

SMUCKER J M CO
Form 10-Q
September 08, 2009

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

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

For the quarterly period ended July 31, 2009

or

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

For the transition period from _____ to _____

**Commission file number 1-5111
THE J. M. SMUCKER COMPANY**
(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of incorporation or
organization)

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

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

44667-0280
(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 ☒ No ☐

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

Indicate by check mark 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):

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller Reporting Company <input type="checkbox"/>
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Indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 of the Exchange Act of 1934.

Yes ☐ No ☒

The Company had 118,949,244 common shares outstanding on August, 31, 2009.
The Exhibit Index is located at Page No. 25.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	Three Months Ended July 31,	
	2009	2008
	(Dollars in thousands, except per share data)	
Net sales	\$ 1,051,526	\$ 663,657
Cost of products sold	645,497	455,878
Gross Profit	406,029	207,779
Selling, distribution, and administrative expenses	201,177	130,413
Amortization	18,377	1,471
Merger and integration costs	16,476	3,400
Restructuring costs		519
Other operating expense net	1,438	148
Operating Income	168,561	71,828
Interest income	1,371	1,338
Interest expense	(18,951)	(10,744)
Other income net	253	1,025
Income Before Income Taxes	151,234	63,447
Income taxes	53,171	21,156
Net Income	\$ 98,063	\$ 42,291
Earnings per common share:		
Net Income	\$ 0.83	\$ 0.77
Net Income Assuming Dilution	\$ 0.83	\$ 0.77
Dividends declared per common share	\$ 0.35	\$ 0.32

See notes to unaudited condensed consolidated financial statements.

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

	July 31, 2009	April 30, 2009
	(Dollars in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 289,772	\$ 456,693
Trade receivables, less allowances	307,507	266,037
Inventories:		
Finished products	497,619	409,592
Raw materials	289,223	194,334
	786,842	603,926
Other current assets	58,318	72,235
Total Current Assets	1,442,439	1,398,891
PROPERTY, PLANT, AND EQUIPMENT		
Land and land improvements	54,772	51,131
Buildings and fixtures	283,183	273,343
Machinery and equipment	921,689	901,614
Construction in progress	45,399	48,593
	1,305,043	1,274,681
Accumulated depreciation	(466,653)	(436,248)
Total Property, Plant, and Equipment	838,390	838,433
OTHER NONCURRENT ASSETS		
Goodwill	2,802,806	2,791,391
Other intangible assets, net	3,088,440	3,098,976
Marketable securities	10,511	12,813
Other noncurrent assets	52,173	51,657
Total Other Noncurrent Assets	5,953,930	5,954,837
	\$ 8,234,759	\$ 8,192,161
 LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 196,129	\$ 198,954
Note payable	350,000	350,000
Current portion of long-term debt	200,986	276,726
Other current liabilities	253,638	235,556
Total Current Liabilities	1,000,753	1,061,236
NONCURRENT LIABILITIES		

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Long-term debt	910,000	910,000
Deferred income taxes	1,149,669	1,145,808
Other noncurrent liabilities	140,007	135,186
Total Noncurrent Liabilities	2,199,676	2,190,994
SHAREHOLDERS' EQUITY		
Common shares	29,736	29,606
Additional capital	4,558,946	4,547,921
Retained income	481,013	424,504
Amount due from ESOP Trust	(4,069)	(4,830)
Accumulated other comprehensive loss	(31,296)	(57,270)
Total Shareholders' Equity	5,034,330	4,939,931
	\$ 8,234,759	\$ 8,192,161

See notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended July 31,	
	2009	2008
	(Dollars in thousands)	
OPERATING ACTIVITIES		
Net income	\$ 98,063	\$ 42,291
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	25,271	15,036
Amortization	18,377	1,471
Share-based compensation expense	6,412	2,799
Changes in assets and liabilities, net of effect from businesses acquired:		
Trade receivables	(38,672)	(20,757)
Inventories	(174,957)	(80,937)
Accounts payable and accrued items	16,453	73,901
Other adjustments	22,821	26,372
Net cash (used for) provided by operating activities	(26,232)	60,176
INVESTING ACTIVITIES		
Businesses acquired, net of cash acquired		(55,593)
Additions to property, plant, and equipment	(27,271)	(22,197)
Maturities of marketable securities	2,404	452
Disposals of property, plant, and equipment	384	1,072
Other net	(160)	170
Net cash used for investing activities	(24,643)	(76,096)
FINANCING ACTIVITIES		
Repayments of long-term debt	(75,000)	
Dividends paid	(41,407)	(17,451)
Purchase of treasury shares	(4,873)	(3,356)
Proceeds from stock option exercises	1,202	633
Other net	713	(311)
Net cash used for financing activities	(119,365)	(20,485)
Effect of exchange rate changes	3,319	(398)
Net decrease in cash and cash equivalents	(166,921)	(36,803)
Cash and cash equivalents at beginning of period	456,693	171,541
Cash and cash equivalents at end of period	\$ 289,772	\$ 134,738

() Denotes use of cash

See notes to unaudited condensed consolidated financial statements.

THE J. M. SMUCKER COMPANY
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 three-month period ended July 31, 2009, are not necessarily indicative of the results that may be expected for the year ending April 30, 2010. 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, 2009.

Note B Folgers Merger

On November 6, 2008, the Company merged The Folgers Coffee Company (Folgers), a subsidiary of The Procter & Gamble Company (P&G), with a wholly-owned subsidiary of the Company. Under the terms of the agreement, P&G distributed the Folgers common shares to electing P&G shareholders in a tax-free transaction, which was immediately followed by the conversion of Folgers common stock into Company common shares. As a result of the merger, Folgers became a wholly-owned subsidiary of the Company. In the merger, P&G shareholders received approximately 63.2 million common shares of the Company valued at approximately \$3,366.4 million based on the average closing price of the Company's common shares for the period beginning two trading days before and concluding two trading days after the announcement of the transaction on June 4, 2008. After closing of the transaction on November 6, 2008, the Company had approximately 118 million common shares outstanding. As part of the transaction, the Company's debt obligations increased by \$350.0 million as a result of Folgers' LIBOR-based variable rate note.

The transaction with Folgers, the leading producer of retail packaged coffee products in the United States, is consistent with the Company's strategy to own and market number one brands in North America. For accounting purposes, the Company is the acquiring enterprise. The merger was accounted for as a purchase business combination. Accordingly, the results of the Folgers business are included in the Company's consolidated financial statements from the date of the merger. The aggregate purchase price was approximately \$3,735.8 million, including \$19.4 million of capitalized transaction related expenses. In addition, the Company incurred costs of \$79.5 million to date, that were directly related to the merger and integration of Folgers. Due to the nature of these costs, they were expensed as incurred. Total transaction costs of \$98.9 million incurred to date include approximately \$9.9 million in noncash expense items.

The Folgers purchase price was allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of the merger. The Company determined the estimated fair values with the assistance of independent appraisals, discounted cash flow analyses, quoted market prices, and estimates made by management. To the extent the purchase price exceeded the fair value of the net identifiable tangible and intangible assets acquired, such excess was allocated to goodwill.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the transaction date.

Assets acquired:	
Current assets	\$ 300,588
Property, plant, and equipment	317,574
Intangible assets	2,515,000
Goodwill	1,642,744
Other noncurrent assets	4,278
Total assets acquired	\$4,780,184
Liabilities assumed:	
Current liabilities	\$ 85,463
Deferred tax liabilities	955,217
Noncurrent liabilities	3,750
Total liabilities assumed	\$1,044,430
Net assets acquired	\$3,735,754

The Company has completed its valuation of Folgers' property, plant, and equipment and intangible assets. However, the purchase price allocation is subject to final adjustment pending the completion of the Company's analysis of certain acquired tax attributes and tax positions.

Had the merger occurred on May 1, 2008, unaudited, pro forma consolidated results would have been as follows:

	Three Months Ended July 31, 2008
Net sales	\$ 1,054,505
Net income	69,034
Net income per common share assuming dilution	0.59

The unaudited, pro forma consolidated results are based on the Company's historical financial statements and those of the Folgers business and do not necessarily indicate the results of operations that would have resulted had the merger been completed at the beginning of the applicable period presented. The unaudited, pro forma consolidated results do not give effect to the synergies of the merger and are not 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, and stock options.

Compensation expense related to share-based awards was \$6,412 and \$2,799 for the three months ended July 31, 2009 and 2008, respectively. Of the total compensation expense for share-based awards recorded, \$1,859 is included in merger and integration costs in the Condensed Statements of Consolidated Income for the three months ended July 31, 2009. The related tax benefit recognized was \$2,254 and \$933 for the three months ended July 31, 2009 and 2008, respectively.

As of July 31, 2009, total compensation cost related to nonvested share-based awards not yet recognized was approximately \$45,551. The weighted-average period over which this amount is expected to be recognized is approximately 3.2 years.

Note D Common Shares

At July 31, 2009, 150,000,000 common shares were authorized. There were 118,943,477 and 118,422,123 shares outstanding at July 31, 2009 and April 30, 2009, respectively. Shares outstanding are shown net of 9,660,688 and 10,179,989 treasury shares at July 31, 2009 and April 30, 2009, respectively.

Note E Reportable Segments

The Company operates in one industry: the manufacturing and marketing of food products. The Company has four reportable segments: U.S. retail coffee market, U.S. retail consumer market, U.S. retail oils and baking market, and special markets. The U.S. retail coffee market segment represents the domestic sales of *Folgers*®, *Dunkin' Donuts*®, and *Millstone*® branded coffee to retail customers; the U.S. retail consumer market segment primarily includes domestic sales of *Smucker's*®, *Jif*®, and *Hungry Jack*® branded products; the U.S. retail oils and baking market segment includes domestic sales of *Crisco*®, *Pillsbury*®, *Eagle Brand*®, *Martha White*®, and *White Lily*® branded products; and the special markets segment is comprised of the Canada, foodservice, natural foods (formerly beverage), and international 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.

The following table sets forth reportable segment information.

	Three Months Ended July 31,	
	2009	2008
Net sales:		
U.S. retail coffee market	\$ 366,229	\$
U.S. retail consumer market	291,002	273,976
U.S. retail oils and baking market	194,416	198,165
Special markets	199,879	191,516
Total net sales	\$ 1,051,526	\$ 663,657
Segment profit:		
U.S. retail coffee market	\$ 127,311	\$
U.S. retail consumer market	66,979	59,795
U.S. retail oils and baking market	28,616	28,066
Special markets	28,219	20,738
Total segment profit	\$ 251,125	\$ 108,599
Interest income	1,371	1,338
Interest expense	(18,951)	(10,744)
Amortization	(18,377)	(1,471)
Share-based compensation expense	(4,553)	(2,799)
Restructuring costs		(519)
Merger and integration costs	(16,476)	(3,400)
Corporate administrative expenses	(39,801)	(28,892)
Other unallocated (expense) income	(3,104)	1,335
Income before income taxes	\$ 151,234	\$ 63,447

Note F Debt and Financing Arrangements

Long-term debt consists of the following:

	July 31, 2009	April 30, 2009
6.77% Senior Notes due June 1, 2009	\$	\$ 75,000
6.60% Senior Notes due November 13, 2009	200,986	201,726
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
6.12% Senior Notes due November 1, 2015	24,000	24,000
6.63% Senior Notes due November 1, 2018	376,000	376,000
5.55% Senior Notes due April 1, 2022	400,000	400,000
Total long-term debt	\$ 1,110,986	\$ 1,186,726
Current portion of long-term debt	200,986	276,726
Total long-term debt less current portion	\$ 910,000	\$ 910,000

All of the Company's Senior Notes are unsecured and interest is paid annually on the 6.60 percent Senior Notes and semiannually on the other notes. Prepayments are required on the 5.55 percent Senior Notes, the first of which is \$50.0 million on April 1, 2013. The 6.60 percent Senior Notes are guaranteed by Diageo plc, an unrelated third party. The guarantee may terminate, in limited circumstances, prior to the maturity of the notes.

The Company's debt instruments contain certain financial covenant restrictions including consolidated net worth and debt to capitalization requirements. The Folgers \$350 million term loan facility due on November 9, 2009, also contains leverage and interest coverage ratios. The Company is in compliance with all covenants.

Note G Earnings per Share

In June 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position Emerging Issues Task Force

03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities* (FSP EITF

03-6-1). FSP EITF 03-6-1 clarifies that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities and are to be included in the computation of earnings per share under the two-class method described in SFAS No. 128, *Earnings per Share*.

Effective May 1, 2009, the Company adopted FSP EITF 03-6-1. The Company's unvested restricted shares contain rights to receive nonforfeitable dividends and are participating securities, as described in EITF 03-6-1, requiring the two-class method of computing earnings per share. All presented prior period earnings per share data has been adjusted retrospectively for the three months ended July 31, 2008, resulting in a reduction of the Company's net income per common share of \$0.01 per share while net income per common share assuming dilution remains unchanged. Additionally, the adoption of FSP EITF 03-6-1 resulted in a reduction of the Company's net income per common share and net income per common share assuming dilution for the year ended April 30, 2009, of \$0.03 and \$0.01 per share, respectively.

The following tables set forth the computation of earnings per common share and earnings per common share assuming dilution in accordance with FSP EITF 03-6-1.

	Three Months Ended July 31,	
	2009	2008
Computation of Basic Earnings Per Share:		
Net income	\$ 98,063	\$ 42,291
Net income allocated to participating securities	820	307
Net income allocated to common stockholders	\$ 97,243	\$ 41,984
Weighted-average common shares outstanding basic	117,654,929	54,282,700
Net income per common share basic	\$ 0.83	\$ 0.77

	Three Months Ended July 31,	
	2009	2008
Computation of Diluted Earnings Per Share:		
Net income	\$ 98,063	\$ 42,291
Net income allocated to participating securities	820	306
Net income allocated to common stockholders	\$ 97,243	\$ 41,985
Weighted-average common shares outstanding basic	117,654,929	54,282,700
Dilutive effect of stock options	81,591	142,428
Weighted-average common shares outstanding assuming dilution	117,736,520	54,425,128
Net income per common share assuming dilution	\$ 0.83	\$ 0.77

The following table reconciles the number of shares used in the basic and diluted earnings per share disclosures.

	Three Months Ended July 31,	
	2009	2008
Numerator:		
Net income	\$ 98,063	\$ 42,291
Denominator:		
Weighted-average common shares outstanding	117,654,929	54,282,700
Weighted-average participating shares outstanding	1,009,724	403,546
Weighted-average shares outstanding basic	118,664,653	54,686,246

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Dilutive effect of stock options	81,591	142,428
Weighted-average shares outstanding assuming dilution	118,746,244	54,828,674
Net income per common share basic	\$ 0.83	\$ 0.77
Net income per common share assuming dilution	\$ 0.83	\$ 0.77

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Note H 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 July 31,				
	Defined Benefit Pension Plans		Other Postretirement Benefits	
	2009	2008	2009	2008
Service cost	\$ 1,410	\$ 1,492	\$ 494	\$ 243
Interest cost	6,097	6,813	643	655
Expected return on plan assets	(5,641)	(7,783)		
Recognized net actuarial loss (gain)	1,547	358	(261)	(183)
Other	307	324	(122)	(122)
Net periodic benefit cost	\$ 3,720	\$ 1,204	\$ 754	\$ 593

Note I Comprehensive Income

The following table summarizes the components of comprehensive income.

Three Months Ended July 31,		
	2009	2008
Net income	\$ 98,063	\$ 42,291
Other comprehensive income:		
Foreign currency translation adjustments	25,751	(4,495)
Unrealized gain (loss) on available-for-sale securities	565	(1,139)
Unrealized loss on cash flow hedging derivatives	(244)	(9,398)
Income tax (expense) benefit	(98)	3,745
Comprehensive income	\$ 124,037	\$ 31,004

Note J 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 a defendant in a variety of legal proceedings, some of which involve claims for damages in unspecified amounts. The Company cannot predict with certainty the results of these proceedings or reasonably determine a range of potential loss. The Company's policy is to accrue costs for contingent liabilities when such liabilities are probable and the amounts can be reasonably estimated. Based on information known to date, the Company does not believe the final outcome of these proceedings will have a materially adverse effect on the Company's financial position, results of operations, or cash flows.

Note K Derivative Financial Instruments

The Company is exposed to market risks, such as changes in foreign currency exchange rates and commodity pricing. To manage the volatility relating to these exposures, the Company enters into various derivative transactions. By policy, the Company historically has not entered into derivative financial instruments for trading purposes or for speculation.

Commodity Price Management. The Company enters into commodity futures and options contracts to manage the price volatility and reduce the variability of future cash flows related to anticipated inventory purchases of green coffee, edible oils, flour, milk, and corn. The Company also enters into commodity futures and options to manage price risk for energy input costs, including natural gas and diesel fuel. The derivative instruments generally have maturities of less than one year. Certain of the derivative instruments associated with the Company's U.S. retail oils and baking market and U.S. retail coffee market segments meet the hedge criteria

according to Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), and are accounted for as cash flow hedges. The mark-to-market gains or losses on qualifying hedges are deferred and included as a component of other comprehensive income to the extent effective, and reclassified to cost of products sold in the period during which the hedged transaction affects earnings. The mark-to-market gains or losses on nonqualifying, excluded, and ineffective portions of hedges are recognized in cost of products sold immediately.

In order to qualify as a hedge of commodity price risk, it must be demonstrated that the changes in the fair value of the commodity's futures contracts are highly effective in hedging price risks associated with the commodity purchased. Hedge effectiveness is measured at inception and on a quarterly basis.

Foreign Currency Exchange Rate Hedging. The Company utilizes foreign currency forwards and options contracts to manage the effect of foreign currency exchange fluctuations on future cash payments primarily related to purchases of certain raw materials, finished goods, and fixed assets. The contracts generally have maturities of less than one year. At the inception of the contract, the derivative is evaluated and documented for SFAS 133 accounting treatment. If the contract qualifies for hedge accounting treatment, to the extent the hedge is deemed effective, the associated mark-to-market gains and losses are deferred and included as a component of other comprehensive income. These gains or losses are reclassified to earnings in the period the contract is executed. The ineffective portion of these contracts is immediately recognized in earnings. Instruments currently used to manage foreign currency exchange exposures do not meet the requirements for hedge accounting treatment and the change in value of these instruments is immediately recognized in cost of products sold.

As of July 31, 2009, the Company had the following outstanding derivative contracts:

	Gross Contract Notional Amount
Commodity contracts	\$ 254,000
Foreign currency exchange contracts	71,400

The following table sets forth the fair value of derivative instruments as recognized in the Condensed Consolidated Balance Sheet at July 31, 2009.

	Other Current Assets	Other Current Liabilities
Derivatives designated as hedging instruments under SFAS 133:		
Commodity contracts	\$ 1,693	\$ 332
Derivatives not designated as hedging instruments under SFAS 133:		
Commodity contracts	\$ 1,365	\$ 4,043
Foreign currency exchange contracts		4,942
Total	\$ 1,365	\$ 8,985
Total derivatives	\$ 3,058	\$ 9,317

The Company has elected to not offset fair value amounts recognized for derivative instruments and its cash margin accounts executed with the same counterparty. The Company maintained cash margin accounts of \$16,034 and \$16,619 at July 31, 2009 and April 30, 2009, respectively, that are included in other current assets in the Condensed Consolidated Balance Sheets.

The following table presents information on gains recognized on derivatives in SFAS 133 cash flow hedging relationships, all of which hedge commodity price risk.

	Three Months Ended July 31, 2009
Gain recognized in other comprehensive income (effective portion)	\$ 775
Gain reclassified from accumulated other comprehensive loss to cost of products sold (effective portion)	976
Gain recognized in cost of products sold (ineffective portion)	43

Included as a component in accumulated other comprehensive loss at July 31, 2009 and April 30, 2009, were deferred gains of \$1,435 and \$1,570, respectively. The related tax impact recognized in accumulated other comprehensive loss was \$109 for the three months ended July 31, 2009. The entire amount of the deferred gain included in accumulated other comprehensive loss at July 31, 2009, is expected to be recognized in earnings within one year as the related commodity is utilized.

The following table presents the losses recognized in cost of products sold on derivatives not designated as hedging instruments under SFAS 133.

	Three Months Ended July 31, 2009
Commodity contracts	\$ 604
Foreign currency exchange contracts	5,863
Total	\$ 6,467

Note L Other Financial Instruments and Fair Value Measurements

Financial instruments, other than derivatives, that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments, marketable securities, and trade receivables. The Company's marketable securities are in debt securities. Under the Company's investment policy, it may invest in securities deemed to be investment grade at the time of purchase. Currently, these investments are defined as mortgage-backed obligations, corporate bonds, municipal bonds, federal agency notes, and commercial paper. However, in light of recent market conditions, the Company has limited recent investments primarily to high-quality money market funds. The Company determines the appropriate categorization of its debt securities at the time of purchase and reevaluates such designation at each balance sheet date. With respect to trade receivables, concentration of credit risk is limited due to the large number of customers. The Company does not require collateral from its customers.

The fair value of the Company's financial instruments, other than certain of its fixed-rate long-term debt, approximates their carrying amounts. The following table provides information on the carrying amount and fair value of financial instruments, including derivative financial instruments.