FRESH DEL MONTE PRODUCE INC
Form 20-F
March 06, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 20-F

(Mark One)

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

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

For the fiscal year ended December 30, 2005

OR

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

OR

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

Commission file number: 1-14706

FRESH DEL MONTE PRODUCE INC.

(Exact name of Registrant as specified in its charter)

The Cayman Islands

(Jurisdiction of incorporation or organization)

Walker House, Mary Street
P.O. Box 908 GT
George Town, Grand Cayman
Cayman Islands

(Address of principal executive offices)

c/o Del Monte Fresh Produce Company
241 Sevilla Avenue, Coral Gables, FL 33134

(Address of U.S. executive office)

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

Title of each class	Name of each exchange on which registered
Ordinary Shares, par value $0.01 per share	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

58,013,180 Ordinary Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

o Yes þ No

If this is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 of 15(d) of the Securities and Exchange Act of 1934.

o Yes þ No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

þ Yes o No

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

Large accelerated filer o Accelerated filer þ Non-accelerated filer o

Indicate by check mark which financial statement item the registrant has elected to follow.

o Item 17 þ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

o Yes þ No

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PART III

4TH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
5TH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT
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CERTIFICATION OF CFO
CERTIFICATIONS OF CEO AND CFO

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PART I

In this Annual Report (the Report), references to $ and dollars are to United States dollars. Reference in this Repor to Fresh Del Monte, we, our, and us refers to Fresh Del Monte Produce Inc. and its subsidiaries, unless the context indicates otherwise. Percentages and certain amounts contained herein have been rounded for ease of presentation. Any discrepancies in any table between totals and the sums of amounts listed are due to rounding. As used herein, references to years ended 2003 through 2005 are to fiscal years ended December 26, 2003, December 31, 2004, and December 30, 2005, respectively.

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. These statements appear in a number of places in this Report and include statements regarding the intent, belief 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 without limitation (i) our anticipated needs for, and the availability of, cash, (ii) our liquidity and financing plans, (iii) our ability to successfully integrate acquisitions into our operations, specifically the Del Monte Foods Europe acquisition; (iv) trends affecting our financial condition or results of operations, including anticipated fresh produce sales price levels and anticipated expense levels, (v) our plans for expansion of our business (including through acquisitions) and cost savings, (vi) the impact of competition and (vii) the resolution of certain legal and environmental proceedings. 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.

The forward-looking statements are not guarantees of future performance and involve risks and uncertainties. It is important to note that our actual results may differ materially from those in the forward-looking statements as a result of various factors. The accompanying information contained in this Report, including, without limitation, the information under Key Information Risk Factors and Operating and Financial Review and Prospects, identifies important factors that could cause our actual results to differ materially from those in the forward-looking statements.

The volume data included in this Report has been obtained from our records. Except for volume data for Fresh Del Monte, the market share, volume and consumption data contained in this Report have been compiled by us based upon data and other information obtained from third party sources, primarily from the Food and Agriculture Organization of the United Nations (the FAO), and from our surveys of customers and other company-compiled data. Except as otherwise indicated, volume data contained in this Report is shown in millions of 40-pound equivalent boxes.

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

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Item 3. Key information

Selected Financial Data

Our fiscal year end is the last Friday of the calendar year or the first Friday subsequent to the end of the calendar year, whichever is closest to the end of the calendar year.

The following selected consolidated financial information for the years ended December 28, 2001, December 27, 2002, December 26, 2003, December 31, 2004 and December 30, 2005, is derived from our respective audited consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America (the United States or U.S.).

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This data should be read in conjunction with the consolidated financial statements, related notes and other financial information included elsewhere in this Report.

	Year ended				
	December 30, 2005	December 31, 2004	December 26, 2003	December 27, 2002	December 28, 2001
	(in millions, except share and per share data)				
Income Statement Data:					
Net sales	$ 3,259.7	$ 2,906.0	$ 2,486.8	$ 2,090.5	$ 1,928.0
Cost of products sold	2,948.2	2,641.3	2,158.6	1,753.8	1,645.1
Gross profit	311.5	264.7	328.2	336.7	282.9
Selling, general and administrative expenses	190.9	131.0	107.8	102.7	89.4
Amortization of goodwill					3.4
Provision for Kunia Well Site				7.0	15.0
Asset impairment charges	3.1	5.4		12.6	10.2
Operating income	117.5	128.3	220.4	214.4	164.9
Interest expense, net	16.1	8.2	6.5	15.0	30.0
Other income (expense), net	(3.1)	6.9	28.4	20.5	(12.2)
Income before income taxes and cumulative effect of change in accounting principle	98.3	127.0	242.3	219.9	122.7
Provision for (benefit from) income taxes	(8.3)	(12.2)	15.9	18.6	26.5
Income before cumulative effect of change in accounting principle	106.6	139.2	226.4	201.3	96.2
Cumulative effect of change in accounting principle				(6.1)	
Net income	$ 106.6	$ 139.2	$ 226.4	$ 195.2	$ 96.2
Basic per share amount:					
Income before income taxes and cumulative effect of change in accounting principle	$ 1.84	$ 2.42	$ 4.00	$ 3.63	$ 1.79
Cumulative effect of change in accounting principle				(0.11)	
	$ 1.84	$ 2.42	$ 4.00	$ 3.52	$ 1.79

Net income per ordinary share Basic										
Diluted per share amount:										
Income before income taxes and cumulative effect of change in accounting principle	$	1.84	$	2.41	$	3.95	$	3.56	$	1.77
Cumulative effect of change in accounting principle								(0.11)		
Net income per ordinary share Diluted	$	1.84	$	2.41	$	3.95	$	3.45	$	1.77
Dividends declared per ordinary share	$	0.80	$	0.80	$	0.45	$	0.20	$	
Weighted average number of ordinary shares:										
Basic		57,926,466		57,487,131		56,539,691		55,445,106		53,856,392
Diluted		58,077,282		57,803,158		57,346,377		56,538,659		54,414,868
Balance Sheet Data (at period end):										
Cash and cash equivalents	$	24.5	$	42.1	$	51.0	$	9.5	$	13.0
Working capital		416.2		299.9		143.1		103.4		125.7
Total assets		2,124.8		2,076.5		1,491.2		1,262.8		1,219.2
Total debt		360.8		363.5		43.5		87.3		333.3
Shareholders equity		1,152.9		1,069.2		942.2		759.5		550.5

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Risk Factors

We could realize losses and suffer liquidity problems due to declines in sales prices for bananas, pineapples and other fresh produce.

Our profitability depends largely upon our profit margins and sales volumes of bananas, pineapples and other fresh produce. In 2003, 2004 and 2005, banana sales accounted for the most significant portion of our total net sales, and pineapple sales accounted for the most significant portion of our total gross profit.

Supplies of bananas can be increased relatively quickly due to the banana s relatively short growing cycle and the limited capital investment required for banana growing. As a result of imbalances in supply and demand and import regulations, banana prices fluctuate, consequently, our operating results could be adversely affected.

Sales prices for bananas, pineapples and other fresh produce are difficult to predict. It is possible that sales prices for bananas and pineapples will decline in the future, and sales prices for other fresh produce may also decline. In recent years, there has been increasing consolidation among food retailers, wholesalers and distributors. We believe the increasing consolidation among food retailers may contribute to further downward pressure on our sales prices. In the event of a decline in sales prices or sales volumes, we could realize significant losses, experience liquidity problems and suffer a weakening in our financial condition. A significant portion of our costs is fixed, so that fluctuations in the sales prices have an immediate impact on our profitability. Our profitability is also affected by our production costs which may increase by factors beyond our control.

Due to fluctuations in the supply of and demand for fresh produce, our results of operations are seasonal, and we realize a greater portion of our net sales and gross profit during the first two quarters of each year.

In part, as a result of seasonal sales price fluctuations, we have historically realized a substantial majority of our gross profit during the first two quarters of each year. The sales price of any fresh produce item fluctuates throughout the year due to the supply of and demand for that particular item, as well as the pricing and availability of other fresh produce items, many of which are seasonal in nature. For example, the production of bananas is continuous throughout the year and production is usually higher in the second half of the year, but the demand for bananas during that period varies because of the availability of seasonal and alternative fruit. As a result, demand for bananas is seasonal and generally results in higher sales prices during the first six months of each calendar year. In the melon market, the entry of many growers selling unbranded or regionally branded melons during the peak North American and European melon growing season results in greater supply, and therefore, lower sales prices from June to October. In North American and European regions, we realize most of our sales and gross profit for melons, grapes and non-tropical fruit from October to May. In the prepared food business, we realize the largest portion of our net sales and gross profit in the third and fourth quarters of the year. During the fourth quarter of 2005 we experienced unusually low demand for pineapples in the North America and Europe regions which resulted in lower sales prices and had an adverse effect on our gross margins.

Crop disease or severe weather conditions could result in substantial losses and weaken our financial condition.

Crop disease or severe weather conditions from time to time, including floods, droughts, windstorms and hurricanes, may adversely affect our supply of one or more fresh produce items, reduce our sales volumes and increase our unit production costs. This is particularly true in the case of our premium pineapple product, the *Del Monte Gold® Extra Sweet* pineapple because a substantial portion

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of our production is grown in one region in Costa Rica. Since a significant portion of our costs are fixed and contracted in advance of each operating year, volume declines due to production interruptions or other factors could result in increases in unit production costs, which could result in substantial losses and weaken our financial condition. We have experienced crop disease, insect infestation or severe weather conditions from time to time, including hurricanes, droughts and floods in our sourcing locations. When crop disease, insect infestations or severe weather conditions destroy crops planted on our farms or our suppliers farms, we may lose our investment in those crops or our purchase fruit cost may increase.

The fresh produce markets in which we operate are highly competitive.

The fresh produce business is highly competitive, and the effect of competition is intensified because most of our products are perishable. In banana and pineapple markets, we compete principally with a limited number of multinational and large regional producers. In the case of our other fresh fruit and vegetable products, we compete with numerous small producers, as well as regional competitors. Our sales are also affected by the availability of seasonal and alternative fresh produce. The extent of competition varies by product. To compete successfully, we must be able to strategically source fresh produce of uniformly high quality and sell and distribute it on a timely and regular basis. In addition, since our profitability has depended primarily on our gross profit on the sale of our *Del Monte Gold®ä Extra Sweet* pineapples, intensified competition in the production and sale of *Del Monte Gold®ä Extra Sweet* pineapples will adversely affect our financial results. During 2005, we have experienced increased competition in the production and sale of *Del Monte Gold®ä Extra Sweet* pineapples which has had an adverse effect on our financial results.

We are subject to material currency exchange risks because our operations involve transactions denominated in various currencies.

We conduct operations in many areas of the world involving transactions denominated in a variety of currencies, and our results of operations, as expressed in dollars, may be significantly affected by fluctuations in rates of exchange between currencies. Although a substantial portion of our sales revenues (45% in 2005) is denominated in non-dollar currencies, we incur a significant portion of our costs in dollars. Although we periodically enter into currency forward contracts and options as a hedge against currency exposures, we may not enter into these contracts during any particular period or these contracts may not adequately offset currency fluctuations. We generally are unable to adjust our non-dollar local currency sales prices to compensate for fluctuations in the exchange rate of the dollar against the relevant local currency. In addition, there is normally a time lag between our incurrence of costs and collection of the related sales proceeds. Accordingly, if the dollar appreciates relative to the currencies in which we receive sales proceeds, our operating results may be negatively affected.

Our strategy of diversifying our product line and increasing the value-added services that we provide to our customers may not be successful.

We are diversifying our product line through acquisitions and internal growth. In addition, we have expanded our service offerings to include a higher proportion of value-added services, such as the preparation of fresh-cut produce, ripening, customized sorting and packing, direct-to-store delivery and in-store merchandising and promotional support. This represents a significant departure from our traditional business of delivering our products to our customers at the port. In recent periods, we have made significant investments in distribution centers and fresh-cut facilities through capital expenditures and acquisitions. We may not be successful in anticipating the demand for these products and services, in establishing the requisite infrastructure to meet customer demands or the provision of these value-added services. If we are not successful in these efforts, our business, financial condition or results of operations could be materially and adversely affected.

Increased prices for fuel, packaging materials or short-term refrigerated vessel charter rates could increase our costs significantly.

Our costs are determined in large part by the prices of fuel and packaging materials, including containerboard, plastic, resin and tin plate. We may be adversely affected if sufficient quantities of these materials are not available to us. Any significant increase in the cost of these items could also materially and adversely affect our operating results. Other than the cost of our products (including packaging), sea and inland transportation costs represent the largest component of cost of products sold. Our average cost of fuel increased by 24% in 2003 as compared with 2002. During 2004, the cost of fuel and containerboard increased an additional 5% and 13%, respectively, as compared with 2003 and during 2005, fuel costs increased a further 41% as compared with 2004. These increases in the cost of fuel and containerboard have negatively impacted our results of operations. In addition, we are subject to the volatility of the short-term charter vessel market because approximately 28% of our refrigerated vessels are chartered rather than owned. These charters are primarily short-term, typically for periods of one to three years. As a result, a significant increase in short-term charter rates would materially and adversely affect our results.

We are subject to legal and environmental risks that could result in significant cash outlays.

We are involved in several legal and environmental matters which, if not resolved in our favor, could require significant cash outlays and could materially and adversely affect our results of operations and financial condition. In addition, we may be subject to product liability claims if personal injury results from the consumption of any of our products. This risk may increase in connection with our entry into the fresh-cut produce market. In addition, although the fresh-cut produce market is not currently subject to any specific governmental regulations, we cannot predict whether or when any regulation will be implemented or the scope of any possible regulation.

The United States Environmental Protection Agency (the EPA) has placed a certain site at our plantation in Oahu, Hawaii on the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (the Superfund law). Under an order entered into with the EPA, we completed a remedial investigation and engaged in a feasibility study to determine the extent of the environmental contamination. The remedial investigation report was finalized on January 21, 1999 and approved by the EPA in February 1999. A final draft feasibility study was submitted for EPA review in December 1999 and updated in December 2001 and October 2002, and approved by the EPA on April 22, 2003. 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 clean up of our plantation will range from $12.9 million to $25.4 million. Certain portions of the EPA s estimates have been discounted using a 5% interest rate. The undiscounted estimates are between $14.8 million to $28.7 million. As of December 30, 2005, there is $22.8 million included in other noncurrent liabilities for the Kunia well site clean-up. We expect to expend approximately $2.0 million in cash per year for the next five years. See Legal Proceedings - Kunia Well Site.

In addition, we are involved in several actions in the U.S. and non-U.S. courts involving allegations by numerous Central American and Philippine plaintiffs that they were injured from 1965 to 1990 by exposure to a nematocide containing the chemical Dibromochloropropane (DBCP). See Legal Proceddings.

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Environmental and other regulation of our business could adversely impact us by increasing our production cost or restricting our ability to import certain products into the United States.

Our business depends on the use of fertilizers, pesticides and other agricultural products. The use and disposal of these products in some jurisdictions are subject to regulation by various agencies. A decision by a regulatory agency to significantly restrict the use of such products that have traditionally been used in the cultivation of one of our principal products could have an adverse impact on us. For example, methyl bromide, a pesticide used for fumigation of imported produce (principally melons) for which there is currently no known substitute, is currently scheduled to be phased out in the United States in 2006, however, various exemptions will allow its use until 2010. Also, under the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Food, Drug and Cosmetic Act and the Food Quality Protection Act of 1996, the EPA is undertaking a series of regulatory actions relating to the evaluation and use of pesticides in the food industry. These actions and future actions regarding the availability and use of pesticides could have an adverse effect on us. In addition, if a regulatory agency were to determine that we are not in compliance with a regulation in that agency s jurisdiction, this could result in substantial penalties and could also result in a ban on the sale of part or all of our products in that jurisdiction.

We are exposed to political, economic and other risks from operating a multinational business.

Our business is multinational and subject to the political, economic and other risks that are inherent in operating in numerous countries. These risks include those of adverse government regulation, including the imposition of import and export duties and quotas, currency restrictions, expropriation and potentially burdensome taxation. For example, banana import regulations have restricted our access to the European Union (EU) banana market and increased the cost of doing business in the EU. This banana import license system expired on December 31, 2005. From January 1st, 2006, the quotas controlling import volumes of Latin American bananas coming into the EU have been eliminated and replaced with a tariff of 176 euros per ton. The potential risks of operating a multinational business may be greater in countries where our activities are a significant factor in the country s economy, which is particularly true of our banana, pineapple and melon operations in Costa Rica and our banana and melon operations in Guatemala and our pineapple operation in Kenya.

We have a disagreement with the Government of Cameroon with respect to its intended privatization of certain banana plantations with which we have contracts to purchase their banana production. We disagree over the date of the termination of our contract with our Cameroon partner, which is a government controlled entity. The Government of Cameroon commenced procedures for the privatization of these banana plantations through an auction process, but the process resulted in no bidders. The Government of Cameroon has declared again during 2005 its intention to start a new privatization process in the future. Since bananas produced in Cameroon benefit from certain banana import preferences and tax exemptions in the EU, privatization may have a negative effect on our results of operations.

Several Central and South American countries in which we operate have established minimum export prices for bananas that are used as the reference point in banana purchase contracts from independent producers, thus limiting our ability to negotiate lower purchase prices. These minimum export price requirements could potentially increase the cost of sourcing bananas in countries that have established such requirements.

We are also subject to a variety of government regulations in countries where we market our products, including the United States, the countries of the EU, Japan, Korea and China. Examples of the types of regulation we face include:

- sanitary regulations;

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- regulations governing pesticide use and residue levels; and
- regulations governing packaging and labeling.

If we fail to comply with applicable regulations, it could result in an order barring the sale of part or all of a particular shipment of our products or, possibly, the sale of any of our products for a specified period. Such a development could result in significant losses and could weaken our financial condition.

The distribution of our fresh produce in Southern Europe could be adversely affected if we fail to maintain our distribution arrangement.

We import and distribute a substantial portion of our fresh produce in Southern Europe through a marketing entity with which we have an exclusive arrangement. If we were to discontinue this exclusive arrangement, our ability to import and distribute our fresh produce products in Southern Europe and the Mediterranean region may be affected.

Acts or omissions of other companies could adversely affect the value of the DEL MONTE® brand.

We depend on the DEL MONTE® brand in marketing our products. We share the DEL MONTE® brand with unaffiliated companies that manufacture, distribute and sell canned or processed fruits and vegetables, dried fruit, snacks and other products. Acts or omissions by these companies, including an instance of food-borne contamination or disease, may adversely affect the value of the DEL MONTE® brand. Our reputation and the value of the DEL MONTE® brand may be adversely affected by negative consumer perception of this brand.

Our success depends on the services of our senior executives, the loss of who could disrupt our operations.

Our ability to maintain our competitive position is dependent to a large degree on the services of our senior management team. We may not be able to retain our existing senior management personnel or attract additional qualified senior management personnel.

Our acquisition and expansion strategy may not be successful.

Our growth strategy is based in part on growth through acquisitions or expansion, which poses a number of risks. We may not be successful in identifying appropriate acquisition candidates, consummating acquisitions on satisfactory terms or integrating any newly acquired or expanded business with our current operations. We may issue ordinary shares, incur long-term or short-term indebtedness, spend cash or use a combination of these for all or part of the consideration paid in future acquisitions or to expand our operations. In particular, we may not be able to operate and manage the Del Monte Foods Europe business we acquired on October 1, 2004 on a profitable basis. The execution of our acquisition and expansion strategy may entail repositioning or similar actions that in turn requires us to record impairment charges. Any such charges would reduce our earnings.

Our indebtedness could limit our financial and operating flexibility and subject us to other risks.

Our ability to obtain additional debt financing or refinance our debt in the future for working capital, capital expenditures or acquisitions may be limited either by financial considerations or due to covenants in existing loan agreements.

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Our ability to meet our financial obligations will depend on our future performance, which will be affected by prevailing economic conditions and financial, business and other factors, some of which are beyond our control. Our ability to meet our financial obligations also may be adversely affected by the seasonal nature of our business, the cyclical nature of agricultural commodity prices, the susceptibility of our product sourcing to crop disease or severe weather conditions and other factors.

Since we are an exempted holding company, our ability to meet our financial obligations depends primarily on receiving sufficient funds from our subsidiaries. The payment of dividends or other distributions to us by our subsidiaries may be restricted by the provisions of our credit agreements and other contractual requirements and by applicable legal restrictions on payment of dividends.

If we were unable to meet our financial obligations, we would be forced to pursue one or more alternative strategies such as selling assets, restructuring or refinancing our indebtedness or seeking additional equity capital, strategies which might not be successful. Additional sales of our equity capital could substantially dilute the ownership interest of existing shareholders.

Our credit facility imposes operating and financial restrictions on our activities. Our failure to comply with the obligations under this facility, including maintenance of financial ratios, could result in an event of default, which, if not cured or waived, would permit acceleration of the indebtedness due under the facility.

We are controlled by our principal shareholders.

IAT Group Inc. and its current shareholders, members of the Abu-Ghazaleh family, are our principal shareholders and currently, directly and indirectly, beneficially own approximately 51.9% of our outstanding ordinary shares. Our chairman and chief executive officer, and two other directors, are members of the Abu-Ghazaleh family. We expect our principal shareholders to continue to use their majority interest in our ordinary shares to direct our management, to control the election of our entire board of directors, to determine the method and timing of the payment of dividends, to determine substantially all other matters requiring shareholder approval and to control us. The concentration of our beneficial ownership may have the effect of delaying, deterring or preventing a change in control, may discourage bids for the ordinary shares at a premium over their market price and may otherwise adversely affect the market price of the ordinary shares.

A substantial number of our ordinary shares are available for sale in the public market, and sales of those shares could adversely affect our share price.

Future sales of our ordinary shares by our principal shareholders, or the perception that such sales could occur, could adversely affect the prevailing market price of our ordinary shares. Of the 58,013,180 ordinary shares outstanding as of December 30, 2005, 30,091,400 ordinary shares are owned by the principal shareholders and are restricted securities. These restricted ordinary shares can be registered upon demand and are eligible for sale in the public market without registration under the Securities Act of 1933, subject to compliance with the resale volume limitations and other restrictions of Rule 144 under the Securities Act.

Our organizational documents contain a variety of anti-takeover provisions that could delay, deter or prevent a change in control.

Various provisions of our organizational documents and Cayman Islands law may delay, deter or prevent a change in control of us that is not approved by our board of directors. These provisions include:

- a classified board of directors;
- a prohibition on shareholder action through written consents;
- a requirement that general meetings of shareholders be called only by a majority of the board of directors or by the Chairman of the Board;
- advance notice requirements for shareholder proposals and nominations;
- limitations on the ability of shareholders to amend, alter or repeal our organizational documents; and
- the authority of the board of directors to issue preferred shares with such terms as the board of directors may determine.

In addition, a change of control would constitute an event of default under our credit facility, which would have a material adverse effect on us. These provisions also could delay, deter or prevent a takeover attempt.

Our shareholders have limited rights under Cayman Islands law.

We are incorporated under the laws of the Cayman Islands, and our corporate affairs are governed by our Memorandum and Articles of Association and by the Companies Law (As Revised) of the Cayman Islands. Principles of law relating to matters such as the validity of corporate procedures, the fiduciary duties of our management, directors and controlling shareholders and the rights of our shareholders differ from those that would apply if we were incorporated in a jurisdiction within the United States. Further, the rights of shareholders under Cayman Islands law are not as clearly established as the rights of shareholders under legislation or judicial precedent applicable in most U.S. jurisdictions. As a result, our public shareholders may have more difficulty in protecting their interests in the face of actions by the management, directors or controlling shareholders than they might have as shareholders of a corporation incorporated in a U.S. jurisdiction. In addition, there is doubt as to whether the courts of the Cayman Islands would enforce, either in an original action or in an action for enforcement of judgments of U.S. courts, liabilities that are predicated upon the U.S. federal securities laws.

Item 4. Information on the Company

History and Development of Fresh Del Monte

Our legal name is Fresh Del Monte Produce Inc., and our commercial name is Del Monte Fresh Produce. We are an exempted holding company, incorporated under the laws of the Cayman Islands on August 29, 1996 and are 43.4% owned by IAT Group Inc., which is 100% beneficially owned by members of the Abu-Ghazaleh family. In addition, members of the Abu-Ghazaleh family directly own 8.5% of the outstanding ordinary shares of Fresh Del Monte. Our principal executive office is located at Walker House, Mary Street, P.O. Box 908 GT, Georgetown, Grand Cayman, Cayman Islands. Our U.S. executive office is located at c/o Del Monte Fresh Produce Company, 241 Sevilla Avenue, Coral Gables, Florida 33134. Our telephone number at our U.S. executive office is (305) 520-8400. Our Internet address is **http://www.freshdelmonte.com**. The electronic version of this Annual Report on Form 20-F, along with other information about us and our operations, financial information, other documents filed with the Securities and Exchange Commission (the SEC) and other useful information about us can be found on our website.

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Our global business, conducted through subsidiaries, is primarily the worldwide sourcing, transportation and marketing of fresh and fresh-cut produce together with prepared food products in Europe, the Middle East and Africa. We source our products (bananas, pineapples, melons, tomatoes, potatoes, onions, strawberries, grapes, citrus, apples, pears, peaches, plums, nectarines, cherries, kiwi) primarily from Central and South America and the Philippines. We also source products from North America, Africa and Europe. We distribute our products in North America, Europe, the Asia-Pacific region, the Middle East and South America. Our products are sourced from company-owned farms, through joint venture arrangements and through supply contracts with independent growers.

On June 26, 2002, we acquired certain assets of U.K.-based Fisher Foods Limited s chilled division (U.K. Fresh-Cut) from the administrative receivers. The acquisition included three facilities dedicated to chilled fresh-cut produce, bagged and prepared salads, such as coleslaw and potato salad, and accelerated our growth in the fresh-cut category.

On December 13, 2002, we sold our 80% non-controlling interest in Internationale Fruchtimport Gesellschaft Weichert & Co. (Interfrucht), a Northern European distributor of fresh fruit and other produce. The sale of the 80% non-controlling interest in Interfrucht enabled us to control the direct marketing of our products in the Northern European region.

On January 27, 2003, we acquired Standard Fruit and Vegetable Co., Inc. (Standard), a Dallas, Texas based integrated distributor of fresh fruit and vegetables, which serviced retail chains, foodservice distributors and other wholesalers in approximately 30 states. As a result of this acquisition, we added tomatoes, potatoes, strawberries and onions to our product offering and an additional four distribution centers in North America.

On June 18, 2003, we acquired the remaining 33% minority interest in Envases Industriales de Costa Rica, S.A. (Envaco), a manufacturer of corrugated boxes. This acquisition provided us with 100% ownership of our corrugated box plant in Costa Rica.

On November 21, 2003, we acquired Poland-based Expans Sp. z o.o. (Expans), a leading distributor of fresh fruit and vegetables who marketed a broad range of produce including bananas, citrus, tomatoes, grapes and vegetables. This acquisition enabled us to leverage the strong brand identity of Del Monte and to establish a strong foundation in Poland.

On December 22, 2003, we acquired the assets of Country Best Produce (Country Best) from Agway, Inc. Country Best was a leading U.S. East Coast processor and packager of potatoes, onions, sweet corn, and other fresh fruit and vegetables. The acquisition included processing and packaging operations in Plant City, Florida; Winder, Georgia; and Syracuse, New York; in addition to a buying operation in Idaho that facilitates sales between produce buyers and growers and provides proximity to one of the nation s largest supplies of quality potatoes.

On August 11, 2004, we acquired Can-Am Express, Inc. and RLN Leasing, Inc. (collectively, Can-Am), a nationally-recognized refrigerated trucking operation based in Fargo, North Dakota. Can-Am utilizes a suite of logistics and fleet management software to optimize transportation services. With an owned fleet of 150 tractors and 200 trailers, and facilities in Fargo, North Dakota; Denton, Texas; and Cincinnati, Ohio, Can-Am provides over-the-road trucking services. Our acquisition of Can-Am has enabled us to provide comprehensive distribution services to our retail and foodservice customers.

On October 1, 2004, we acquired Del Monte Foods Europe (Del Monte Foods), including its operations in Europe, Africa and the Middle East. This acquisition was completed for approximately $339.6

million financed through cash on hand and drawings under our credit facility. Del Monte Foods is a vertically integrated producer, marketer and distributor of prepared fruit and vegetables, juices, beverages, snacks and desserts. The company holds a perpetual, royalty-free license to use the Del Monte® brand for processed and/or canned foods in more than 100 countries throughout Europe, Africa and the Middle East. Del Monte® is the leading brand for prepared fruit and pineapple in many Western European markets and is a leading brand in the U.K. beverage market. This acquisition provides us with a myriad of new markets enhancing our ability to sell our branded fresh and prepared products together under the Del Monte® name and strengthens our presence in Europe and other key markets. Del Monte Foods juices, beverages and prepared fruit and vegetables are processed at facilities in the United Kingdom, Greece, South Africa and Italy, while its pineapple is cultivated and processed at its plantation and cannery in Kenya.

Our principal capital expenditures in 2005 consisted of expansion of production operations in South America, the Philippines, Africa and the Middle East and for information technology initiatives for a total of $58.0 million. Our principal capital expenditures in 2004 consisted of expansion of distribution facilities and fresh-cut facilities in Europe and North America, expansion of production facilities in South America and information technology initiatives in North America, Europe and Asia-Pacific for a total of $81.3 million. Our principal capital expenditures in 2003 consisted of expansion of distribution facilities and fresh-cut facilities in North America, Europe and Asia-Pacific, expansion of production facilities in South America, the acquisition of a pre-owned refrigerated vessel and information system initiatives for a total of $41.5 million.

Principal capital expenditures planned for 2006 consist of approximately $84.8 million for expansion of production facilities in South America, the Philippines, Africa and the Middle East and information technology initiatives. We expect to fund our capital expenditures in 2006 through operating cash flows and borrowings under our credit facility.

Business 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 distributor of prepared fruit and vegetables, juices, beverages, snacks and desserts in Europe, the Middle East and Africa. We market our products worldwide under the DEL MONTE® brand, a symbol of product quality, freshness and reliability since 1892. Our global sourcing and logistics network allows us to provide regular delivery of consistently high quality fresh produce, juices, beverages, processed fruit and vegetables and value-added services to our customers.

We have leading market positions in key fresh produce categories. We believe we are:

- the number one marketer of fresh pineapples worldwide, including our *Del Monte Gold® Extra Sweet* pineapple, with approximately 40% market share in 2005;
- the number one marketer of branded melons in the United States and the United Kingdom;
- the largest marketer of fresh-cut fruit in the United States with a 24% market share at the retail level;
- the third largest marketer of bananas worldwide, with an estimated 14% market share in 2005;
- the largest re-packer of tomatoes in the United Sates with an estimated 5% market share in 2005;

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a leading year-round marketer of branded grapes in the United States;

a leading marketer of branded citrus, apples, pears and other non-tropical fruit in selected markets;

a leading marketer for canned fruit and pineapple in many Western European markets; and

a leading marketer of ambient juices and juice drinks in the U.K. market.

The fresh-cut produce market in the United States alone is believed to be one of the fastest-growing categories in the fresh produce segment. This category includes fresh produce that has been trimmed, peeled, cut and packaged into nutritious, ready-to-use products for retail stores and foodservice operators. Our fresh-cut fruit products include pineapples, melons, grapes and other non-tropical fruit, and our fresh-cut vegetable products include lettuce, broccoli, cauliflower, tomatoes, onions, bell peppers, celery and various greens. Our other fresh-cut product offerings outside the United States also include bagged and prepared salads, such as coleslaw and potato salad. We believe our global sourcing and logistics capabilities, combined with the DEL MONTE® brand, will enable us to maintain our leading position in this market.

We source and distribute our products on a global basis. Our products are grown primarily in Central and South America, Africa and the Philippines. We also source products from North America, and Europe. Our products are sourced from company-controlled farms and independent growers. We transport our fresh produce to markets using our fleet of 23 owned and 9 chartered refrigerated vessels, and we operate four port facilities in the United States. At year-end 2005, we operated 43 distribution centers, generally with cold storage and ripening facilities in our key markets worldwide, including the United States, the United Kingdom, Germany, Japan, Korea, Hong Kong, Argentina and Poland. We also operate a total of 14 fresh-cut facilities in the United States, the United Kingdom and Japan, some of which are located within our distribution centers. Through our vertically integrated network, we manage the transportation and distribution of our products in a continuous temperature-controlled environment. This enables us to preserve quality and freshness, and to optimize product shelf life, while ensuring timely and year-round distribution. Furthermore, our position as a volume producer and shipper of bananas allows us to lower our average per-box logistics cost and to provide regular deliveries of our premium fresh fruit to meet the increasing demand for year-round supply.

We market and distribute our products to retail stores, food clubs, wholesalers, distributors and foodservice operators in more than 80 countries around the world. North America is our largest market, accounting for 48% of our net sales in 2005. Europe and the Asia-Pacific region are our other major markets, accounting for 37% and 12% of our net sales in 2005, respectively. Our distribution centers and fresh-cut facilities address the growing demand from supermarket chains, club stores, mass merchandisers and independent grocers to provide value-added services, including the preparation of fresh-cut produce, ripening, customized sorting and packing, just-in-time and direct-store-delivery and in-store merchandising and promotional support. Large national retail chains are increasingly choosing fewer suppliers ones that can serve all of their needs on a national basis and there is a significant opportunity for a company with a full fresh and fresh-cut line, a well recognized brand, a consistent supply of quality produce and national distribution network to become the preferred supplier to these large retail customers. We believe that we are uniquely positioned to become this preferred supplier, and our goal is to achieve this status by creating a leading position in fresh-cut produce and diversifying our fresh produce selection. As a result of our Del Monte Foods acquisition, we have transformed our company from a fresh and fresh-cut produce company into a multinational prepared food company with a product line that now includes prepared fruit and vegetables, juices, beverages, snacks and desserts in Europe, the Middle East and Africa.

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PRODUCTS

Bananas

Bananas are the leading internationally traded fresh fruit in terms of volume and dollar sales and the best-selling fresh fruit in the United States. Europe and North America are the world s largest banana markets, with annual imports of 15 and 10 billion pounds, respectively. The Asia-Pacific region consumes approximately six billion pounds per year. Bananas are a key produce department product due to their high turnover and the premium margins realized by grocers.

Bananas have a relatively short growing cycle and are grown in tropical locations with humid climates and heavy rainfall, such as Central and South America, the Caribbean, the Philippines and Africa. Bananas are grown throughout the year in these locations, although demand and prices fluctuate based on the relative supply of bananas and the availability of seasonal and alternative fruit.

Gold Pineapples

From 1994 to 2004, the volume of fresh pineapple imports increased by approximately 293% in North America and 138% in Europe. In the Asia-Pacific region, the volume increased 43% during the same period. In 2004, annual fresh pineapple consumption in the United States and Canada reached approximately 1.3 billion pounds. Also in 2004, fresh pineapple volumes into Europe and the Asia-Pacific region were approximately 1.9 billion pounds and 500 million pounds, respectively.

Pineapples are grown in tropical and sub-tropical locations, including the Philippines, Costa Rica, Hawaii, Thailand, Malaysia, Brazil, Indonesia and various countries in Africa. In contrast to bananas, pineapples have a long growing cycle of 18 months, and require re-cultivation after one to three harvests. Pineapple growing thus requires a higher level of capital investment, as well as greater agricultural expertise.

While there are many varieties of pineapple, among the principal varieties is the Champaka pineapple, which is the traditional conical shaped pineapple with a light yellow flesh. The success of the premium pineapples, such as our *Del Monte Gold® Extra Sweet* pineapple, which has enhanced taste, golden shell color, bright yellow flesh and higher vitamin C content has replaced the traditional varieties and has led to increased competition.

Fresh-Cut Produce

The fresh-cut produce market first gained prominence in many U.S. and European markets with the introduction of packaged salads. While packaged salads continue to account for a large proportion of fresh-cut produce sales, the category has expanded significantly to include pineapples, assorted melons, broccoli, carrots, mushrooms and other produce items that are washed, cut and packaged in a ready-to-use form. Market expansion has been driven largely by consumer demand for fresh, healthy and ready-to-eat food alternatives, as well as significant demand from foodservice operators. Within this market, we believe that there will be increasing differentiation between companies active primarily in the packaged salad market and other companies, like us, that can offer a wide variety of fresh-cut fruit and vegetable items.

The majority of fresh-cut produce is sold to consumers through foodservice operators, although retail stores are gaining market share. The majority of fresh-cut products are offered by local or regional suppliers, and many retail food stores conduct cutting operations on their own premises. We believe, however, that outsourcing by food retailers will increase, particularly as food safety regulations become more stringent and retailers demand more value-added services. This trend should benefit large branded

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suppliers like us, who are better positioned to invest in fresh-cut facilities and to service regional and national chains and foodservice operators, as well as supercenters, mass merchandisers and club stores. We also believe that large branded suppliers will benefit from merchandising, branding and other marketing strategies for fresh-cut products, similar to those used for branded processed food products, which depend substantially on product differentiation.

Non-Tropical Fruit

Non-tropical fruit includes grapes, apples, pears, citrus, peaches, plums, nectarines, apricots, avocados and kiwis. Generally, non-tropical fruit grows on trees, bushes or vines that shed their leaves seasonally. Approximately 46% of our non-tropical fruit net sales are from the sales of grapes. In the United States, approximately 15% of total grape production is used for fresh consumption, with the remainder processed for the production of wine, raisins, juices and canned products. The higher production cost and higher product value of fresh grapes result from more intensive production pra