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PRESENTATION

Operator

Good day and welcome to the Chiquita Brands International second quarter 2011 financial results conference call. As a reminder today's conference is being recorded. You'll have the opportunity to ask questions following the presentation.

(Operator Instructions)

At this time for opening remarks and introductions, I would like to turn the conference over to Ed Loyd, Director of Investor Relations. Please go ahead, sir.

Ed Loyd - *Chiquita Brands International, Inc. - Director of Investor Relations*

Thank you. Welcome to Chiquita Brands International second quarter 2011 earnings conference call. On the call today are Fernando Aguirre, Chairman and Chief Financial Officer; and Mike Sims, Chief Financial Officer.

After today's prepared remarks, we will take questions as time allows. If you have not received a copy of today's press release, you will find it on the Company's website at www.Chiquitabrands. com. Or you may contact Chiquita's Investor Relations Department at 513-784- 6366.

Please note our press release includes reconciliations to US GAAP of any non-GAAP financial measures that we mention today. Before we begin, let me also remind you that this call may contain forward-looking statements concerning operating performance or industry development. Any such statements are intended to fall within the Safe Harbor provided under the Securities Law.

Factors that could cause our results to differ materially are described in the forward-looking statement section of today's press release and in Chiquita's SEC filing including its annual report on form 10-K and quarterly reports on form 10-Q. Now, I would like to turn the call over to Fernando Aguirre.

Fernando Aguirre - *Chiquita Brands International, Inc. - Chairman, President & CEO*

Good afternoon, Ed, and thank you for joining us. We welcome the opportunity to provide insight on our second quarter results, discuss our expectations for the remainder of 2011 and highlight the progress we are making to strengthen our business.

For the first half of the year, comparable operating income was $91 million, an 11% increase over 2010, reflecting significantly stronger banana performance offset partially by weaker salads and healthy snacks results. In the second quarter, we delivered $49 million of comparable operating income and $34 million after interest and taxes, even as we confronted trends that we knew would weigh on our near-term results. Lower salad volumes and higher operating costs were partially offset by the solid performance in bananas, driven by higher pricing that enabled us to overcome increased costs associated with tight industry supply.

Our North American banana business continues to perform well. We are growing our contract volume including strong double-digit revenue increases in specialty product lines, such as Chiquita To Go, plantains and organic bananas. In fact, since the beginning of 2009, we have generated taxable income in North America. This has been achieved by executing a number of structural initiatives that have transformed the business and led to sustained performance, positioning us to recognize an $87 million tax benefit through the release of valuation allowances against our deferred tax assets in the United States.

Fundamentally, we have released the valuation allowance because of the confidence in our ability to generate future profitability based on those sustainable, structural changes in effect for three years now. In essence, it means we expect to generate more than $200 million in future US taxable income.

In Europe, we have more work but our team is making progress on the key priorities with the same rigor as we have demonstrated to transform our North American business. Our strategic focus for europe is to act responsibly and disciplined in pricing, to drive out costs, to expand our brand in adjacent geographic markets, and to grow distribution and consumption in our existing core markets through consumer messaging and commercial innovation. Certainly the near-term industry supply situation in european bananas is putting price pressure on the industry, but we believe that this cycle will correct over time. Our plan in this environment first and foremost is to exercise financial discipline.

For most of the second quarter, we held our prices in spite of increasing industry volumes and don't believe that lowering prices would have dramatically improved our volumes. We have exercised the same restraint by curtailing numerous shipments where profitability was uncertain.

We also saw recognition by customers of our marketing investments, particularly given the strength of the Chiquita Brand. Customers see us investing and want to take advantage of that messaging in the absence of other brands. As a result, we have added distribution with new customers and are taking advantage of our existing infrastructure and fruit commitments to expand into new markets such as Russia. Lastly, we are revamping our entire supply chain for Europe in 2012, and will continue to reduce SG&A as we see opportunities to be more efficient.

In the salad and healthy snacking business, we are making progress with our branded premium quality strategy. We are focused on expanding consumption growth, reaching new consumers, and extending the brand. However, we continue to absorb the impact of private label salad conversions in last year's second half with unit volumes 12% lower in the second quarter.

We are starting to offset volume losses with new business and expect the second semester comparisons will improve and be substantially less negative than during the first half. Also, we have seen the private label share stabilize, standing for the past nine months at around 25% of the category.

Fresh Express is a proven, market leading, high-quality branded business. We generate stronger profitability for our customers versus private label with higher velocity, lower waste, and better net margins. Fresh Express generates more profitable sales growth for customers. As evidenced, we have a sales velocity advantage of 12% over private label.

Our innovation program also clearly differentiates Fresh Express Salads, especially now that we have completed the rollout of our Fresh Rinse technology, a key initiative that significantly improves food safety. Importantly, Fresh Express delivers consistently better quality versus competition as measured by third-party retail shelf audits. These advantages have been instrumental in securing new distribution with strategic customers that extend our new consumer reach.

Specifically, we expanded Fresh Express Salads across 100% of the SuperTarget stores last quarter with secured commitments for double-digit growth with our three top, quick service restaurant customers and we have expanded the brand in new channels such as with Disney Florida theme parks, which I will comment on later.

We knew from the outset that our decision to support our Fresh Express brand to counter private label competition would have near-term consequences, and this is just what we have seen in the first half of the year. However, we are confident that this decision is the right one for our business. While we have assets that we could replace, like manufacturing plants or facilities, we can never replace our brands.

Because of our investments to do what is right for our consumers, we sustain a clear sales velocity advantage for our customers. The elements that drive or superior performance such as quality, customer service, food safety, supply chain, and consumer marketing can not be replicated by a private-label program. This is why we have resisted making private-label products. To do so would rapidly undermine our brand and we would become just another private-label manufacturer with lower margins and walking away from everything that differentiates us.

Our vision is to improve world nutrition, expand both the reach and the consumption of our products to help improve people's lives. We expect to see both revenue growth and profitability. It is neither sustainable nor strategically appropriate long-term to do one without the other. But we need to be smarter, more streamlined, and be able to convince consumers, customers, and shareholders that it is better to have a business model based on premium products with higher margins and added consumer value that will maintain our market leadership position now and in the long term.

We continue to be focused on executing our strategies with excellence, particularly investing on innovation, food safety, and programs to drive consumption. Before the close of the second quarter, we realigned our salad business overhead cost and repositioned our global innovation team into our regional business units. These changes will improve our execution and cost-effectiveness through a simpler, more agile organization with greater speed to market.

We expect these changes will enable us to remove some $15 million of annualized costs from the salads business effective immediately. Our strategy for growth is more differentiated now given our focus on our brands in a world that has been tempted by lower-margin, private-label business. We are committed to the long-term health of our brands, not to the short-term focus of quarterly performance that leads to unprofitable volume growth. Our financial result will continue to show steady and consistent growth and we are confident we are moving the business in the right direction for the long-term.

Recently we announced another step in Chiquita's efforts to improve world nutrition by extending distribution of our healthy products to include the world's favorite vacation destinations. We are pleased to work with the Walt Disney Company to offer healthy, nutritious Chiquita and Fresh Express products to the millions of guests who visit the Disney World Resort and Disney Cruise Line each year. The new agreement, which provides exclusivity in our brand categories, continues our expansion into new channels as well as providing an opportunity to educate more consumers about the benefits of nutrition. It also illustrates the value of having an alliance of powerful brands. This is not an agreement private-label manufacturers could support or earn.

Another powerful signal of our business model is that we remain in a strong financial position with diversified profits and a healthy balance sheet. In fact, we just completed a refinancing last week that eliminates our most expensive debt and will reduce our interest costs by $11 million annually at current rates.

As mentioned before, our confidence in our ability to generate future profitability was the key in recognizing a sizable tax benefit this quarter. That's another very powerful signal. We are very confident about our future.

Our business model, based on expanding and extending our powerful premium brands, are focused on profitable growth and our healthy balance sheet will continue to help us build Chiquita's earnings power for the long term and enable us to weather any near-term challenges. As a result, we continue to expect to significantly improve our profitability in 2011 and our first half results have put us on track to do that.

Now, I'm going to ask Mike to provide more detail on our financial results as well as our outlook for the year. Mike?

Mike Sims - *Chiquita Brands International, Inc. - Chief Financial Officer*

Thank you, Fernando, and good afternoon, everyone.

Before reviewing Chiquita's performance for the second quarter of 2011, I would like to point out that our US GAAP reported results for the quarter included several significant valuation items which we have segregated for comparability of operating performance. These items include an income tax valuation benefit of $87 million that was partially offset by a $6 million settlement of Italian tax claims, a $32 million non-cash reserve for prior year's great grower advances and a $2 million severance provision related to the salads business realignment that Fernando mentioned. A reconciliation of comparable and reported results can be found on page 2 of today's news release.

For the first half, we generated net sales of $1.7 billion, approximately the same as in 2010. But the second quarter net sales decreased 5% to $870 million. The discontinuation of certain non-banana produce lines and sale of the European smoothies business in the first half of 2010 accounted for 3% of the decline.

Banana segment sales increased for both the quarter and first half as salads continued to lag at prior year levels. Gross profit margin was 17.7% in the second quarter of 2011, and 17.2% for the first half. SG&A increased slightly by $2 million to $92 million or 10.6% of sales, reflecting higher marketing investments. But for the first half, it's roughly about the same as our costs in 2010.

Comparable operating income for the second quarter declined to $49 million, primarily due to weaker performance for salads and healthy snacks. Banana segment results were similar to last year's. For the first half, our comparable operating income is $9 million ahead of 2010.

During the second quarter of 2011, we recognized an income tax benefit of $77 million which included the reversal of $87 million of valuation allowances primarily against 100% of our US federal net operating losses. And a charge of $6 million to settle certain prior year's Italian income tax plans, which was significantly below the amounts claimed by the tax authorities. We have been generating US taxable income on a cumulative basis since the beginning of the 2009 tax year as a result of sustained improvements in our North American businesses and ongoing deleveraging; and we expect to continue doing so for the foreseeable future.

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Our confidence in the ability to generate future profitability and therefore realize all the benefit of these NOLs was the reason the accounting rules now require the Company to reverse allowances income. In prior periods, the available NOLs significantly sheltered both our effective tax rate and cash tax payments.

Going forward, as a result of the valuation allowance release, we anticipate having an effective tax rate of approximately 20% beginning in 2012. But cash paid for taxes will not change significantly for the foreseeable future.

On a US GAAP basis, net earnings for the second quarter of 2011 were $1.68 per share versus $2.06 last year. Excluding the special items noted above, after tax income on a comparable basis was $34 million, or $0.73 per diluted share, versus $64 million or $1.40 per share in 2010.

Turning to bananas, second quarter net sales increased 2% to $555 million, while operating income declined about $4 million from last year's $60 million. In North America, the Company achieved 11% higher local banana pricing, including the effects of the force majeure surcharge and routine fuel surcharge adjustments, which worked to overcome significantly higher operating costs and which included sourcing costs associated with tight industry supply. Unit volumes were flat in this market during the quarter, but up 4% for the first half.

For european, local pricing declined on average by 3% versus last year's. In fact, we realized better local currency pricing most of the quarter, but in the month of June saw a 15% decline versus the near historic levels in June 2010. However, US dollar equivalent pricing in Europe, the Mediterranean and Middle East was up more than 8% for the quarter as the euro strengthened over the period.

Our discipline pricing policy affected our second quarter core volumes, which were down about 5%. But the economics of lower price to capture more volume would not have been favorable. Similarly, we exercised restraint in the Mediterranean markets, scaling back almost one-third of our shipments.

Banana sourcing and logistics costs increased by $15 million during the second quarter. Much of this cost increase was driven by industry supply shortages throughout Latin America that elevated purchased fruit pricing and required realignment of our sourcing to satisfy customer demands. Also, as we indicated during the first quarter financial review, our European duty costs for the second quarter were comparatively higher than in 2010 due to $7 million in retroactive duty reductions that we recognized during the second quarter of 2010.

In our salads and healthy snacks segment, second quarter net sales decreased from the year-ago quarter by 12% to $253 million. Comparable operating income was $4 million compared to $30 million a year ago. This decrease was consistent with our expectations and driven mostly by the knock-on effect of conversions to private label during the second half of the 2010.

Unit volume for retail value-added salads declined by 1.8 million cases, or approximately 12% during the second quarter, while our average pricing was about 1% lower. Salad business was also affected by the impact of higher commodity input costs, such as fuel and paper, which we were able to partially offset through a network process savings.

As Fernando mentioned, in June we implemented staffing changes to reduce overhead costs and realign our salads and global innovation organizations within the operating businesses. During the second quarter, we recorded $2 million of provisions for staffing separations, which, taken together with savings from other positions recently eliminated, will generate annualized savings of approximately $15 million.

In our Other Produce segment, second quarter net sales decreased from the year-ago quarter by 23% to $63 million, as a result of discontinued produce such as melons and vegetables. At the end of the growing season for grapes in Chile, we recorded a reserve of $32 million for prior season advances to a grower who has not fully complied with its repayment schedule. We continue to negotiate repayment options and will work aggressively to recover the outstanding balance. Excluding this non-cash charge, the Other Produce segment generated at $1 million operating loss on a comparable basis, which was driven mainly by start-up costs in our growing Chiquita Fresh & Ready avocado line.

Current operating results also benefited from lower corporate expenses, which declined by $5 million for the quarter and $6 million for the first half.

Now, I would like to comment on our financial condition and current operating environment. We closed the second quarter of 2011 with $196 million in cash and $628 million of debt. During the quarter we generated $103 million of cash from operations, an improvement of more than $60 million versus last year, coming mainly from working capital management.

We also funded $19 million of capital expenditures, bringing the year-to-date total to $30 million. We continue to expect to spend between $75 million and $85 million this year in capital expenditures, somewhat more than traditional levels, mainly due to investments to support growth and innovation, such as the restaurants' implementation, expansion of fresh cut apples, and salads packaging.

We have also added to our Euro hedging positions, covering about 60% of our Euro cash flow for the third and fourth quarters of 2011, at a rate of $1.42 per Euro. Net of hedging premium costs, this provides an effective rate of $1.39 per Euro versus the $1.30 per Euro value of last year's hedges. We also remain hedged on 75% of our 2011 bunker fuel requirements at rates that are more than 30% below today's market prices.

Last week, we completed an opportunistic refinancing of part of our long-term debt portfolio to reduce interest payments and add further operating flexibility.

We entered into an amended and restated senior secured credit facility, consisting of a $150 million revolver and a $330 million term loan for the syndicate of banks led by Rabobank, Wells Fargo, Bank of America Merrill Lynch, RB International, and ING Capital. The proceeds of the term loan were committed to prepay $155 million under the existing senior credit facility and will retire all $177 million of 8.875% notes due 2015. Pro forma for the refinancing, our total debt is roughly flat at $626 million.

Under the new term loan, interest is payable at LIBOR plus 300 basis points, a 75 basis point reduction from the previous facility. Together with the benefit of higher cost note retirements, our interest-cost savings will be approximately $11 million annually based on current market rates. During the third quarter, we expect to recognize approximately $11 million of one-time costs incurred in connection with refinancing. As Fernando mentioned, we expect to significantly improve our full year operating profitability in 2011 and our first half results have kept us on path to achieve our target.

Now let's talk about the current environment and the likely implications for our outlook for the balance of 2011. In bananas, industry supply conditions have recently increased to more normal seasonal levels across Latin America as we had previously projected.

We expect to be able to supply anticipated sales growth at a much lower cost than in 2010, primarily in the fourth quarter, which last year reflected extraordinarily high costs due to supply shortages. Also as a consequence, the North American force majeure surcharge was suspended in first week of July.

In Europe, local currency pricing has continued to be comparatively weak in July but appears to have already reached summer seasonal lows. While banana pricing in local currency is likely to be lower for much of the third quarter than in 2002 due to the supply increases, should Euro exchange rates remain at current levels, dollar equivalent pricing for the second half as a whole is expected to be similar to last year's. As I mentioned before, we have locked in hedging rates on about 60% of our exposure.

In salads, year-on-year volume comparisons should improve progressively throughout the second half as we cycle the effect of prior private-label conversions in September and realized volume from new accounts that we have added. We have implemented organizational changes to realign our salads business that will deliver $15 million of savings annually, of which approximately $6 million will be realized during the second half of 2011. We will also continue to drive cost improvements throughout our distribution and manufacturing network.

In addition, the recently-completed refinancing transactions will, excluding one-time transaction costs, immediately produce interest-cost savings. So overall, as we consider all the preceding factors, we expect the full-year 2011 to deliver significant improvement in profitability compared to 2010. This concludes our prepared remarks.

We will open the call for as many questions as time allows. Operator?

QUESTIONS AND ANSWERS

Operator

Thank you.

(Operator Instructions)

We'll take our first question today from Jon Feeney at Janney Capital Markets.

Jon Feeney - *Janney Capital Markets - Analyst*

Hi, guys. First question I have is, you mentioned a pretty significant force majeure influenced pricing in the US. Is the force majeure pricing still holding or is that gone?

Mike Sims - *Chiquita Brands International, Inc. - Chief Financial Officer*

Jon, we lifted the force majeure pricing in the first week in July.

Jon Feeney - *Janney Capital Markets - Analyst*

Okay. I guess related question, that is, it seems like Fresh Labani has talked about -- Dole has talked about it. You've talked about being disciplined about shipments of bananas going into Europe where it would be unwise to chase volume in a weak market. And I'm kind of wondering, are [other] global markets including North America likely to be destabilized as far as a pricing environment due to that excess supply that's come in?

Mike Sims - *Chiquita Brands International, Inc. - Chief Financial Officer*

Jon, what we have seen so far as a consequence of the extra supply is, A., in the traditional core markets in Europe, we haven't seen significant amounts of industry increased there overall; there have been some. But we have seen more pressure on the Mediterranean in what had been traditionally deemed, quote, the trading markets around the world.

That's where a lot of the Ecuador variable volume ends up. And that's where we have seen the greatest amount of impact. Because the pricing was pretty weak there for us and for the trade in the second quarter, we pulled back on shipments and we can continue pulling back on shipments when we see pricing that makes economic sense.

Jon Feeney - *Janney Capital Markets - Analyst*

Just one final question. When you look at the dramatic turnaround in June that you've mentioned seems to have bottomed in July as far as European pricing, is there any hope or thought that that was related to the E. coli and the uncertainty around produce consumption broadly in Europe or some other demand factor that's temporary or do you think it was all supply-driven?

Mike Sims - *Chiquita Brands International, Inc. - Chief Financial Officer*

Our observation would be that this would be predominantly supply-driven.

Jon Feeney - *Janney Capital Markets - Analyst*

Okay. Great. Thank you for your help. Talk to you soon.

Operator

Next we'll hear from Reza Vahabzadeh with Barclays Capital. Your line is open. Reza, your line is open.

(Operator Instructions)

Hearing no response, we'll move on to Heather Jones with BB&T Capital Markets.

Heather Jones - *BB&T Capital Markets - Analyst*

Hello. I guess I'll start with the EU market. I was wondering, you spoke about, I believe, most of the price pressure being in the Mediterranean. And as has been mentioned a lot, the Audi price is not coming out anymore but in early July it was still available and it was indicating declines of close to 30% year-over-year.

So it seems like core Europe did experience significant, very significant, pressure there for awhile. And so I was wondering if you could speak to that. And also, given that that benchmark has largely disappeared, I'm wondering if you could tell us what you're seeing as far as EU pricing in a local currency right now year-on-year for your business?

Mike Sims - *Chiquita Brands International, Inc. - Chief Financial Officer*

Yes, that's right, Heather. I'll have to speak about our business. We don't really comment on competitive pricing. I will tell you that we have not seen -- although we have seen softer pricing in July in local currencies, nothing remotely resembling the kind of statistic you're talking about, something that would be more in the high single digits, which is considerably less drastically weak on our pricing than we would have seen in June.

And on a dollar basis, when we take into consideration where the dollar stands today, we've actually been fairly neutral on dollar equivalent pricing. But I think it's constructive that that link is not there and we're able to have the right conversations about value-based pricing and the value that we deliver for our product with our customers without reference to some other metric that really isn't relevant to the way we do business.

Heather Jones - *BB&T Capital Markets - Analyst*

Okay.

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Fernando Aguirre - *Chiquita Brands International, Inc. - Chairman, President & CEO*

The perspective, Heather, on the pricing, just so you're clear on why we say that demand in the Middle East are worse is that in those countries, those regions, the pricing was about double the rate as far as increase concerns. But the high single digits in the core European markets compared very favorably to demand in the Middle East.

Heather Jones - *BB&T Capital Markets - Analyst*

Okay, is that a trend that improved as you went through July and that's where you are now? Or is that high single-digits figure, does that apply like an average for July?

Mike Sims - *Chiquita Brands International, Inc. - Chief Financial Officer*

That would be an average.

Heather Jones - *BB&T Capital Markets - Analyst*

Okay. I don't want you to speak to your competitors, but just relative to the market, just so -- clearly we have to monitor the markets for our models. As you look at the markets, the good news is that's a much better number than others are referring to, and what we're seeing in the market and industry publications are talking about.

Could you give us a sense of is it your country mix? Is it -- (multiple speakers)

Fernando Aguirre - *Chiquita Brands International, Inc. - Chairman, President & CEO*

Remember, Heather, over historically, remember that we being the premium price product in Europe, we typically drop the least and we typically recuperate faster and higher than anybody else. And that is just simply a function of being the premium price brand, which we have been for as long as -- forever. And continue to be.

So our data indicates that for us being high single digits, I'm sure that would translate to others being higher than that. So I'm not surprised of your comment that other people are reporting different numbers and higher numbers for them. But for us, it's very much, historical data shows, that we've always been leading the market and continue to do so and continue with the same discipline over the same strategy and objectives as far as pricing is concerned. I don't see any differences at all in the market, that data we see.

Heather Jones - *BB&T Capital Markets - Analyst*

Okay, because in the same term, our perspective is that delta between you and the market as far as the difference between how much you move up on the upside and down on the downside seems to have widened. Is that an observation that you share or what?

Mike Sims - *Chiquita Brands International, Inc. - Chief Financial Officer*

I would say it's true that the premium has expanded, something that we always managed carefully and make sure that we're value pricing with our customers. I would say, yes, especially in low-priced markets, Heather, premium expands.

Heather Jones - *BB&T Capital Markets - Analyst*

Okay. Moving to salads, you may have said this and I missed it, but on your Q1 call, you had talked about the salads -- sorry. Yes, I think, it's salads and healthy snack division having similar margins year-on-year this year compared to last year.

I was wondering if you -- actually, I think it was just the core salads business, the Fresh Express margins. Wondering if you could update us on what you expect there for the year.

Mike Sims - *Chiquita Brands International, Inc. - Chief Financial Officer*

Yes, I haven't released out a number on that, Heather, and I'm not going to do it out on the call, but I would tell you that the margins are a little bit more challenging based on what we've seen with the commodity input effects that have come towards the numbers here in the first semester.

We've had a little bit higher run rate of costs on raw materials, packaging, and the like of running a business than what we would have originally planned for. So that taken together with the pace and the volume, which is about what we said. I think I told you guys that we thought we would be about 10% to 15% down on volume for the quarter.

Heather Jones - *BB&T Capital Markets - Analyst*

Yes.

Mike Sims - *Chiquita Brands International, Inc. - Chief Financial Officer*

I think the input costs will have an effect to slightly erode that number.

Heather Jones - *BB&T Capital Markets - Analyst*

Do you expect volumes to be up year-on-year in Q3 and Q4 for the salads business?

Mike Sims - *Chiquita Brands International, Inc. - Chief Financial Officer*

As we said, progressively we'll gain back the volume. We won't lapse the major elements in private-label change until September. So you can back into the math suggested and we'll still be playing catch up during the parts of the third quarter. I see a much stronger fixture comparatively as we get into the fourth.

Heather Jones - *BB&T Capital Markets - Analyst*

If I look at Q2 Fresh Express volumes, it's down about 20% versus 2009. And you talked about what you're doing on the personnel side here in salads, a pretty significant and immediate impact.

I was wondering if you could speak to any plans you may have to rationalize capacity to respond to this lower run rate or just what your plans are there?

Mike Sims - *Chiquita Brands International, Inc. - Chief Financial Officer*

It would be premature for me to tell you right now we're going to do anything in terms of the specific capacity. But as I mention in my prepared remarks, we continued looking at ways to create efficiency throughout our entire network of manufacturing and distribution.

We certainly have projects that have been underway that will continue to work underway to, for example, consolidate capacity that we have in Chicago. It's well known that we're operating out of a footprint there that could be simplified considerably. So those are the kinds of examples of analyses we're doing quite actively that will do well.

Heather Jones - *BB&T Capital Markets - Analyst*

Okay.

Fernando Aguirre - *Chiquita Brands International, Inc. - Chairman, President & CEO*

Within that, the other thing we've done is that we've said it in the remarks, so you can figure it in the context of those comments. But we have expanded and are growing very nicely with our top food service customers and that means, as you may recall, two or three years ago we did a lot of work to make sure that we rationalized our food service business into fewer facilities. And that has now proven to be very helpful in expanding our business with those customers and in a very profitable manner. So we are also seeing that and we are actually growing double-digit, at least double-digit growth, with a number of those customers; and that's very good news for us now versus three or four years ago.

Heather Jones - *BB&T Capital Markets - Analyst*

And it's difficult for us to be able to ascertain how large -- the article in The Journal a couple of weeks ago referring to them rolling out the sliced apples in Happy Meals across the country. It seems like something that could move the needle on total volumes in a meaningful way.

But is that being overly positive or could you speak to, as much as you're comfortable with, what that could do for your volumes?

Fernando Aguirre - *Chiquita Brands International, Inc. - Chairman, President & CEO*

Here's what we're comfortable with, Heather. What we did three years ago was very strategic in making sure that any business that we sold to any customer had to be profitable growth. That remains. That strategic objective has not changed.

And based on the article that you saw and based on the growth that I just reported, you can then fairly assume that every growth that we have had with those handful of food service customers -- and they're now very different because there are only a few and they're growing with us profitably.

They're recognizing our quality, our food service, our food safety. They're recognizing items such as Fresh Rinse and they're paying a reasonable price for that product and that is product that is growing very strategically. We are going to be very disciplined. We are going to make sure that it is profitable growth and we're going make sure that there are a handful of customers that do that with us.

You saw some of the recent announcements by a number of those very large, very well-known brands and customers, and we're very happy to be partnering with several of them, because it is very strategic growth for us. And so, yes, you can assume that it's going to end up starting to impact very positively in our bottom line and also in our volume line.

Heather Jones - *BB&T Capital Markets - Analyst*

Okay.

Fernando Aguirre - *Chiquita Brands International, Inc. - Chairman, President & CEO*

So both revenue and profitability will continue to move up and again, we're partnering. These are strategic partnerships. These are partnerships that are taking us to helping them generate healthy menu items, helping them generate new recipes, so it is not just about selling volume. It's about making sure that we're all very, very tied in the hip as far as menu items are concerned and so on.

Heather Jones - *BB&T Capital Markets - Analyst*

Okay. All right. I appreciate it.

Operator

Thanks. We'll hear from Scott Mushkin at Jefferies & Company.

Mike Otway - *Jefferies & Co. - Analyst*

Good afternoon, everybody. This is Mike Otway. Scott is on the line but his connection is poor so I'm going to jump in here. Fernando, in terms of the steps that you have begun to take to revitalize the banana business in Europe and improve profitability, I know you mentioned the supply chain restructuring next year, but could you give us a sense for where you may be from an ending standpoint with all the things that you're doing, what this could mean over the next few years?

Fernando Aguirre - *Chiquita Brands International, Inc. - Chairman, President & CEO*

Well, what it really means is, our vision hasn't really changed very much. Our vision remains to -- starting with our mission of improving the world nutrition, we remain very committed to being the premium branded product, the market leader in bananas in Europe.

We very much remained the market leader in the majority of the core European businesses. There are a handful of countries, a couple of countries where we're not present. We decided not to participate because those were countries that would not be profitable. And yet, we remain very much a market leader in those where we continue to participate.

We have recommitted to our marketing investments. We mentioned that early on in the year, that part of our commitment and part of our customer support was to make sure that they saw that we are investing in the brand, in the types of ways that we have done it for many, many years there, and results are already showing.

We have gained some distribution with new customers that are seeing that we are committed to building the brand and we're also very committed to maintaining our strong discipline in pricing. What Mike referred to earlier has been very critical in us not going and chasing any volume just for the sake of chasing volume.

We have stopped ships. We have decided not to ship to certain countries for certain customers anymore because the pricing wasn't right. And frankly, you would not see that three years ago. And then, the other two strategies, of course, is we're very,

very deep into driving costs out. Brian Kocher, who's now leading our business there, has taken a lot of his experiences here in North America to make sure that we're reapplying that.

We used to have a lot of resources in countries that were very small and not very profitable and we're paring that down. We continue to do so, and we're doing the same work in the product supply organization, although that impact in product supply will not be felt until 2012.

And last but not least, as we mentioned, we are looking very strategically at geographic expansion and we will only do that if it makes sense from a pricing point of view as well as a strategic brand growth point of view; and we're doing all of this with our focus on our brand strength.

And that's, again, something, which, frankly, differentiates us versus essentially everybody else in the industry that's very focused on volume growth and very focused on getting their products without necessarily branding. And we don't do that. We're very focused on brand development and brand growth.

Mike Otway - *Jefferies & Co. - Analyst*

Thank you, Fernando. That's really helpful. Just switching over to salads quickly. Apologies if you may have already given this earlier. Could you give us a sense for what the salad volume would have been if you excluded some of the conversions from the private label and what that was maybe relative to the first quarter of this year?

Mike Sims - *Chiquita Brands International, Inc. - Chief Financial Officer*

Sure. This is Mike. If you looked at the second quarter unit volume out of the two or three top customers that converted, it represented on a net basis almost 100% of the volume change in the quarter. There were some puts and takes and some other elements, but that was really it; and it was very similar to the impact that we talked about in the first quarter.

Fernando Aguirre - *Chiquita Brands International, Inc. - Chairman, President & CEO*

We have a lot of data by region, by customer, throughout the US, and there's obviously differences. We have some regions where we're doing some marketing support, testing some marketing support. And in those regions where the private label impact is excluded, you would see from 1% to 3% growth in customers and regions, cities, and states that were not impacted by the private label business.

So that's, frankly, part of the reason why we're so encouraged, that once the lapse happens with the cycle, the private label, we're going to start seeing some significantly better numbers as far as volume is concerned.

Mike Otway - *Jefferies & Co. - Analyst*

Thank you for that. Would you say it was very similar to the first quarter, X, those conversions are the same run rate, or slightly different?

Fernando Aguirre - *Chiquita Brands International, Inc. - Chairman, President & CEO*

In general the first and second quarters were very, very similar in terms of the volume decline. That happened, as Mike said, this lapses by September, so third quarter will roughly probably be the same and then we'll start seeing substantial improvements in the fourth quarter and forward.

Mike Otway - *Jefferies & Co. - Analyst*

Great. Thank you for taking our questions. Appreciate it.

Operator

We have time for one final question; that will come from Carla Casella at JPMorgan.

Paul Simenauer - *JPMorgan - Analyst*

Hi, guys, this is Paul Simenauer for Carla Casella. Just have a couple quick questions for you. First, I was wondering if you're considering taking out the 2014 notes ahead of maturity or if you're looking to refinance them at all?

Mike Sims - *Chiquita Brands International, Inc. - Chief Financial Officer*

Yes, this is Mike. We really can't talk about any planned transactions or unplanned transactions, but I would say that we will always be proactive and not wait until the last minute on any kind of maturities.

Certainly, if you're familiar with balance sheet management, you can find it a little bit interesting that the maturity, now the revised maturity on a credit agreement, comes later than the seven and a halves, so that obviously will need to be addressed at some point. It wouldn't be typical that you'd have a long-term, unsecured note standing ahead of the banks. We don't have any urgency to do that. We would only do that kind of a transaction at the right price, right pricing of the notes and at the right cost to transact.

Paul Simenauer - *JPMorgan - Analyst*

My other question is, if you guys are able to command a premium for your new Fresh Rinse product and how the product is being receive in the market?

Fernando Aguirre - *Chiquita Brands International, Inc. - Chairman, President & CEO*

Yes, we are now with, 100% of our product is coming out with Fresh Rinse. Every qualitative piece of research that we have conducted so far is very positive, very much in line with a very lengthy testing that we conducted.

We are now doing national media and consumer marketing and that's still very, very young. That's only four or five weeks into that; and yet, we're hearing very good reactions, very good customer comments, and very good consumer comments. We have some new gains, new distribution gains.

As I've mentioned before, every time we talk to any new customer and/or existing customers as we're renewing our contracts, the Fresh Rinse and food safety differences and advantages are very much at the top of the list of reasons why we believe our business and our brand of business is safer, fresher, better than any other business out there. So we're quite positive, quite happy, and very much in line with what we have seen in our testing time.

Paul Simenauer - *JPMorgan - Analyst*

Great. Thanks so much, guys.

Operator

And my apologies. We'll go back to Reza Vahabzadeh at Barclays.

Reza Vahabzadeh - *Barclays Capital - Analyst*

Good afternoon. Just on the package salad side, can you just talk about the levers that you can manage in the second half to get the operating income in that division to stabilize or rebound from 2Q levels?

Fernando Aguirre - *Chiquita Brands International, Inc. - Chairman, President & CEO*

Well, we're working, Reza, very strongly with obtaining new distribution points. We already have a few of those, and most recent of which, as we have described in our comments, is the SuperTarget distribution, which looks very strong and very good and, of course, that's one of the customers that's growing their grocery site quite aggressively and with a lot of good growth plans in the near future.

That's going to be a very interesting sight to see. We also are working very strongly to make sure that our marketing investment and our dollars in marketing are very focused on areas and regions where we're more present and with customers that are more present. We have seen that in those customers where we have renewed and they have transferred all our volume to our Fresh Rinse, for example, we're seeing some very interesting velocity advantages. Frankly, anywhere -- double digit, potentially, all of them, and we see 12% and 14% velocity advantages, even measured very specifically against private label.

And so that's been quite important and we're putting obviously a lot of emphasis on Fresh Rinse and on our marketing of Fresh Rinse. And then, last but not least, we are putting a lot of emphasis on making sure that we are refreshing our SKUs. We're introducing new extensions, new options for consumers to buy and try.

We also have a number of products that are coming in, new blends, and other salad products that are -- also the intention of the objective is to continue to expand our trial with new customers and consumers and we also are focused very much on increasing consumption.

One of the most important benefits of this category as we have talked before -- I should say rather than benefits. The most important growth opportunities is to make sure that we all consume more products. If we can get more of us consumers to be more on the loyal side, all of a sudden the consumption of this category could be significantly higher.

And, frankly, that's about the only upside of private label is that at least they're trying to get consumption up by the category. And if they can get that, then we believe that we can capture better than fair share, because of our branded advantages versus everybody else out there.

Reza Vahabzadeh - *Barclays Capital - Analyst*

I'm sorry if you answered this already, but given all the new businesses that you have and the easier year-over-year comparisons in the second half, would you anticipate having your flattish volume trends by September time frame or fourth quarter?

Fernando Aguirre - *Chiquita Brands International, Inc. - Chairman, President & CEO*

Yes, what we said was that the cycle of the private label comparisons will be fully done by the end of September. So third quarter, our expectation will be roughly what we have seen and then by the fourth quarter, we'll start seeing substantially better volume comparisons.

Frankly, it's premature for us to say exactly whether it's going to be higher than or equal to, but we certainly expect it to be substantially better than any of the first three quarters of this calendar year and the fourth quarter of last year.

Reza Vahabzadeh - *Barclays Capital - Analyst*

Got it. And then just on the supply pickup out of Latin America on bananas -- I don't know if you commented on this -- is it due to weather and just improved productivity? Or is it higher acreage? Can you just comment on that?

Mike Sims - *Chiquita Brands International, Inc. - Chief Financial Officer*

When we look at it, I think what we would say is it's returned to more normal seasonal levels than we had. Remember that we saw extremely disrupted supply starting back in December and on through the first quarter. So I would say generally, there's not new acreage that we're aware of in any meaningful amount of being planted. It's the productivities on those farms that were depressed that we're seeing return more to normal levels.

Reza Vahabzadeh - *Barclays Capital - Analyst*

Thank you.

Fernando Aguirre - *Chiquita Brands International, Inc. - Chairman, President & CEO*

Remember, Reza, you have been around with us for a while, in this very same category, and as much as we all would like to eliminate the weather element in our industry and our business, it's always there. We had weather-related issues last year, which tightened supply as well.

That became a significant impact at the end of last calendar year beginning this year and now people continue to learn how to recover from those events faster and better and that's some of what happens as well. But likewise, although we obviously want to avoid weather as much as possible, we all know that it's unavoidable, and it will always be there, and it's part of our modeling and part of our business so we've got to, to a certain extent, live with that.

Mike Sims - *Chiquita Brands International, Inc. - Chief Financial Officer*

The other aspect, Reza, is the increased subsidies to the French West Indies and ACP sources that have been invariably disrupted over the last couple of years, and those guys have gotten more subsidies and replanted all at once. Those volumes -- (multiple speakers)

Reza Vahabzadeh - *Barclays Capital - Analyst*

Given that net dollar banana pricing is effectively flattish year-over-year, is that enough to cover for cost on a year-over-year basis?

Mike Sims - *Chiquita Brands International, Inc. - Chief Financial Officer*

Well, you need other things, right? We do need to continue taking costs out where we can. If we want to continue growing unit volume, you need the whole combined package on that. Like I said, I think the local currency comparisons early in the quarter will be more tough. I think as the year goes on, there's no reason to believe that we won't see more normal levels. And if the currency holds, there could be enough benefit in pricing. It's a little early to say.

Reza Vahabzadeh - *Barclays Capital - Analyst*

Got it. Thank you.

Operator

At this time I would like to turn the conference all over to Mr. Aguirre for additional comments.

Fernando Aguirre - *Chiquita Brands International, Inc. - Chairman, President & CEO*

Thank you, operator, and thank you very much for your questions and for joining us today. We're looking forward to updating you on the next quarter. Thanks again for being with us today.

Operator

That does conclude today's conference.