | 0.75 | \$ | 0.72 | \$ | 2.35 | \$ | 2.03 |
| Net income per common share assuming dilution | \$ | 0.75 | \$ | 0.71 | \$ | 2.33 | \$ | 2.01 |
|  |  |  |  |  |  |  |  | 10 |

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Note I Pensions and Other Postretirement Benefits
The components of the Company s net periodic benefit cost for defined benefit pension plans and other postretirement benefits are shown below.

|  | Three Months Ended January 31, |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  |  |  |  |
|  | Defined Benefit |  |  |  | Postretirement |  |  |  |
|  | Pension Plans |  |  |  | Benefits |  |  |  |
|  |  | 2008 |  | 2007 |  | 2008 |  | 2007 |
| Service cost | \$ | 1,739 |  | 1,632 | \$ | 323 | \$ | 475 |
| Interest cost |  | 6,538 |  | 5,891 |  | 634 |  | 722 |
| Expected return on plan assets |  | $(8,940)$ |  | $(7,993)$ |  |  |  |  |
| Recognized net actuarial loss (gain) |  | 254 |  | 403 |  | (131) |  | (13) |
| Other |  | 341 |  | 466 |  | (113) |  | (51) |
| Net periodic benefit (credit) cost | \$ | (68) | \$ | - 399 | \$ | 713 |  | 1,133 |


|  | Nine Months Ended January 31, |  |  |  |
| :--- | :---: | :---: | :---: | :---: | :---: |
| Other |  |  |  |  |

Note J Comprehensive Income
The following table summarizes the components of comprehensive income.

|  | Three Months Ended January 31, |  | Nine Months Ended January 31, |  |
| :---: | :---: | :---: | :---: | :---: |
|  | 2008 | 2007 | 2008 | 2007 |
| Net Income | \$ 42,401 | \$ 40,427 | \$ 133,328 | \$ 114,720 |
| Other comprehensive income: |  |  |  |  |
| Foreign currency translation adjustments | $(14,915)$ | $(9,514)$ | 21,138 | $(10,096)$ |
| Unrealized (loss) gain on available-for-sale securities | (188) | 219 | 20 | 1,288 |
| Unrealized gain (loss) on cash flow hedging derivatives | 3,719 | (596) | 6,561 | 411 |
| Pension and other postretirement liabilities | (353) | $(4,300)$ | 3,431 | $(4,388)$ |
| Comprehensive Income | \$ 30,664 | \$ 26,236 | \$ 164,478 | \$ 101,935 |

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## Note K Commitments and Contingencies

The Company, like other food manufacturers, is from time to time subject to various administrative, regulatory, and other legal proceedings arising in the ordinary course of business. The Company is not currently party to any pending proceedings which could reasonably be expected to have a material adverse effect on the Company.
Note L Sale of Scotland Facility
On June 7, 2007, the Company sold its Livingston, Scotland, facility to the facility s primary customer, Kellogg Company. The transaction generated cash proceeds of approximately $\$ 3.4$ million and resulted in a pretax gain of approximately $\$ 1.9$ million. The sale is consistent with the Company s overall strategy, which is to own and market leading North American food brands.
Note M Income Taxes
In July 2006, the Financial Accounting Standards Board issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes ( FIN 48 ), which is an interpretation of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. FIN 48 clarifies the financial statement recognition and measurement criteria of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company adopted FIN 48 as of May $1,2007$.
The cumulative effect of applying this interpretation has been recorded as a decrease of $\$ 2,374$ to retained income as of May 1, 2007. The Company s unrecognized tax benefits upon adoption on May 1, 2007, were $\$ 19,591$, of which $\$ 11,231$ would affect the effective tax rate, if recognized.
In accordance with the requirements of FIN 48, uncertain tax positions have been classified in the Condensed Consolidated Balance Sheets as long term, except to the extent payment is expected within one year. As of May 1, 2007, the long-term portion of the Company s uncertain tax positions was $\$ 19,135$. The Company recognizes net interest and penalties related to unrecognized tax benefits in income tax expense, consistent with the accounting method used prior to adopting FIN 48. As of May 1, 2007, the Company s accrual for tax-related net interest and penalties totaled $\$ 5,247$.
The Company files income tax returns in the U.S. and various state, local, and foreign jurisdictions. With limited exceptions, the Company is no longer subject to examination of U.S. federal, state and local, or foreign income taxes for fiscal years prior to 2003. The Company is currently under examination by the Internal Revenue Service ( IRS ) for the years ended April 30, 2007 and 2006. During the quarter ended January 31, 2008, the Company reached an agreement with the IRS on proposed adjustments resulting from an examination of its federal income tax returns for the years ended April 30, 2005 and 2004. As a result of this agreement, the Company reduced its unrecognized tax benefits and net interest accrual by $\$ 4,871$ and $\$ 667$, respectively, and paid $\$ 7,726$ in taxes and interest. The agreement did not have a material effect on the Company s effective tax rate for the three-month and nine-month periods ended January 31, 2008.
Within the next twelve months, it is reasonably possible that the Company could decrease its unrecognized tax benefits by an estimated $\$ 6,000$, primarily as a result of state settlement negotiations in process and the expiration of federal, state, and local statute of limitation periods.
The Company s unrecognized tax benefits as of January 31, 2008, are $\$ 16,593$, of which $\$ 9,894$ would affect the effective tax rate, if recognized. As of January 31, 2008, the long-term portion of the Company s uncertain tax positions was $\$ 13,330$, and the Company s accrual for tax-related net interest and penalties totaled $\$ 4,854$.

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Note N Recently Issued Accounting Standards
In September 2006, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements ( SFAS 157 ). SFAS 157 and related interpretations provide guidance for using fair value to measure assets and liabilities and only applies when other standards require or permit the fair value measurement of assets and liabilities. It does not expand the use of fair value measurement. In February 2008, the FASB issued Staff Position No. 157-2, Effective Date of FASB Statement No. 157 ( FSP SFAS 157-2 ). FSP SFAS 157-2 amends SFAS 157 to delay the effective date of the standard, as it relates to nonfinancial assets and nonfinancial liabilities, to fiscal years beginning after November 15, 2008, (May 1, 2009, for the Company). SFAS 157 for financial assets and financial liabilities is effective for fiscal years beginning after November 15, 2007, (May 1, 2008, for the Company). The Company is currently assessing the impact of SFAS 157, and related interpretations and amendments, on the consolidated financial statements.
In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities ( SFAS 159 ). SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. The objective of SFAS 159 is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS 159 is effective for fiscal years beginning after November 15, 2007, (May 1, 2008, for the Company). The Company is currently assessing the potential impact of SFAS 159 on the consolidated financial statements.
Note O Reclassifications
Certain prior year amounts have been reclassified to conform to current year classifications.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.
This discussion and analysis deals with comparisons of material changes in the unaudited condensed consolidated financial statements for the three-month and nine-month periods ended January 31, 2008 and 2007, respectively. Results for the three-month and nine-month periods ended January 31, 2008, include the operations of Eagle Family Foods Holdings, Inc. ( Eagle ) since the acquisition closing date of May 1, 2007.

## Net Sales

Company net sales were $\$ 665.4$ million for the third quarter of fiscal 2008, an increase of 27 percent compared to $\$ 523.1$ million in the third quarter of fiscal 2007. The acquired Eagle businesses contributed $\$ 69.3$ million to net sales in the third quarter of 2008. Excluding the impact of the Eagle acquisition, net sales were up 14 percent. Also contributing to growth in the quarter were the Smucker s, Jif, Crisco, and Pillsbury brands with a combination of pricing and volume gains. The acquired Carnation canned milk business in Canada and the impact of favorable exchange rates also added to net sales for the third quarter.
Net sales for the nine-month period ended January 31,2008 , increased 17 percent to $\$ 1,934.8$ million compared to $\$ 1,654.5$ million for the first nine months of 2007. Net sales were up 23 percent for the first nine months of 2008 over 2007 after excluding the Canadian nonbranded, grain-based foodservice and industrial businesses which was divested in September 2006. For the nine months ended January 31, 2008, the acquired Eagle businesses contributed $\$ 194.2$ million, accounting for approximately one-half of the increase in net sales excluding the divested Canadian businesses.
U.S. retail market segment net sales for the third quarter of 2008 were $\$ 502.2$ million, up 28 percent, compared to $\$ 393.8$ million in the third quarter of 2007. Net sales in the consumer strategic business area increased 13 percent for the third quarter of 2008, compared to the same period last year, led by peanut butter, fruit spreads, potatoes, pancakes, syrups, and Smucker s Uncrustables sandwiches. Net sales in the consumer oils and baking strategic business area were up 46 percent in the third quarter of 2008 compared to the third quarter of 2007. Excluding the contribution of $\$ 57.3$ million from the acquired Eagle business, consumer oils and baking net sales increased 13 percent, due to growth in baking mixes, flour, and frostings, and pricing actions, particularly in oils.
Net sales in the U.S. retail market segment for the first nine months of 2008 increased 23 percent to $\$ 1,455.6$ million compared to $\$ 1,181.6$ million during the first nine months of 2007. Net sales in the consumer strategic business area increased 10 percent, and excluding the contribution of $\$ 165.3$ million from the acquired Eagle business, net sales in the oils and baking strategic business area increased nine percent over the first nine months of 2007.
Net sales for the third quarter of 2008 in the special markets segment increased 26 percent compared to 2007. Canada contributed three-quarters of the segment increase as their net sales were up 49 percent primarily due to the impacts of the acquired Eagle and Carnation canned milk businesses and favorable exchange rates. Net sales increased 20 percent in the foodservice strategic business area, and were up eight percent, excluding the contribution of the Eagle acquisition. Net sales in the beverage strategic business area were flat.
For the first nine months of 2008, special markets segment net sales increased 20 percent compared to the first nine months of 2007, excluding divested Canadian businesses.

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## Operating Income

The following table presents components of operating income as a percentage of net sales.

|  | Three Months Ended <br> January 31, <br> 2008 |  | Nine Months Ended <br> January 31, |  |
| :--- | :---: | :---: | :---: | :---: |
|  | 2007 | 2008 | 2007 |  |
| Gross profit | $29.4 \%$ | $33.1 \%$ | $31.0 \%$ | $31.6 \%$ |
| Selling, distribution, and administrative expenses: <br> Marketing and selling | $9.4 \%$ | $10.2 \%$ | $9.8 \%$ | $9.9 \%$ |
| Distribution <br> General and administrative | 3.3 | 3.6 | 3.4 | 3.5 |
| Total selling, distribution, and administrative expenses | 5.8 | 7.0 | 6.0 | 6.7 |
| Restructuring and merger and integration costs | $18.5 \%$ | $20.8 \%$ | $19.2 \%$ | $20.1 \%$ |
| Operating income | $0.5 \%$ | $0.0 \%$ | $0.4 \%$ | $0.2 \%$ |
|  | $10.4 \%$ | $12.3 \%$ | $11.4 \%$ | $11.3 \%$ |

Operating income increased by $\$ 4.6$ million, or seven percent, during the third quarter of 2008 compared to the third quarter of 2007 while decreasing from 12.3 percent to 10.4 percent of net sales. The impact of the lower-margin Eagle businesses, record costs for soybean oil and wheat, and the mix of product sales in the quarter resulted in the decline in gross profit from 33.1 percent of net sales in the third quarter of 2007 to 29.4 percent in the third quarter of 2008. The margin on the Eagle businesses was impacted by an increase in milk costs and an unfavorable mix of nonbranded business in the quarter. Eagle accounted for more than one-half of the decrease in gross profit as a percentage of net sales. The impact of price increases taken to date across all businesses, while essentially offsetting higher raw material costs, was not sufficient to maintain profit margins.
Selling, distribution, and administrative ( SD\&A ) expenses increased $\$ 14.1$ million, or 13 percent, for the third quarter of 2008 compared to 2007, resulting from increased marketing spending, and additional costs related to the acquired Eagle business. Corporate overhead expenses increased at a lesser rate than sales resulting in an overall decrease in SD\&A from 20.8 percent of net sales to 18.5 percent, partially offsetting the decline in gross profit as a percent of net sales. Higher restructuring and merger and integration costs in the third quarter of 2008 compared to 2007 also negatively impacted operating income.
Operating income increased $\$ 33.9$ million, or 18 percent, for the nine months ended January 31, 2008, compared to the same period in 2007, but remained fairly constant as a percentage of net sales at 11.4 percent this year compared to 11.3 percent last year. This was primarily due to the decrease in SD\&A as a percent of net sales from 20.1 percent to 19.2 percent.

## Interest Income and Expense

Interest expense increased by $\$ 5.1$ million in the third quarter and $\$ 14.1$ million for the first nine months of 2008 compared to the same periods in 2007, resulting from the issuance of $\$ 400$ million in senior notes in the first quarter of 2008, a portion of which was used to repay short-term debt used in financing the Eagle acquisition. The investment of excess proceeds resulted in an increase in interest income of $\$ 1.1$ million during the third quarter and $\$ 4.4$ million for the first nine months of 2008 compared to the same periods last year.

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## Income Taxes

The effective tax rate decreased to 31.8 percent in the third quarter of 2008 , from 33.1 percent in the comparable period in 2007, primarily as a result of tax law changes and an increase in tax-exempt interest earnings. For the full 2008 fiscal year, the Company estimates an effective tax rate between 33.0 percent and 33.5 percent, compared to an effective rate of 33.9 percent and 34.5 percent for the first nine months of 2008 and 2007, respectively.

## Other

In February 2008, the Company incurred a storm-related loss at a third-party distribution center in Memphis, Tennessee. Although the extent of the financial loss has not yet been determined, the Company expects proceeds from insurance coverage to substantially offset any financial impact. In addition, the Company does not expect a material disruption of business related to the incident.
Financial Condition Liquidity and Capital Resources

|  | Nine Months Ended January |  |  |
| :--- | :---: | :---: | ---: |
| 31, |  |  |  |
| (Dollars in thousands) | 2008 | 2007 |  |
|  |  |  |  |
| Net cash provided by operating activities | $\$$ | 178,422 | $\$$ |
| Net cash used for investing activities | $\$(188,689)$ | $\$$ | $(17,086$ |
| Net cash provided by (used for) financing activities | $\$$ | 132,911 | $\$$ |

The Company s principal source of funds is cash generated from operations, supplemented by borrowings against the Company s revolving credit instrument. Total cash and investments at January 31, 2008, were $\$ 344.9$ million compared to $\$ 244.2$ million at April 30, 2007.
The Company s working capital requirements are greatest during the first half of its fiscal year, primarily due to the need to build inventory levels in advance of the fall bake season, the seasonal procurement of fruit, and the purchase of raw materials used in the Company s pickle and relish business in Canada. The acquisition of the Eagle business added further to the cash requirements during the first half of the year.
Cash provided by operating activities was approximately $\$ 178.4$ million during the first nine months of 2008. The positive cash generated by operations resulted primarily from net income plus noncash charges. However, cash provided by operating activities decreased $\$ 33.6$ million in the first nine months of 2008 compared to 2007, primarily resulting from an increase in trade receivables, inventory, and other working capital items due to recent acquisitions and generally higher raw material costs.
Net cash used for investing activities was approximately $\$ 188.7$ million in the first nine months of 2008 consisting of $\$ 167.0$ million used for business acquisitions, primarily Eagle and the Carnation canned milk brand in Canada, and capital expenditures of approximately $\$ 53.6$ million.
Cash provided by financing activities during the first nine months of 2008 consisted primarily of the Company s issuance of $\$ 400$ million in senior notes on May 31, 2007, offset by the repayment of $\$ 148$ million of debt, including $\$ 115$ million assumed in the Eagle acquisition, dividend payments of $\$ 51.5$ million, and $\$ 86.3$ million used to purchase treasury shares.
The purchase of treasury shares was comprised largely of $1,631,000$ common shares under the Board of Director s authorized share repurchase program, including 1.5 million common shares under a previously announced Rule 10b5-1 trading plan. At its January 2008 meeting, the Company s Board authorized a five million common share increase to its share repurchase program. On February 20, 2008, the Company entered into a Rule 10b5-1 trading plan ( the Plan ) to facilitate the repurchase of up to one million common shares under the share repurchase program. The share purchase period under the Plan

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commenced on February 21, 2008. Purchases under the Plan will be transacted by a broker and will be based upon the guidelines and parameters of the Plan.
Share repurchases outside the Plan will occur at management s discretion. There is no guarantee as to the exact number of shares that may be repurchased. Since January 2005, the Company has repurchased nearly five million common shares.
Absent any material acquisitions or other significant investments, the Company believes that cash on hand and investments, combined with cash provided by operations, and borrowings available under the revolving credit facility, will be sufficient to meet 2008 cash requirements, including the payment of dividends, interest on debt outstanding, and the repurchase of common shares, if applicable.
Contractual Obligations
The following table summarizes the Company s contractual obligations at January 31, 2008.

|  |  |  | Three |  |  |  |  | More |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Total |  |  |  |  |  |  |  |
|  |  |  | Less |  | One to |  | to | Than |
|  |  |  |  | Than | Three |  | Five | Five |
| (Dollars in millions) |  |  |  | One Year | Years |  | Years | Years |
| Long-term debt obligations | \$ | 790.4 | \$ | \$ | \$ 290.4 | \$ |  | \$ 500.0 |
| Operating lease obligations |  | 8.7 |  | 0.4 | 2.8 |  | 2.3 | 3.2 |
| Purchase obligations |  | 773.7 |  | 270.8 | 485.7 |  | 7.2 | 10.0 |
| Other long-term liabilities |  | 277.3 |  |  |  |  |  | 277.3 |
| Total |  | ,850.1 |  | \$ 271.2 | \$ 778.9 | \$ | 9.5 | \$ 790.5 |

Purchase obligations in the above table include agreements to purchase goods or services that are enforceable and legally binding on the Company. Included in this category are certain obligations related to normal, ongoing purchase obligations in which the Company has guaranteed payment to ensure availability of raw materials and packaging supplies. The Company expects to receive consideration for these purchase obligations in the form of materials. The purchase obligations in the above table do not represent the entire anticipated purchases in the future, but represent only those items for which the Company is contractually obligated.
Item 3. Quantitative and Qualitative Disclosures About Market Risk.
The Company is exposed to market risk related to changes in interest rates, commodity prices, and foreign currency exchange rates. For further information, reference is made to the Company s Annual Report on Form 10-K for the year ended April 30, 2007.

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## Certain Forward-Looking Statements

Certain statements included in this quarterly report contain forward-looking statements within the meaning of federal securities laws. The forward-looking statements may include statements concerning the Company s current expectations, estimates, assumptions, and beliefs concerning future events, conditions, plans, and strategies that are not historical fact. Any statement that is not historical in nature is a forward-looking statement and may be identified by the use of words and phrases such as expects, anticipates, believes, will, plans, and similar phrases. Federal securities laws provide a safe harbor for forward-looking statements to encourage companies to provide prospective information. The Company is providing this cautionary statement in connection with the safe harbor provisions. Readers are cautioned not to place undue reliance on any forward-looking statements as such statements are by nature subject to risks, uncertainties, and other factors, many of which are outside of the Company s control and could cause actual results to differ materially from such statements and from the Company s historical results and experience. These risks and uncertainties include, but are not limited to, those set forth under the caption Risk Factors in the Company s Annual Report on Form 10-K, as well as the following: the volatility of commodity markets from which raw materials are procured and the related impact on costs; crude oil price trends and its impact on transportation, energy, and packaging costs; raw material and ingredient cost trends;
the ability to successfully implement price changes;
the success and cost of introducing new products and the competitive response;
the success and cost of marketing and sales programs and strategies intended to promote growth in the Company s businesses, and in their respective markets;
general competitive activity in the market, including competitors pricing practices and promotional spending levels;
the concentration of certain of the Company s businesses with key customers and the ability to manage and maintain key customer relationships;
the loss of significant customers or a substantial reduction in orders from these customers or the bankruptcy of any such customer;
the ability of the Company to obtain any required financing;
the timing and amount of capital expenditures and restructuring, and merger and integration costs;
the outcome of current and future tax examinations and other tax matters, and their related impact on the Company s tax positions;
the timing and amount of proceeds from insurance settlements;
foreign currency exchange and interest rate fluctuations;
the timing and cost of acquiring common shares under the Company s share repurchase authorizations; and other factors affecting share prices and capital markets generally.

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Item 4. Controls and Procedures.
Evaluation of Disclosure Controls and Procedures. The Company s management, including the Company s principal executive officers and principal financial officer, evaluated the effectiveness of the Company s disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934 as amended (the Exchange Act )) as of January 31, 2008, (the Evaluation Date ). Based on that evaluation, the Company s principal executive officers and principal financial officer have concluded that as of the Evaluation Date, the Company s disclosure controls and procedures were effective in ensuring that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms.

Changes in Internal Controls. There were no changes in the Company s internal controls over financial reporting that occurred during the quarter ended January 31, 2008, that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

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## PART II. OTHER INFORMATION

Item 1A. Risk Factors.
The Company s business, operations, and financial condition are subject to various risks and uncertainties. The risk factors described in Part I, Item 1A. Risk Factors in the Company s Annual Report on Form 10-K for the year ended April 30, 2007, should be carefully considered, together with the other information contained or incorporated by reference in the Quarterly Report on Form 10-Q and in the Company s other filings with the SEC, in connection with evaluating the Company, its business and the forward-looking statements contained in this Report. Additional risks and uncertainties not presently known to the Company or that the Company currently deems immaterial also may affect the Company. The occurrence of any of these known or unknown risks could have a material adverse impact on the Company s business, financial condition, and results of operations.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.
(a) Not applicable.
(b) Not applicable.
(c) Issuer Purchases of Equity Securities

| (a) | (b) | (c) | (d) <br> Maximum <br> Number (or |
| :--- | :---: | :---: | ---: | ---: |
| Total Number |  |  |  |
| of |  |  |  |$\quad$| Spproximate |
| ---: |
| Aollar Value) |
| of |

Information set forth in the table above represents activity in the Company sthird fiscal quarter of 2008.
(a) Since August 2004, the Company s Board of Directors has authorized management to repurchase up to ten million common shares as presented in the following table.

|  | Number of |
| :--- | ---: |
| Board of | Common |
| Directors | Shares |
| Authorizations | Authorized for |
|  | Repurchase |
| August 2004 |  |
| January 2006 | $1,000,000$ |
| April 2006 | $2,000,000$ |
| January 2008 | $2,000,000$ |
| Total | $5,000,000$ |

The repurchase of shares under the authorizations will be implemented at management s discretion with no established expiration date. Shares in this column include shares repurchased as part of this publicly announced plan as well as shares repurchased from stock plan recipients in lieu of cash payments.
(d) The Company has repurchased a total of 4,959, 178 shares from August 2004 through January 31, 2008, under the repurchase program authorized by the Company s Board of Directors, including 1,000,000 common shares under

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the Company s February 2006 Rule 10b5-1 trading plan, 1,000,000 common shares under the Company s August 2006 Rule 10b5-1 trading plan, and 1,500,000 under the Company s December 2007 Rule 10b5-1 trading plan. At January 31, 2008, 5,040,822 common shares remain available for repurchase under this program.

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Item 6. Exhibits.
See the Index of Exhibits that appears on Page No. 24 of this report.

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## 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.

March 11, 2008

THE J. M. SMUCKER COMPANY<br>/s/ Timothy P. Smucker<br>BY TIMOTHY P. SMUCKER<br>Chairman and Co-Chief Executive Officer<br>/s/ Richard K. Smucker<br>BY RICHARD K. SMUCKER<br>President and Co-Chief Executive Officer<br>/s/ Mark R. Belgya<br>BY MARK R. BELGYA<br>Vice President, Chief Financial Officer and Treasurer

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## INDEX OF EXHIBITS

Assigned
Exhibit
No. *
Description
31.1 Certification of Timothy P. Smucker pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act
31.2 Certification of Richard K. Smucker pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act
31.3 Certification of Mark R. Belgya pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act

32 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002

* Exhibits 2, 3, $10,11,15,18$, 19, 22, 23, 24, and 99 are either inapplicable to the Company or require no answer.

