

SunOpta Inc.
Form 10-K
March 10, 2011

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

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

For the fiscal year ended **January 1, 2011**

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

Commission File No. 001-34198

SUNOPTA INC.

(Exact name of registrant as specified in its charter)

CANADA

(Jurisdiction of Incorporation)

Not Applicable

(I.R.S. Employer Identification No.)

**2838 Bovaird Drive West
Brampton, Ontario L7A 0H2, Canada**
(Address of Principle Executive Offices)

(905) 455-1990

(Registrant's telephone number, including area code)

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

Title of each class:	Name of Each Exchange on Which Registered:
Common Shares, no par value	The NASDAQ Stock Market
Securities registered pursuant Section to 12(g) of the Act: NONE	

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

Yes [] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the

Act.

Yes 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.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Check one:

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Aggregate market value of the common equity held by non-affiliates of the registrant, computed using the closing price as reported on the NASDAQ Global Select Market for the registrant's common shares on July 2, 2010, the last business day of the registrant's most recently completed second fiscal quarter, was \$265,117,203. The registrant's common shares trade on the NASDAQ Global Select Market under the symbol STKL and on the Toronto Stock Exchange under the symbol SOY.

The number of shares of the registrant's common stock outstanding as of February 28, 2011 was 65,500,091.

Documents Incorporated by Reference: Portions of the SunOpta Inc. Definitive Proxy Statement for the 2011 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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Currency and Financial Figure Presentation

All dollar amounts in this report are expressed in thousands of United States dollars. Amounts expressed in Canadian dollars are preceded by the symbol Cdn\$, and amounts expressed in Euros are preceded by the symbol €. On February 28, 2011, the noon buying rate in New York City for cable transfers in Canadian dollars for customs purposes by the Federal Reserve Bank of New York was \$1.0268 for Cdn \$1.00. In 2010 (1) the rate of exchange for the Canadian dollar, expressed in U.S. dollars, in effect at the end of the year was 1.0054, (2) the average of exchange rates in effect on the last day of each month during the year was \$0.9707, and (3) the high and low exchange rates during the year were \$1.0054 and \$0.9278, respectively.

Forward-Looking Statements

This annual report of SunOpta Inc. (the Company) for the period ended January 1, 2011 contains forward looking statements which are based on our current expectations and assumptions and involve a number of risks and uncertainties. Generally, forward looking statements do not relate strictly to historical or current facts and are typically accompanied by words such as anticipate, estimate, intend, project, potential, continue, believe, expect, should, might, plan, will, may, the negatives of such terms, and words and phrases of similar impact and inclusion are not limited to references to possible operational consolidation, reduction of non core assets and operations, business strategies, plant and production capacities, revenue generation potential and anticipated construction costs, competitive strengths, goals, capital expenditure plans, business and operational growth and expansion plans, anticipated operating margins and operating income increases, gains or losses associated with business transactions, cost reductions, rationalization and improved efficiency initiatives, proposed new product offerings, and references to the future growth of the business and global markets for the Company's products. These forward looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward looking statements are based on certain assumptions and analyses we make in light of our experience and our interpretation of current conditions, historical trends and expected future developments as well as other factors that we believe are appropriate in the circumstance.

Whether actual results and developments will agree with our expectations and predictions is subject to many risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from our expectations and predictions. We believe these factors include, but are not limited to, the following:

- our continuing indemnification obligations relating to our recent dispositions;
- restrictions in our credit agreement on how we may operate our business;
- our inability to meet the covenants of our credit facilities;
- our potential additional capital needs in order to maintain current growth rates, which may not be available on favourable terms or at all;
- our customers' ability to choose not to buy products from us;
- changes in and difficulty in predicting consumer preferences for natural and organic food products;
- the highly competitive industry in which we operate;
- an interruption at one of our manufacturing facilities;
- the loss of service of our key management;
- the management of our supply chain;
- volatility in the prices of raw materials and energy;
- climate change legislation;
- dilution in the value of our common shares through the exercise of stock options, participation in our employee stock purchase plan and issuance of additional securities;
- impairment charges in goodwill or other intangible assets;
- technological innovation by our competitors;
- our ability to protect our intellectual property and proprietary rights;
- substantial environmental regulation and policies to which we are subject;

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- significant food and health regulations to which SunOpta Foods is subject;
- agricultural policies that influence our operations;
- product liability suits, recalls and threatened market withdrawals that may be brought against our Company;
- litigation and regulatory enforcement concerning marketing and labeling of food products;
- our lack of management and operational control over Mascoma;
- loss of a key customer;
- fluctuations in exchange rates, interest rates and certain commodities;

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- our ability to effectively manage our growth and integrate acquired companies;
- adverse weather conditions, and
- the volatility of our operating results and share price.

Consequently all forward looking statements made herein are qualified by these cautionary statements and there can be no assurance that our actual results or the developments we anticipate will be realized. The foregoing factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report. For a more detailed discussion of the principal factors that could cause actual results to be materially different, you should read our risk factors in Item 1A, Risk Factors, included elsewhere in this annual report.

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PART I

Item 1. Business

Introduction

SunOpta Inc., a corporation organized under the laws of Canada in 1973, divides its operations into the following two industry segments:

- SunOpta Foods, which accounted for approximately 91% of 2010 consolidated revenues.
- Opta Minerals Inc. (Opta Minerals), which represented approximately 9% of 2010 consolidated revenues.

SunOpta Foods operates in the natural, organic and specialty foods and natural health product sectors. We believe these markets will continue to grow as consumers focus on health and wellness. SunOpta Foods is comprised of four separate operating groups:

- Grains and Foods Group,
- Ingredients Group,
- Fruit Group, and
- International Foods Group.

These groups use a combination of vertically integrated seed to table capabilities and preferred sourcing contracts combined with extensive processing and product development capabilities to serve the natural, organic and specialty foods and natural health product sectors.

Opta Minerals processes, sells and distributes silica-free loose abrasives and other specialty industrial minerals to the foundry, steel, loose abrasive cleaning, roofing shingle, construction and marine/bridge cleaning industries; sources specialty sands and garnets for the water filtration industry; and recycles inorganic materials under special permits from government authorities at both its Waterdown, Ontario and Norfolk, Virginia sites. The common shares of Opta Minerals are traded on the Toronto Stock Exchange (TSX), under the symbol OPM. We currently own 66.4% of its issued and outstanding common shares.

Segment Information

We report both of our industry segments - SunOpta Foods and Opta Minerals - as separate segments. Our assets, operations and employees are principally located in North America, and, to a lesser extent in Europe and other geographies due primarily to the 2007 acquisition of Newco a.s. (Slovak Republic) by Opta Minerals and the acquisitions in 2008 of The Organic Corporation B.V. (The Netherlands) by SunOpta Foods and MCP Mg-Serbien SAS (France) by Opta Minerals. Financial information for each segment describing revenues from external customers, a measure of profit or loss, and total assets for the last three fiscal years, as well as financial information about geographic areas for the last three fiscal years, is set forth in note 17 to the Consolidated Financial Statements.

Major Corporate Developments in 2010 and 2011

On December 20, 2010, we entered into a Sixth Amended and Restated Credit Agreement with a syndicate of financial institutions. The new credit facilities, which provide for asset-based, revolving credit facilities of up to \$100,000 and Cdn \$5,000 (subject to borrowing base availability), and non-revolving term credit facilities totaling \$30,000, replaced the asset-based revolving and non-revolving term lines that existed in our previous credit facilities. The facilities mature on October 30, 2012.

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On September 24, 2010, the Securities and Exchange Commission (SEC) concluded their investigation in connection with the restatement of the Company s financial statements for each of the quarterly periods ended March 31, 2007, June 30, 2007 and September 30, 2007. The SEC reached a settlement with the Company, Mr. Bromley, President and CEO, and Mr. Dietrich, the former CFO of the Company. The settlement concluded the SEC s inquiry.

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On September 1, 2010, we completed the sale of SunOpta BioProcess Inc. ("SBI") to Mascoma Canada Inc., a wholly-owned subsidiary of Mascoma Corporation ("Mascoma"). The combination of the two companies brings together SBI's fiber preparation and pretreatment technology with Mascoma's consolidated bioprocessing ("CBP") technology, to create a company with comprehensive capabilities for converting non food cellulose (wood chips, energy crops and organic solid waste) into ethanol and high value co products. As consideration for selling all of the outstanding common shares of SBI, we received a 19.61% ownership interest in Mascoma, which included a combination of preferred and common shares as well as warrants valued at \$33,345, after settling the preferred share liability with the former SBI preferred shareholders. Before settling with the preferred shareholders, the transaction valued SBI at \$50,925. Since the transaction, we have accounted for our ownership position in Mascoma on a cost basis and, as a result, have not included any of the financial results of Mascoma in our operational results. As at January 1, 2011, our ownership interest in Mascoma remains at 19.61%.

On July 7, 2010 we appointed Mr. Alan Murray to our Board of Directors. Mr. Murray brings strong business experience to the SunOpta Board of Directors with a background in manufacturing, business turn-around situations, business integration and profitable organic growth. Mr. Murray has lived and worked abroad including in Western and Eastern Europe and Africa. Most recently Mr. Murray served as President and CEO of Tetra Pak, North America.

On May 19, 2010 both the Ontario Superior Court of Justice and the United States District Court for the Southern District of New York approved an agreement to settle all claims raised in class action proceedings arising from our restatement of interim financial results for the first three quarters of 2007. The settlement became effective on June 17, 2010, upon expiry of the period for filing an appeal. In return for the dismissal of the class actions and releases from class members of settled claims against the Company and the named defendants, the settlement agreement provided for a total cash contribution of U.S. \$11,250 (funded entirely by our insurer) to a settlement fund and the adoption of certain corporate governance enhancements. The settlement agreement contained no admission of wrongdoing by SunOpta or any of the other named defendants.

SUNOPTA FOODS

SunOpta Foods has been built through the acquisition of 23 business operations and through significant internal growth. It is a vertically integrated natural, organic and specialty foods and natural health products company, with global operations, serving domestic and international markets and representing approximately 91% of our consolidated revenues. Below is a summary listing of acquisitions and significant facilities that we have acquired since the inception of SunOpta Foods. The summary below does not include any acquisitions related to divestitures that occurred in 2010. See notes 2 and 3 of the Consolidated Financial Statements for further details of our most recent acquisitions and divestitures.

Date of Acquisition	Business Operations Acquired
August 3, 1999	Sunrich Inc (Grains and Foods Group)
August 15, 2000	Certain assets of Hoffman Aseptic (Grains and Foods Group)
September 18, 2000	Northern Food and Dairy, Inc. (Grains and Foods Group and Ingredients Group)
March 14, 2001	First Light Foods Inc. (Grains and Foods Group)
December 4, 2002	Opta Food Ingredients, Inc. (Ingredients Group)
May 8, 2003	Kettle Valley Dried Fruit Ltd. (Fruit Group)
November 1, 2003	SIGCO Sun Products, Inc (Grains and Foods Group)
December 1, 2003	Sonne Labs, Inc. (Grains and Foods Group)
April 19, 2004	Purchase of the assets of General Mills Bakeries & Foodservice oat fiber processing facility (Ingredients Group)
September 13, 2004	51% of the outstanding shares of Organic Ingredients, Inc. (The remaining 49% of the outstanding shares were acquired on April 5, 2005) (International Foods Group)

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June 2, 2005	Earthwise Processors, LLC (Grains and Foods Group)
June 20, 2005	Cleugh's Frozen Foods, Inc. (Fruit Group)
July 13, 2005	Pacific Fruit Processors, Inc. (Fruit Group)
September 21, 2006	Purity Life Health Products Limited (International Foods Group)
November 7, 2006	Hess Food Group LLC (Fruit Group)
November 9, 2006	Quest Brand of Vitamins (International Foods Group)
May 4, 2007	Certain assets of Baja California Congelados, S.A. de C.V. (Fruit Group)
May 14, 2007	Net operating assets of Congeladora del Rio, S.A. de C.V. and all of the outstanding shares of Global Trading Inc. (Fruit Group)
August 7, 2007	Operating assets of a soymilk manufacturing facility in Heuvelton, New York (Grains and Foods Group)
December 6, 2007	Neo-Nutritionals, Inc. (International Foods Group)
April 2, 2008	The Organic Corporation (International Foods Group)
November 8, 2010	Dahlgren & Company, Inc. (Grains and Foods Group)
December 14, 2010	Assets of Edner of Nevada, Inc. (Fruit Group)

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SunOpta Foods' long-term strategy is to leverage the platform that has been developed via implementation of continuous improvement principles, new product development and a focus on value-added components of the business, and to continue to pursue selective acquisitions that align with the value-added components of our vertically integrated business model. We believe that the natural, organic and specialty foods and natural health products markets offer solid long-term growth opportunities as consumers focus on health and wellness and see diet as a key part of a healthy lifestyle. We also believe these markets remain fragmented with numerous players in North America and internationally.

Specific strategies of SunOpta Foods in the last several years have included the following.

- Diversify the range of organic and non-genetically modified (non-GMO) grains-based and fruit-based products that we market, including via the acquisition of businesses that are vertically integrated from sourcing through ingredients and packaged products.
- Develop value-added natural and organic fiber and food ingredient solutions to meet the demands of food manufacturers wanting to improve the healthfulness of their products or expand into the natural and organic markets.
- Expand our ability to source and supply natural and organic food products worldwide.
- Invest in healthy convenience and nutritious portable foods via both internal growth opportunities and acquisition, driven by our belief that this segment will continue to be a strong area of growth for natural and organic food products.
- Expand the number of customer private label natural and organic programs including soy and alternative beverages, frozen fruit, fruit beverages and healthy convenience food categories.
- Develop and expand our operations outside of North America via acquisitions or by entering into partnerships and strategic alliances with food producers internationally.

Major Developments in 2010 and 2011 in SunOpta Foods

We continue to improve our positioning in the natural, organic and specialty foods and natural health products sectors through internal growth and selective acquisitions. Achievements through February 28, 2011 include the following:

On December 14, 2010 we completed the acquisition of the assets and business of Edner of Nevada, Inc. ("Edner") for cash consideration and amounts payable for additional working capital of \$4,458, plus an earnout based on pre-determined revenue targets over a five-year period. Edner produces a wide variety of nutritious portable foods such as nutrition bars and grains and fruit based snack bars serving the fast growing wholesome and convenient healthy snacks category from its 104,000 square foot facility, located in Carson City, Nevada. The completion of the acquisition of Edner should enable us to extend the breadth of our healthy snack offerings via the introduction of innovative new products utilizing the capabilities that exist within Edner.

On November 8, 2010 we completed the acquisition of 100% of the outstanding shares of Dahlgren & Company Inc. (Dahlgren) for cash consideration and amounts payable for additional working capital of \$46,303, plus an earnout based on pre-determined earnings targets over a two-year period. Dahlgren is an integrated processor and global supplier of confection sunflower seed products including in-shell and kernel products, roasted sunflower and soy nuts, bird food, hybrid seed and other products. Dahlgren serves customers in the United States and Canada, as well as Europe, Asia, Australia and South America. The combination of the Dahlgren business with the Company's existing confection sunflower business is expected to be synergistic and create one of the largest confection sunflower businesses in the world.

On June 29, 2010 we entered into an exclusive agreement with Clearwater Country Foods of Genesee, Idaho, to market and distribute Clearwater's Garden Green Garbanzo . Clearwater is a pioneer of sustainable green garbanzo bean production in the United States. Under the terms of the agreement, we are responsible for global sales and distribution of the Garden Green Garbanzo and Clearwater provides exclusive sourcing and supply services. Prior to signing the agreement we had been working with Clearwater for approximately eighteen months, performing extensive market analysis to assess the potential of the sustainable and healthy green garbanzo and hummus markets including applications for retail, food service and industrial customers.

On June 11, 2010 we completed the sale of our Canadian Food Distribution assets to UNFI Canada, Inc., a wholly-owned subsidiary of United Natural Foods, Inc., for cash consideration of \$65,809 (Cdn \$68,000). We realized a net gain on the sale of these assets, after tax, of \$12,796. The divestiture of the Canadian Food Distribution assets was an important step in our strategy to focus on our core food manufacturing platform, further strengthening our balance sheet and positioning SunOpta for the future. The Canadian Food Distribution assets included in the sale formed part of the former SunOpta Distribution Group. Our Canadian based natural health products distribution and manufacturing assets which were also part of the SunOpta Distribution Group were not included in the sale.

On February 23, 2010, our Grains and Foods Group completed an upgrade and retrofit at our Alexandria, Minnesota aseptic processing and packaging facility and commenced the first production of natural broth and soup products for a major international packaged goods company. This upgrade gave us the capacity to produce approximately 250 million liters annually of natural and organic alternative beverages such as soy, rice, almond and others as well as broth and soup products and also expands our packaging size capabilities for these products for a variety of different formats. In tandem with the facility upgrade, the Grains and Foods Group entered into a three-year packaging agreement with a global consumer products company to produce aseptically processed and packaged natural broth products.

On January 27, 2010, we announced an environmentally responsible energy recovery project at our Cambridge, Minnesota oat fiber facility within our Ingredients Group. The project involves the extraction of methane from the digestion of waste-water resulting from the oat fiber production process, and subsequent conversion of that methane into pipeline quality natural gas used to help power the facility. This project was commissioned during the year and significantly reduced the amount of greenhouse gases and various waste materials emitted from the facility, as well as provided an acceptable return on invested capital as a result of lower utility expenses.

GRAINS AND FOODS GROUP

Operations and Product offerings *Grains and Foods Group*

The Grains and Foods Group is headquartered in Minneapolis, Minnesota. It specializes in marketing organic, identity preserved (IP), and non-genetically modified organism (GMO) grains, ingredients, packaged goods and processing services with a core focus on soybean, sunflower and corn products. The Grains and Foods Group ensures that it provides its customers with high quality organic, non-GMO and IP specialty grains and seeds by serving as a grower's supplier of seed, purchaser of the grower's specialty crops and distributor of IP and organic specialty products. We believe this seed to table approach allows the Grains and Foods Group to meet the specific needs of domestic and foreign food manufacturers and processors by providing products in the varieties and quantities needed in a timely fashion; transporting products to meet customers' needs by being able to package in containers, truck, rail or barge; providing product information and technical support during the growing, processing, and marketing phases; and offering complete product service including grading, formulation, processing, quality control and packaging.

The Grains and Foods Group's products include:

- 1) A wide variety of IP, non-GMO and organic seeds and whole grains including soy, corn and sunflower for food applications offering premium varieties with superior food quality. The vertically integrated model

results in control at every stage of production, from seed selection and growing to storage, processing and transportation.

2) Organic, non-GMO and IP grains based ingredients, including:

- Raw material sourcing and processing of soy based ingredients in liquid, spray-dried and roasted formats.

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- Grain-based ingredients which utilize non-GMO and organic soy, corn, sunflower and rice; specialty organic functional ingredients including maltodextrins, tack blends, fiber products, flavor enhancing products including snack coatings, cheese powders and flavor systems, an innovative line of organic dairy ingredients and organic soy and sunflower oils.
- 3) A variety of packaged food products for retail and foodservice use, including:
- A wide variety of private label packaged products for a large number of retailers and consumer food companies, including aseptic and refrigerated soymilk, rice, almond and other alternate beverages; aseptic broths and soups; frozen edamame and vegetable blends; and roasted grain based snacks.
 - Branded food products under the Sunrich Naturals brand, including:
 - Alternative beverages a variety of soy, rice, almond and sunflower based beverages for retail and foodservice.
 - Frozen vegetables a variety of frozen edamame and vegetable blends for health food stores, foodservice operators and retail outlets.
 - Roasted grains-based snacks specializing in providing healthy, natural and organic snacks to schools, daycare centers, retailers and healthcare facilities throughout North America. Products include in-shell sunflower and sunflower kernels, roasted corn and soy snacks.
- 4) A full range of bulk grain-based animal feed and pet food products. The premium feed products originate from select organic and non-GMO soy, corn, sunflower and other grains.

The Grains and Foods Group also engages in processing and contract manufacturing services and offers a comprehensive range of services including basic grain cleaning, ingredient processing, custom roasting, and retail-ready packaging. With over 14 processing facilities throughout the United States plus a number of storage and office facilities, it can handle a range of order sizes, including barge lots, rail cars, bags, pallets, and retail packages. The Grains and Food Group services include:

- Grain conditioning services for soy, corn and sunflower. The Grains and Foods Group's advanced equipment and state-of-the-art technology for scalping and foreign matter removal is engineered to meet USDA Grain Standards for premium food grade seed and grain conditioning.
- Grain milling for corn, oat and grain processing, with various granulations and batch sizing.
- Ingredient processing expertise and equipment needed for extraction, separation and concentration of a wide variety of grains-based and dairy ingredients.
- Liquid packaging through its aseptic packaging facilities, specializing in Tetra Pak equipment in a variety of pack sizes and offering a variety of opening types and extended shelf life options. The Grains and Foods group also partners with third party fillers to provide extended shelf life (ESL) refrigerated packaging formats to its customers.
- Grains roasting and packaging through extensive facilities offering a wide range of consumer and bulk packaging.

Competition Grains and Foods Group

The Grains and Foods Group competes with large grain suppliers for customers and competes with other companies active on the international commercial grain procurement market for supply. The Grains and Foods Group's organic specialty grains compete in the smaller niche U.S. commercial organic grains market. Key to competing in these markets is access to transportation, supply and relationships with producers. The Grains and Foods Group's aseptic and roasted packaged products facilities compete with a number of other regional manufacturers and ingredient offerings compete with a range of suppliers from small local companies through large multi-nationals.

Distribution, Marketing, and Sales Grains and Foods Group

The Grains and Foods Group has well established sales and marketing capabilities that have provided a base for its operations. As a leading provider of soy, corn, sunflower and grain-based food ingredients, it offers a comprehensive range of ingredients and services to the food industry. Distribution channels can vary greatly by product category, but the Grains and Foods Group enjoys a diverse to market strategy in each product category. The Grains and Foods Group's Organic, non-GMO and IP ingredients are sold to manufacturers worldwide. For specialty whole grain raw materials, approximately 50% of the customer base is international. Food ingredients are sold principally to customers in North America that range from major multi-nationals to smaller specialty innovative organic food makers, but is expanding geographically as the South African soy processing venture opens new international markets. The consumer goods distribution channels include private label and store brands, food service and also SunOpta-controlled brands. This wide array of sales and distribution avenues is expected to allow the Grains and Foods Group to maximize sales and margin while mitigating the risk of concentrating business in a single segment of the market.

Suppliers Grains and Foods Group

The Grains and Foods Group has an extensive established IP, organic soy and corn grower network with approximately 2,500 producers, with many relationships existing for over 25 years, and relationships with approximately 1,000 sunflower farmers in the Midwest and southern U.S. Because weather conditions and other factors can limit the availability of certain grains in North America, our Grains and Foods Group is focused on expanding production and sourcing capabilities to other parts of the world in hand with the International Foods Group to ensure supply in years when local production is below normal levels. By diversifying supply, it also has the ability to divert available product based on market demand and customer requirements in order to maximize return.

INGREDIENTS GROUP***Operations and Product Offerings Ingredients Group***

The Ingredients Group is headquartered in Chelmsford, Massachusetts and operates from five processing facilities throughout the United States. It transforms both internally and externally sourced raw materials into value-added food ingredient solutions with a core focus on oat and soy fiber. The Ingredients Group is comprised of the previously acquired Northern Food & Dairy's Fosston, Minnesota facility, Opta Food Ingredients, Inc., and the Cedar Rapids, Iowa oat fiber facility purchased in 2005 from General Mills. The Ingredients Group specializes in the technical processing of specialty food ingredients with a focus on non-GMO, natural, functional and organic offerings. It works closely with customers to identify product formulation, cost and productivity issues, and develops solutions to these problems based on proprietary, value-added, highly functional food ingredients and ingredient systems that use the Ingredients Group's technical knowledge and manufacturing base.

The Ingredients Group is an innovator in the value-added food ingredients market with a technical selling and product applications focus. Based on our internal estimates, the Ingredients Group is the world's largest supplier of oat fiber to the food industry, one of the largest producers of soy fiber in the United States and the largest producer of organic soy fiber in the United States. The Ingredients Group markets the *Canadian Harvest*[®] *Oat Fiber*, *SunOpta Soy Fibers*, and *SunOpta Pea Fiber* brands of insoluble organic and conventional fiber products, *Barley Balance* soluble fiber, *MultiFiber* blends, SunOpta Soy Fiber blends, a number of value-added starch-based texturizers and proprietary stabilizer blends under the *SunOpta Ingredient Systems*[™] umbrella, and a number of custom processed ingredients including natural preservatives.

The Ingredients Group continues to diversify its unique portfolio of products. Products are organized under three main technology platforms:

1) Fibers and Brans, including *Canadian Harvest Oat Fibers* and Stabilized Bran products as well as *SunOpta Soy and Pea Fibers*. Canadian Harvest Oat Fibers and SunOpta Soy and Pea Fibers are a family of insoluble fiber products derived from oat, soy and pea hulls. They are used commercially to increase the fiber content of cereals, breads, cookies and crackers to increase yield and enhance texture in ground meat products and to add strength and reduce breakage in products such as taco shells and ice cream cones. The Group also provides highly functional fiber blends for specific applications under the *Multifiber* brand name and a lineup of soy fiber blends. We also offer Canadian Harvest Stabilized Brans derived from oat, wheat and corn, as well as wheat germ. The Stabilized Brans are heat-treated to extend shelf life and ground to meet customer needs for appropriate particle size. One of our unique soy fibers is a protein and fiber rich by-product of soy concentrate manufacturing. This fiber is used to enrich protein and fiber for a variety of foods for human consumption plus animal feed and pet foods.

2) *SunOptatm Ingredient Systems*, including *OptaGrade[®]*, *OptaMist[®]*, and a portfolio of value added ingredient systems for the bakery, dairy, and meat industries. OptaGrade is a natural, starch-based texturizing agent that is used commercially in a variety of dairy products including natural, imitation, and processed cheeses, sour cream, cream cheese, and cottage cheese. OptaMist is also a starch-based texturizing agent that improves the taste, texture and appearance of dairy products, yogurt, cheese products, and salad dressings.

3) Custom ingredients and contract manufacturing services. We produce a number of unique functional food ingredients, and offer services to customers on a contract basis utilizing proprietary technologies.

We believe the Ingredients Group is well positioned to capitalize on the rapid growth of the health conscious natural and organic food markets, with its wide range of fiber, brans and starch-based products. Publications from both the American Dietetic Association and a Mayo Clinic Health letter note that fiber consumption is still below recommended levels in the U.S. The *Canadian Harvest* line of oat fibers and stabilized brans and SunOpta Soy and Pea Fibers and fiber blends are used in numerous products such as fiber-enriched breads and other baked goods, breakfast cereals and snack bars. These products can be used to increase total dietary fiber content of foods while minimizing negative effects on taste, texture and appearance. The Ingredients Group's insoluble oat, soy and pea fibers enhance overall gastrointestinal health. Oat and soy fibers have become primary ingredients in breads, pastries, muffins, tacos and tortillas as food companies reformulate their products to include fiber-enriched ingredients. Recent innovations have expanded applications of fiber into dairy and meat products. Stabilized oat brans can be used as a source of soluble fiber (β -glucan) which is beneficial to cardiovascular health.

Our food ingredients are used by approximately 300 customers worldwide, including some of the largest U.S. consumer packaged food companies and quick service restaurant chains. The Ingredients Group's product offering is sold internationally via approximately 25 distributors around the world.

Many of our starch-based texturizers and ingredient blends were originally developed for and are used in reduced fat versions of a variety of dairy products such as low fat or fat-free cottage cheese, sour cream, cream cheese, or processed cheeses. As discussed in *Taking the Fat Out of Food*, a publication of the United States Food and Drug Administration (FDA), reducing fat intake by consuming reduced fat versions of these products is an element of a healthier diet.

In addition to helping food manufacturers improve the healthfulness of their food products, the ingredients can be used to improve the overall quality of food products, reduce formulation costs, and meet specific processing requirements. We believe that all of our products are Generally Regarded As Safe (GRAS) under current FDA regulations (see Regulation SunOpta Foods , below).

The Ingredients Group markets a portfolio of functional fibers including organic and conventional pea fiber via a distribution agreement with Best Cooking Pulses of Portage la Prairie, Canada. The production of pea fiber is highly sustainable, non-allergenic, non-GMO, and gluten free. It is approved by Health Canada as a novel fiber for inclusion in bakery and meat products.

The Ingredients Group also represents Polycell Technologies to market and sell Barley Balance beta-glucan concentrate. Barley Balance is the most concentrated source of barley beta-glucan soluble fiber produced by a natural and sustainable process. Barley Balance contains a minimum of 25% beta-glucan and over 35% dietary fiber adding excellent nutritional benefits and functional performance to food and beverage products.

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Over the last 18 months, the Ingredients Group has launched a line of new products under the MultiFiber brand name. Internally developed, MultiFiber products are highly functional blends of fibers that meet the needs of customers who are looking for a cost effective, easy-to-source fiber for fortification while meeting specific textural goals. All MultiFiber products deliver a concentrated source of dietary fiber with a smooth texture and bland flavor. These new and innovative ingredients are expected to provide value for food and beverage manufacturers who are looking for ratios of soluble and insoluble fibers similar to what occurs naturally in foods.

Competition Ingredients Group

Food ingredients are considered unique niche items usually developed or processed for specific customers or industry segments. The Ingredients Group competes with other product developers and specialty processors for the specialty ingredient business.

The food ingredients industry is very competitive. Competitors include major companies with food ingredient divisions, other food ingredient and sourcing companies, other insoluble and soluble fiber processors and consumer food companies that also engage in the development and sale of food ingredients. Many of these competitors have financial and technical resources as well as production and marketing capabilities that are greater than ours.

Distribution, Marketing, and Sales Ingredients Group

Sales and marketing is done through a technically oriented customer account team. We believe that the most effective way to solve each customer's problem is to gain a thorough understanding of the customer at all levels, build solid working relationships throughout the customer's organization, be knowledgeable of the market segment in which the customer competes, and have a detailed technical understanding of the customer's needs as well as its preferred solution. We take a multidisciplinary approach to achieve this level of customer understanding and service. Members of the Ingredient Group's direct sales force are teamed up with the appropriate technical personnel to work as consultants in defining and developing a range of potential solutions to our customer's formulation and product development needs.

Suppliers Ingredients Group

The Ingredients Group's raw materials and packaging are sourced from approximately 65 suppliers with availability subject to world market conditions. There are a number of alternative sources of supply for all raw materials with critical supply relationships highlighted below. Oat and soy hulls are primarily sourced from major food companies or their brokers and there is adequate supply to meet current production requirements. Dairy ingredients are purchased primarily from dairy producer cooperatives. Products are purchased in the spot market with certain ingredients purchased under short-term supply contracts. Supply shortfalls would have an effect on availability and price and would be reflected in finished product pricing for the Ingredients Group. Certain other raw materials are supplied by processing customers and are not sourced directly from suppliers within SunOpta Foods.

FRUIT GROUP

Operations and Product Offerings Fruit Group

The Fruit Group is headquartered in Buena Park, California and focuses on providing natural and organic fruit and vegetable-based products to the private label retail, food service and industrial markets. The Fruit Group comprises two separate operating divisions:

- 1) Fruit Specialties which includes our frozen foods, fruit ingredients and brokerage operations, and
- 2) Healthy Snacks which includes our healthy fruit snacks division and the assets of the recently-acquired Edner of Nevada, Inc.

We believe the Fruit Group is well positioned in the natural and organic frozen fruit and vegetable and healthy fruit and nutritional snack markets. The business has adjusted to profitability pressures through the rationalization of operations, product mix and go-to-market strategies which has provided increased processing flexibility and a reduced cost base along with the implementation of internal cost improvement initiatives. Our global sourcing and production capabilities, coupled with extensive product development expertise is expected to provide a solid platform for future growth.

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We estimate that the Fruit Group is the largest supplier of organic individually quick-frozen fruit to the private label retail market in the United States, and the largest supplier of natural and organic private label fruit snacks in the United States, providing its customers with a wide range of products including bulk raw materials, value-added ingredients and retail solutions. It services over 500 customers, including food manufacturers, food service distributors, quick-service and casual dining restaurants and retail companies located principally in North America and Asia.

The Fruit Group's two divisions are described below.

Fruit Specialties Division. The Fruit Specialties division consists of both fruit processing and fruit ingredient operations. The fruit processing operations consist of facilities with processing and packaging capabilities, as well as sourcing and trading capabilities provided by our food brokerage operation. This division processes strawberries, peaches, mangos and other fruits and vegetables, and packs natural and organic frozen fruits and vegetables for the private label retail, food service, and industrial ingredient markets. It sources fruits, berries, and vegetables from various growing regions throughout the United States, Mexico and other fruit growing regions around the world, and processes the material into individually quick-frozen, block frozen, strawberry sugar packs and purees to meet our customer's technical specifications. Fruit Specialties supplies frozen fruit products to the private label retail, food service and industrial markets, including food manufacturers and quick service and casual dining restaurants. Our poly-bag packaging operations in Buena Park, California provide retail customers with a wide range of private label natural and organic frozen fruits and vegetables, including strawberries, blueberries, raspberries, blackberries, peaches, mangos, tropical fruit, green garbanzos and many other items. We operate three berry processing facilities located in Buena Park, California, and Rosarito and Irapuato, Mexico. We have ceased fresh strawberry processing at our Buena Park facility and are focusing efforts on our poly-bag operations for the retail market. We have idled our Mexican operations for 2011, and are assessing strategic options for these facilities.

Pacific Fruit Processors, located in South Gate, California produces a range of value-added fruit ingredients in aseptic and conventional formats for sale to food manufacturers, restaurants and food service operations.

Raw materials consist primarily of strawberries, peaches, pineapples, mangos, honeydew melons, cantaloupes, and other fruits. The Fruit Specialties division faces competition when securing the raw materials required to meet its needs; however, due to the location of our processing facilities, we are able to source raw materials from a number of growing regions and suppliers. We also source frozen fruits and vegetables from a number of domestic and worldwide growers, processors and traders, including our own International Foods Group.

Healthy Snacks Division. The Healthy Snacks division produces natural and organic fruit snacks and nutritional bars. It operates processing facilities in Omak, Washington and Carson City, Nevada. During 2007 and 2008, fruit snack operations were significantly expanded at the Omak facility by adding capacity for an additional 140 million units per year, doubling through-put. In late 2010 the Group acquired the assets of Edner of Nevada, a producer of a wide range of nutritious portable foods such as nutrition bars. The primary raw material, apple, is sourced from local growers and internationally from our own International Foods Group. Production capabilities include a variety of fruit-based bar, twist, rope and bite size shapes, as well as the ability to add a variety of ingredients including fiber, plus a range of baked and extruded nutrition bars using a wide variety of ingredients including grains, sweeteners and other ingredients. The Healthy Snacks division has internal research and development capabilities to introduce innovative products to the marketplace.

Competition Fruit Group

The fruit processing operations compete with strawberry processors primarily in California and Mexico and frozen fruit imports from Mexico, South America, Europe and Asia. The competitive landscape includes companies with financial resources larger than ours. In many cases, Mexican, South American, European and Asian competitors are able to achieve greater cost efficiencies due to lower relative costs of living and costs of supply in these regions. The

location of our processing facilities in Mexico and California provides us with a diversified supply base for our customers due to extended supply seasonality.

The fruit ingredient operations compete with regional and national food manufacturers, and face research and development competition from those same companies. A number of these competitors have production capabilities and financial resources that are greater than ours.

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The Healthy Snacks division has a smaller number of competitors, some of whom have production and technical capabilities and financial resources greater than ours. These competitors include independent fruit snack manufacturers, fruit snack divisions of larger food manufacturers and nutrition bar manufacturers.

Distribution, Marketing and Sales Fruit Group

The fruit processing operations supply frozen fruit products to the private label retail, food service and industrial markets, including food manufacturers and quick service and casual dining restaurants.

The fruit ingredient operations supply natural and organic value-added fruit ingredients to the dairy, food service and beverage industries. It offers fruit bases and preps for customers seeking high-quality, custom formulations to meet their special flavor and texture profiles. Applications include fruit for yogurts, ice creams, cheeses, smoothies, shakes, frozen desserts, bakery fillings, health bars, various beverages, dressings, marinades, dips and sauces. The fruit ingredient operations research and development team is integral to its reputable product quality and customer service. Manufacturing capabilities include aseptic and conventional processing and packaging.

The Healthy Snacks division focuses on supplying natural and organic fruit snacks and nutrition bars to branded food companies and the private label retail markets and intends to expand distribution globally due to the portable nature of these products.

Suppliers Fruit Group

The fruit processing operations source fresh and frozen fruits, berries, and vegetables from a large number of suppliers throughout California, Mexico and globally.

The fruit ingredient operations primary raw materials are sourced from processors and traders of frozen fruits and vegetables, including our own International Foods and fruit processing operations, major sweetener producers, and a number of regional and national flavor companies. Availability of supplies is subject to world market conditions, including quantity and quality of supply.

The Healthy Snacks division's raw material suppliers include growers and traders of apples and apple concentrates and flavor companies, as well as processors and traders of fruit and grain products including our own International Foods Group. This division is subject to the availability of fruit and grains supply which is subject to conditions which may be beyond our control.

INTERNATIONAL FOODS GROUP

Operations and Product Offerings International Foods Group

The International Foods Group operations are centred in Santa Cruz, California, Amsterdam, the Netherlands and Acton, Ontario, Canada. It is comprised of SunOpta Food Solutions, The Organic Corporation and Purity Life Health Products. SunOpta Food Solutions utilizes its extensive sourcing and product development expertise to produce a range of product solutions for the private label retail and food service markets. The Organic Corporation operates a factory in Dalian, China that supplies food grade organic soybeans and feed, organic sunflower kernels and other grains, sourcing and processing operations in Ethiopia for organic coffee and organic sesame seeds, plus a number of global sourcing and trading operations. The group's natural health products operation, Purity Life Health Products, maintains processing and packaging facilities in Brantford, Ontario and Rockwood, Ontario and warehousing operations in Acton, Ontario and Vancouver, British Columbia.

The International Foods Group sources raw material ingredients from approximately 60 countries around the world, and, in our estimation, is the largest supplier of a wide range of organic commodities to the food industry in the

European, North American and Asian markets.

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The International Foods Group provides organic food solutions to major global food manufacturers and distributors, and major U.S. supermarket chains with a variety of industrial and private label retail products. It sources or produces organic fruit and vegetable-based ingredients, sweeteners, cocoa, coffee, grains, nuts, seeds and pulses and other organic food products from virtually every continent and in both hemispheres to ensure quality of supply, minimize crop risk and provide contra-seasonal solutions to our customers. In many cases, we will enter into exclusive arrangements with growers and/or processors of key strategic commodities to control the reliability of our supply chain. Utilizing a number of strategic and/or exclusive co-pack relationships and an experienced research and development team, we are able to provide our retail customers, distributors and food service operators with organic private label turn-key solutions in a variety of product categories, including juices, frozen fruits and vegetables, specialty beverages, vitamin waters, electrolyte waters, energy drinks, soups and tomato products.

Our Canadian-based natural health products division distributes approximately 5,500 SKUs of natural vitamins, supplements and health and beauty aids, many of which are formulated, processed and packaged within our vertically integrated manufacturing operations and sold under company owned brands including Herbon , Vivitas , Nature s Harmony and Quest .

Competition International Foods Group

The organic food industry is very competitive due primarily to the limited worldwide supply of organic raw materials. Our competitors in the supply of industrial ingredients include domestic and worldwide brokers, traders and food processors. In the private label retail market, competitors include major food manufacturing companies, some of which have production and technical capabilities more extensive than ours. Our natural health products division competes against much larger conventional distributors; however, we believe that we are Canada s largest distributor of natural health products. We also compete with a handful of national distributors and a diverse group of much smaller regional distributors.

Distribution, Marketing and Sales International Foods Group

The International Foods Group operates administrative, research and development offices in Santa Cruz, California, Amsterdam, The Netherlands and Acton, Ontario.

Sales and marketing is conducted through technically oriented sales teams strategically located close to specific geographic sourcing and/or sales regions. The International Foods Group maintains one of the largest global sourcing and supply networks in the world, working closely to manage global organic supply and link these supplies with diverse customer needs and also provides procurement support for other SunOpta operations. We believe our natural health products division is the largest distributor of natural health products in Canada.

Suppliers International Foods Group

The International Foods Group s raw material suppliers include growers, processors and traders of organic fruit and vegetable-based ingredients, sweeteners and other food products. Raw materials are sourced from growing regions worldwide, including North America, South America, Central America, Europe, Africa and Asia. Organic food suppliers are required to meet stringent organic certification requirements equivalent to the United States Department of Agriculture (USDA) National Organic Program, European Union standards or others. Our natural health products division sources product from approximately 175 suppliers, primarily in North America.

Regulation SunOpta Foods

SunOpta Foods is affected by a wide range of governmental regulations and policies in various countries and regions where we operate, including the United States, Canada, the Netherlands, and throughout the rest of the European Union. These laws, regulations and policies are implemented, as applicable in each jurisdiction, on the national,

federal, state, provincial and local levels. For example, SunOpta Foods is affected by laws and regulations related to: seed, fertilizer and pesticides; the purchasing, harvesting, transportation and warehousing of grain and other products; the processing, packaging and sale of food, including wholesale operations; and product labelling and marketing, food safety and food defence. SunOpta Foods is also affected by government-sponsored price supports, acreage set aside programs and a number of environmental regulations.

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U.S. Regulations

USDA National Organic Program and Similar Regulations

SunOpta Foods is involved in the sourcing, manufacturing, supplying, processing, marketing, selling and distribution of organic seed and food products and, as such, is subject to certain organic quality assurance standards. In December 2000, the USDA adopted regulations with respect to a national organic labelling and certification program which became fully effective in October 2002. These regulations, among other things, set forth the minimum standards producers must meet in order to have their products labelled as certified organic. We currently manufacture and distribute a number of organic products that are covered by these regulations. Additionally, our organic products may be subject to U.S. various state regulations. Applicable regulatory agencies in the United States include the USDA, which monitors both the organic process and agricultural grain business, and the FDA and Department of Homeland Security (DHS), which oversee the safety, security and efficacy of the food supply in the United States.

FDA GRAS

Certain food ingredients are regulated under the 1958 Food Additive Amendments to the Federal Food, Drug and Cosmetic Act of 1938 (FDCA) as administered by the FDA. Pre-marketing approval by the FDA is required for the sale of a food additive unless we believe the substance is generally regarded as safe (GRAS) under FDA standards. A food additive is a substance, the intended use of which results or may reasonably be expected to result, directly or indirectly, either in their becoming a component of food or otherwise affecting the characteristics of food. Such pre-marketing approval for ingredients that are not GRAS, which is issued in the form of formal regulation, requires demonstrating that both the food ingredient is safe under its intended conditions of use, and that it achieves the function for which it is intended.

Companies may establish GRAS status through self-affirmation whereby the producer determines on its own that the ingredient is GRAS, normally with the assistance of a panel of qualified experts. The producer may also voluntarily submit a GRAS Notification to the FDA that includes the products description, conditions of use, and the basis for GRAS determination, among other information. The FDA response, typically within 180 days, to a GRAS notice is not an approval and the product may be marketed while the FDA is reviewing the information.

A food ingredient is eligible for GRAS classification based on the views of experts qualified by scientific training and experience to evaluate the safety of the product. The expert s views are either based on scientific procedures or through experience based on common use of the material prior to 1958. If based on scientific procedures they must use the same quantity and quality of scientific evidence as would be required for the FDA to issue a pre-market approval of the sale of a food additive. If a food ingredient is not entitled to GRAS status, pre-market approval must be sought through the filing of a Food Additive Petition.

Many of SunOpta Food s products are being marketed pursuant to GRAS self-affirmation. We believe that a majority of products for which we have retained commercial rights are GRAS. However, such status cannot be determined until actual formulations and uses are finalized. Thereafter, we decide whether self-affirmation procedures and a GRAS notification will be appropriate. For those components that do not qualify for GRAS, we may be required to file a Food Additive Petition. In the event that a petition is required, we may elect to sell or license its rights to manufacture, market, and distribute the component to another party.

Other U.S. Environmental, Food Safety and Food Labelling Regulations

SunOpta Foods is also subject to various U.S., state and local environmental regulations. Some of the key environmental regulations in the U.S. include but are not limited to the following.

Air Quality Regulations. Air quality is regulated by the United States Environmental Protection Agency (EPA) and certain city/state air pollution control groups. Emission reports are filed annually.

Waste Treatment/Disposal Regulations. Solid waste is either disposed of by a third-party or, in some cases, we have a permit to haul and apply the sludge to land. Agreements exist with local city sewer districts to treat waste at specified levels of Biological Oxygen Demand (BOD), Total Suspended Solids (TSS) and other constituents. This can require weekly/monthly reporting as well as annual inspection. There are specific regulations governing the recycling of solid waste material regulated by the Ministry of Environment and Energy and the Commonwealth of Virginia, Department of Environmental Quality.

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Sewer Regulations. We have agreements with the local city sewer districts to treat waste at specified limits of BOD and TSS. This requires weekly/monthly reporting as well as annual inspection.

Hazardous Chemicals Regulations. Various reports are filed with local city/state emergency response agencies to identify potential hazardous chemicals being used in our facilities, including reports filed with the Department of Public Safety Emergency Response Commission in Minnesota and the Kentucky Emergency Response Commission.

Storm Water. All facilities are inspected annually and must comply with an approved storm water plan to protect water supplies.

Bioterrorism Compliance. We are currently subject to the four recognized and approved sections of the Bioterrorism Preparedness and Response Act of 2002.

SunOpta Foods is also subject to various other U.S., state and local food safety and food labeling regulations. Some of the key food safety and food labeling regulations in the U.S. include but are not limited to the following, in addition to those described above.

Food Safety and Food Defense. In 2011, the Food Safety Modernization Act (FSMA) became effective significantly expanding the authority of the FDA and imposing new regulation of food production, sales and imports. Much uncertainty remains concerning how FSMA will be implemented by FSDA. No rulemaking has yet occurred concerning any of the provisions in FSMA.

Food Labeling. We are subject to certain requirements for food labeling under the FDCA. Other state and local statutes and regulations may impose additional food labeling requirements. For instance, the California Safe Drinking Water and Toxic Enforcement Act of 1986 (commonly referred to as Proposition 65) requires, with a few exceptions, that a specific warning appear on any consumer product sold in the State of California that contains a substance, above certain levels, listed by that state as having been found to cause cancer or birth defects. This law exposes all food and beverage producers to the possibility of having to provide warnings on their products.

FTC Enforcement. The FTC retains jurisdiction over marketing and labeling of food products. For example, the FTC has recently released its revised Green Guides for the marketing of eco-friendly products.

Canadian and Other Non-U.S. Regulations

Countries other than the U.S. also regulate the sale of food ingredients or characterize food ingredients differently. Vitamin and minerals supplements in the U.S. are regulated pursuant to the Dietary Supplement Health and Education Act, which regulates these products as foods. Regulations vary substantially from country to country, and we take appropriate steps to comply with such regulations.

In Canada, the sale of food, natural health products (NHPs), drugs, and cosmetics are regulated under various federal and provincial laws, but are principally regulated federally under Canada's Food and Drugs Act, Canada Agricultural Products Act, and the Canadian Environmental Protection Act, 1999 (CEPA) and supporting regulations. Some of the key regulations in Canada include but are not limited to the following:

Natural Health Products Regulations: Natural health products are regulated by Health Canada. In 2004, Health Canada published a compliance policy and guide which had the practical effect of temporarily relaxing enforcement of the NHP Regulations to assist regulated parties to become compliant. This relaxation of enforcement is expected to end some time during 2011. However, the Unprocessed Product Licence Applications Regulations (UPLAR) came into force in August 2011 and provides a legal framework for NHPs to obtain an exemption from the *Natural Health Products Regulations* while a product licence application is in process. UPLAR is set to be repealed in February 2013, by which time full compliance with the NHP Regulations will likely be required for all NHPs without any possibility

of an exemption.

Food and Drug Regulations: Food and drugs are subject to specific regulatory requirements, which include without limitation, composition, (including without limitation food additives, fortification, and food standards), packaging, labelling, advertising and marketing, and licencing requirements.

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Cosmetic Regulations: Cosmetics are subject to composition and labelling requirements. We must also file cosmetic notification forms, a post-marketing requirement for those cosmetics manufactured in Canada and a pre-market requirement for those products imported into Canada. Health Canada also publishes a Hot List of cosmetic ingredients it deems unsafe in cosmetics.

Organic Products Regulations: As of June 30, 2009, the *Organic Products Regulations* require mandatory certification to the revised National Organic Standard for agricultural products to be represented as organic in international and interprovincial trade, or that bear the federal organic agricultural product legend (or federal logo). But for certain exceptions and conditions, there is currently a U.S.-Canadian equivalence arrangement, whereby agricultural product produced and processed in conformity with the United States Organic Foods Production Act and the National Organic Program Regulations is deemed to have been produced and processed in accordance with the Organic Products Regulations.

Waste Treatment/Disposal Regulations: There are specific regulations governing the recycling of solid waste material regulated by various Provincial regulatory agencies. Many of the Provinces operate stewardship programs for consumer product waste, as well as hazardous or special waste. These waste diversion programs require that the brand owner or a first importer of the designated materials to register, file reports on the materials it supplies for sale or use in the provincial market and remit fees under the stewardship program.

Substance Regulations: Various regulations under CEPA regulate the importation and use of certain substances in Canada. For example, prior to the importation and use in products, the importer must ensure that all ingredients are found on the Domestic Substances List (DSL) maintained by Environment Canada. In the event that an ingredient is not found on the DSL, then subject to the amount of the substance imported into Canada and used in products sold in Canada, a filing may become necessary under the New Substances Notification Regulations. In addition, the Canadian Government has undertaken a review of ingredients used in commerce for regulated products we sell, with a view of determining whether the use of certain ingredients in these products represent a risk to the environment. This could eventually lead to the removal of certain ingredients in Canada.

Canada Consumer Product Safety Act: This Act is expected to come into force on June 20, 2011. This Act and its regulations will provide greater oversight and regulation of consumer products with respect to manufacturers, importers, and retailers. It will include, without limitation, the ability to require product recalls, mandatory incident reporting, document retention requirements, increased fines and penalties, and packaging and labeling requirements. While the Canada Consumer Product Safety Act will not apply to food, drugs, or natural health products, it is expected that there will be similar amendments introduced to the Food and Drugs Act, to capture the essence of the regulatory oversight found in the Canada Consumer Product Safety Act.

All of SunOpta Food s Canadian manufacturing facilities and warehouses are registered with the Canadian Food Inspection Agency (CFIA), which monitors food processing and safety in Canada, and/or Health Canada. All of SunOpta Food s Canadian import sites for drug and natural health products are licenced with Health Canada to import such products (Site Licence for natural health products and Establishment Licence for drugs). All imported materials are shipped in compliance with the notification systems that alert the FDA, Health Canada, the CFIA and customs before the materials enter the country. We are confident that we have the necessary processes and controls in place that provide for an additional level of traceability of all raw materials from the supplier to the immediate subsequent recipient of the finished products. We also recognize and believe that we have the necessary programs to administer a product recall as may be required.

As a result of our acquisition of The Organic Corporation headquartered in the Netherlands, we are now subject to Dutch and European Commission (EC) regulations and policies. The Organic Corporation is involved in the sourcing, supplying, marketing, selling and distribution of organic food products and, as such, is subject to standards for production, labeling and inspection of organic products contained in EC Regulation 2092/91 (and its subsequent amendments). The Organic Corporation is certified by SKAL, the inspection body for the production of organic

products in the Netherlands. Products certified as organic by a European Union recognized inspection body, such as SKAL, an organization that certifies organic products in the Netherlands, can be marketed within the entire European Union.

The Organic Corporation is also affected by general food legislation both at a European Union and Dutch level relating to product safety and hygiene, among others. The Organic Corporation is Hazard Analysis and Critical Control Point (HACCP) certified in the Netherlands and manages a fully computerized system that guarantees the traceability of each product. In addition, The Organic Corporation also considers and abides by European Union and local legislation with regard to packaging and packaging waste.

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Research and Development SunOpta Foods

Research and development and new product innovation are key priorities of SunOpta Foods and initiatives are focused on continuous improvement of our existing product portfolios and production processes as well as the development of innovative new products. Innovation is a key pillar for us and a necessity in the natural and organic foods and natural health product categories.

SunOpta Foods' extensive applications and research and development expertise is organized around five key product categories:

- Grains and grain-based ingredients through finished packaged products;
- Value-added ingredients focused on fiber based applications;
- Fruit, juices and fruit-based ingredients through finished packaged products;
- Value-added nutritious healthy snacks and portable foods; and
- Natural health products sold via certain owned brands within Purity Life.

Our product development teams include highly trained and experienced food scientists and technologists that are dedicated to both the development of unique new product offerings plus addressing product development opportunities for our customers including new and custom formulations, innovations in packaging formats, and new production processes and applications. Applications and technical support provided by each of our operating groups to our customers include all aspects of product development from concept to commercial launch as well as ongoing manufacturing and processing support. Representatives from our operating groups also meet regularly to coordinate efforts to develop products which leverage the talents and product capabilities from across our organization.

SunOpta Foods continues to develop new products to maximize the capabilities of our aseptic packaging facilities in Modesto, California and Alexandria, Minnesota. In addition to new soy-based beverages, new products include beverages using alternative ingredients such as almonds and sunflower. These products address the growing consumer demand for non-dairy based beverages. In addition, we have developed products such as teas, broths, and soups. The expanding interest to incorporate soy and grain-based foods in consumers' diets also creates numerous opportunities to develop ingredients that can be incorporated into food developers' menu items.

In addition, SunOpta Foods continues to expand its product portfolio via the addition of new fiber offerings that can be used with its oat-derived ingredients to improve the nutritional content and functionality of a variety of foods. Demand for food fibers has continued to grow and we believe that this is a long-term trend due to an increased focus on healthy foods. Many of our ingredient solutions can be used in products that aid in satiety to respond to the growing epidemic of obesity in North America and elsewhere. Many of our ingredients can also be used in products which qualify for a "whole grain" claim by augmenting the insoluble and soluble fiber content of foods.

SunOpta Foods also continues to develop new fruit-based beverages, healthy fruit snacks as well as innovative fruit ingredient systems for the dairy, food service and beverage industries. We are also looking at using fiber and other ingredients in these fruit products to improve their ability to address satiety and lower glycemic indices.

More recently, we have focused resources on developing new life stage, gender specific natural health products which address the different nutritional needs of men, women, boys and girls at different stages of life as well as new portable snack foods to address continued demand for "on-the-go" nutritional products.

Intellectual Property SunOpta Foods

The nature of a number of SunOpta Foods' products and processes requires that we create and maintain patents, trade secrets and trademarks. Our policy is to protect our technology, brands and trade names by, among other things, filing patent applications for technology relating to the development of our business in the U.S. and in selected foreign

jurisdictions, and registering trademarks in the U.S., Canada and selected foreign jurisdictions where we sell products.

SunOpta Food's success will depend, in part, on our ability to protect our products, trade names and technology under U.S. and international patent laws and other intellectual property laws. We believe that we own or have sufficient rights to use all of the proprietary technology, information and trademarks necessary to manufacture and market our products; however, there is always a risk that patent applications relating to our products or technologies will not result in patents being issued, or, if issued, will be later challenged by a third party, or that current or additional patents will not afford protection against competitors with similar technology.

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We also rely on trade secrets and proprietary know-how and confidentiality agreements to protect certain technologies and processes. Even with these steps taken, our outside partners and contract manufacturers could gain access to our proprietary technology and confidential information. All employees are required to adhere to internal policies which are intended to further protect our technologies, processes and trade secrets.

Employees SunOpta Foods

SunOpta Foods has approximately 1,595 full-time employees as of January 1, 2011. Aside from unions at our Mexican facilities in the Fruit Group and the International Foods Group, there are no other unions within SunOpta Foods.

Properties SunOpta Foods

SunOpta Foods operates 29 processing facilities (16 owned, 13 leased) in ten U.S. states as well as Canada, Mexico, China and Ethiopia. SunOpta Foods also owns and leases a number of office and distribution locations and also leases and utilizes public warehouses to satisfy its storage needs. For more details see Item 2. Properties, elsewhere in this report.

OPTA MINERALS

Opta Minerals, a majority-owned subsidiary, is a vertically integrated provider of custom process solutions and industrial minerals products for use primarily in the steel, foundry, loose abrasive cleaning, roof shingle granules and municipal water filtration industries. Experiencing solid growth since 1996, we believe Opta Minerals has become one of the leading suppliers of industrial minerals and silica-free loose abrasives in a number of select markets in North America and Eastern Europe.

We acquired Opta Minerals (formerly known as Barnes Environmental and Industrial) in 1995. Since then, Opta Minerals has grown steadily through a combination of internal growth and strategic acquisitions in eastern and central Canada, eastern, central and southeastern United States, France and Slovakia: George F. Pettinos (Canada) Limited (PECAL) and Temisca, Inc. were acquired in 2000; Virginia Materials Inc. and 51% of International Materials & Supplies Inc. were acquired in 2001, with the remaining 49% minority interest in International Materials & Supplies acquired in 2002; Distribution A&L was acquired in 2004; certain assets of the abrasive division of Hillcrest Industries Inc. were acquired in 2005; Magnesium Technologies Corporation and Bimac Inc. were acquired in October 2006; Newco was acquired in 2007; and 67% of MCP Mg-Serbien was acquired in 2008, with the remaining 33% interest acquired in 2009. During 2009 and 2010 two new loose abrasive processing operations in the United States were commissioned.

In February 2005, we sold approximately 29% of the outstanding common shares of Opta Minerals as part of an initial public offering. As part of our acquisition of Newco a.s. in 2007, Opta Minerals issued an additional 1,000,000 common shares which, when combined with the issuance of employee option grants, has reduced our equity ownership in Opta Minerals to approximately 66.4% . The common shares of Opta Minerals trade on the TSX under the symbol OPM .

Major Developments in 2010 and 2011 in Opta Minerals

During 2010, the global production of steel and the demand for metallurgical slag-based abrasive products increased compared to the prior year. As a result, Opta Minerals has steadily increased production at most of its facilities. Gross margins have improved largely as a result of the increased sales volumes and the impact of cost reduction measures implemented by management.

Opta Minerals has established abrasive processing operations in Texas and Florida in order to cost-effectively supply southern regions of the United States. The Texas facility has been fully operational since the fourth quarter of 2009, and the Florida facility became operational in the third quarter of 2010.

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Operations and Product Offerings **Opta Minerals**

Opta Minerals competes primarily in the industrial minerals and silica free abrasives markets, focusing to date on select markets in the eastern, southern and central areas of North America and in Europe. Its operating and distribution facilities are located in Indiana, Michigan, Virginia, Louisiana, South Carolina, Maryland, Texas, Florida, New York, Ontario, Quebec, the Slovak Republic and France. Its successful integration of its business acquisitions into its existing operations and financial management systems has created synergies that have increased revenues and profit margins. It has invested in improving plant equipment and infrastructure and has been able to reduce costs while growing production capabilities. As a result, we believe that Opta Minerals is currently well-positioned to expand current operations with modest capital expenditures.

Its principal product lines include the following: (i) blends of industrial minerals used primarily in heavy industrial applications; (ii) silica-free abrasives; and (iii) specialty sands, filtration media and other products and services.

Products

Opta Minerals produces, manufactures, distributes and recycles industrial minerals, silica-free abrasives and specialty sands and other products and services to the foundry, steel, loose abrasive cleaning, roofing granule, marine/bridge cleaning and municipal, recreational and industrial water filtration industries.

- **Industrial Minerals** - Opta Minerals sells industrial mineral products primarily to the foundry and steel industries. Significant industrial minerals products produced by Opta Minerals include chromites, magnesium blends, lime, nozzle sands, clays, coated sands and a wide range of foundry pre-mixes.
- **Silica-Free Abrasives** - Opta Minerals abrasive products are primarily sold into shipbuilding, ship repair, bridge cleaning and roofing granule markets. The abrasives produced are free of silica, making them a clean, efficient and recyclable alternative to traditional abrasives. Recycling operations are conducted at Waterdown, Ontario and Norfolk, Virginia. This is an important service that Opta Minerals provides to its customers which results in the reuse of materials that would otherwise be sent directly to landfills. Significant silica-free abrasive products produced by Opta Minerals include BlackBlast, Ultra Blast, EconoBlast, EbonyGrit, Powerblast, Garnet and other specialty abrasives.
- **Specialty Sands and Other Products and Services** - Opta Minerals also generates revenues from the sale of specialty sands, filtration media and other products and technical services. The silica sands are not sold for use as an abrasive material. Significant specialty sands and other products and services of Opta Minerals include filtration and industrial sands, garnets for filtration and waterjet cutting, construction sands, golf bunker sand, silica (not sold for loose abrasive applications), colored sand and technical services.

Properties

Opta Minerals operations encompass and service much of North America, with production facilities located in Louisiana, South Carolina, Texas, Florida, Virginia, Maryland, New York, Michigan, Indiana, Ontario and Quebec, allowing us to maintain a strong customer base throughout North America by providing economic supply and timely delivery of products and services to our customers. In addition to our manufacturing facilities, we also own and operate distribution and packaging centers in Ontario and Quebec. Opta Minerals has built or acquired facilities at locations along the east and southern coasts of the United States where major shipbuilding, ship repair, bridge cleaning and roofing shingle production activities are concentrated. Multiple facilities allow for fast and economic service and have enabled us to broaden our product lines to supply wider markets and applications from these facilities.

Opta Minerals operations in Kosice, Slovakia and Romans-sur-Isere, France service major integrated steel mill customers as well as a variety of other industries in Europe and represent a platform for continued growth in European markets.

For more details, see Item 2. Properties, elsewhere in this report.

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Competition

Industrial Minerals

The industrial minerals industry is characterized by a number of large public and private companies that service the bulk of requirements for both the foundry and steel industry. These companies include Foseco Steel, Stollberg Group, SKW Mettallurgie GmbH, Magnesium Elektron and Prince Minerals and tend to have broad product offerings that service a range of customer requirements. The remaining market requirements are fulfilled by small regionally based niche companies with limited product lines that generally focus on local markets.

Silica-Free Abrasives

The silica-free abrasives industry is characterized by a number of regionally-based companies with limited product lines tending to focus on geographically adjacent markets. Our competition varies by product line, customer classification and geographic market. Opta Minerals conducts business throughout North America with a focus on key regions including the Québec-Detroit corridor, New York, Virginia, Georgia, Florida and Texas, all of which are areas of high volume ship repairs and bridge cleaning activities.

Specialty Sands and Other Products and Services

Competition within the specialty sand and other niche markets serviced by Opta Minerals is characterized by a number of small, regionally-based competitors. Competition varies by product line, customer classification and geographic market.

In both abrasive and industrial minerals markets, Opta Minerals competes through a combination of exceptional product quality and customer service combined with competitive pricing.

Distribution, Marketing and Sales

Opta Minerals has an active program to develop and acquire new products and services that expand our target markets while leveraging our existing infrastructure and expertise. We offer one of the broadest ranges of industrial minerals and abrasives in the industry and can provide customer product configurations solutions for almost every type of application. Opta Minerals conducts business throughout North America and key areas of Europe, via a direct sales force supported by strong technical and operational resources, with a focus on high volume industrial mineral consumption regions. Our facilities are strategically located near customers or raw material supplies to economically and efficiently distribute products.

Suppliers

As is customary in the industry, Opta Minerals does not have long-term contracts with its major suppliers. Although we believe that we have access to similar products from competing suppliers, any disruption in the source of supply, particularly of the most commonly used or exclusively sourced items, or any material fluctuation in the quality, quantity or cost of such supply, could have a material adverse effect on the results of operations and financial condition.

Opta Minerals obtains key abrasive raw materials such as magnesium, lime, coal slag, copper slag, nickel slag and garnet from a wide variety of global sources. Copper slag is supplied by both domestic and foreign mining and refining companies. Coal slag is supplied on an exclusive basis from U.S. power plants and other suppliers. Opta Minerals produces industrial garnet derived from a waste mining stream at its Keeseville, New York facility. In addition, we have agreements with multiple mines in China and suppliers in India to market their garnet in North and South America. We also purchase significant quantities of magnesium for our mill and foundry services operations from manufacturers located primarily in China, Eastern Europe and the Middle East.

Regulation

Opta Minerals business primarily involves the handling of inorganic and mineral-based materials. These types of materials are generally benign and are not expected to give rise to environmental issues. Almost all of our environmental regulation is standard to the industry with the exception of certain permits required in Ontario and Virginia to recycle various types of solid waste. The Ontario Ministry of Environment has the right to inspect the Waterdown, Ontario site and review the results of third party monitoring and perform its own testing. Similar rights of inspection by the EPA and state regulators exist at the facility in Norfolk, Virginia. At both locations, we are subject to monthly reporting and periodic audits as well as having a financial bond in place with the respective governments should there be a contamination.

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Since we acquired the business in 1995 (and, with respect to the businesses we have acquired, since the respective acquisition dates thereof), we believe Opta Minerals has been in material compliance with all applicable environmental legislation and has not been subject to any actions by regulatory authorities. Based on known existing conditions, all facilities are currently in material compliance with all environmental permitting requirements of the local authorities and are reviewed on an annual basis. These permits generally cover air and ground water at those facilities where applicable. Absent any currently unforeseen changes to applicable legislation, we anticipate that future costs relating to environmental compliance will not have a material adverse effect on our financial position.

Employees

Opta Minerals has been successful in identifying, attracting and retaining talented employees with relevant technical and industry expertise. In particular, we have assembled an experienced management team with a diverse and complementary set of skills and experience, both within and from outside of the industry.

As of January 1, 2011, Opta Minerals had 211 active employees, including 20 employees in sales and marketing, 27 in corporate administration and finance, 9 in customer service, 24 in engineering and plant management, 5 in research and development and quality control, 2 in purchasing and the remaining 124 in production.

CORPORATE SERVICES GROUP

The corporate office of SunOpta is located on owned premises in Brampton, Ontario. Centralized information technology and financial shared services groups are located in Minnesota. We employ 60 staff members in a variety of management, financial, information technology and administration roles.

Environmental Hazards

We believe, with respect to both our operations and real property, that we are in material compliance with environmental laws at all of our locations and specifically with the requirements of its Certificate of Approval issued by the Ontario Ministry of the Environment and Energy on the Opta Minerals property in Waterdown, Ontario.

Employees

As of January 1, 2011, we had a total of 1,866 employees broken out by segment below:

Divisions	Number of Employees
SunOpta Foods	1,595
Opta Minerals	211
Corporate Services Group	60
Total	1,866

We believe that our relations with both union and non-union employees are good.

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act), are available free of charge on our website at www.sunopta.com as soon as reasonably practicable after we file such information electronically with, or furnish it to, the SEC and applicable Canadian securities regulatory authorities.

Item 1A. Risk Factors

Our business, operations and financial condition are subject to various risks and uncertainties, including those described below and elsewhere in this report. We believe the most significant of these risks and uncertainties are described below, any of which could adversely affect our business, financial condition and results of operations and could cause actual results to differ materially from the results contemplated by the forward-looking statements contained in this report. In such case, the trading price of our common stock could decline, and you may lose all or part of your investment. There may be additional risks and uncertainties not presently known to us or that we currently consider immaterial. Consequently, you should not consider the following to be a complete discussion of all possible risks or uncertainties applicable to our business. These risk factors should be read in conjunction with the other information in this report and in the other documents that we file from time to time with the SEC and the OSC.

We have continuing indemnification obligations relating to our recent dispositions

On June 11, 2010, we sold our Canadian Food Distribution assets (the CFD Transaction) to UNFI Canada, Inc. (UNFI), and on September 1, 2010, we sold 100% of our ownership in SunOpta BioProcess Inc. (the SBI Transaction) to Mascoma Canada Inc. (Mascoma). Pursuant to the terms of the agreements governing the CFD Transaction and the SBI Transaction, we agreed to indemnify the purchasers for losses incurred due to breaches of specified representations, warranties and covenants and for certain other matters, subject to the limitations set forth in those agreements. With respect to the SBI Transaction, in support of our indemnification obligations, certain of the shares of common stock and preferred stock of Mascoma issued to us in connection with the SBI Transaction are being held in escrow to satisfy any indemnification claims made by Mascoma following the closing. If UNFI, Mascoma or their respective affiliates make indemnification claims against us and are successful in those indemnification claims, we may become liable for money damages to the indemnified parties, or we may lose our rights to our Mascoma shares (with respect to the SBI Transaction). Also, any indemnification claims could require us to incur substantial expense and our management may have to devote a substantial amount of time resolving or defending against such claims. Any such payment or expense relating to an indemnification claim could significantly reduce the benefits that we anticipated receiving from the applicable transaction and could adversely affect our business, financial condition and results of operations.

Our credit agreement restricts how we may operate our business, and our business may be materially and adversely affected if these restrictions prevent us from implementing our business plan

We have a credit agreement providing for various credit facilities including a primary facility with a syndicate of lenders. Our credit agreement contains covenants that limit the discretion of our management with respect to certain business matters. These covenants place restrictions on, among other things, our ability to incur additional indebtedness, to create other liens, to complete a merger, amalgamation or consolidation, to make certain distributions or make certain payments, investments and guarantees and to sell or otherwise dispose of certain assets. These restrictions may hinder our ability to execute on our growth strategy or prevent us from implementing parts of our business plan.

Our inability to meet the covenants of our credit facilities could materially and adversely affect our business

On December 20, 2010, we entered into a Sixth Amended and Restated Credit Agreement with a syndicate of lenders and Bank of Montreal as agent. The credit agreement provides for asset-based, revolving credit facilities of up to \$100,000 and Cdn \$5,000 (subject to borrowing base availability), and non-revolving term credit facilities totaling \$30,000. The facilities mature on October 30, 2012.

Although we believe that we are well positioned to comply with the financial covenants under the credit agreement, compliance with these financial covenants will depend on the success of our business, our operating results, and our ability to achieve the financial forecasts set forth in the credit agreement. Various risks, uncertainties and events

beyond our control could affect our ability to comply with the financial covenants and terms of the credit agreement. Failure to comply with our financial covenants and other terms could result in an event of default and the acceleration of amounts owing under the credit agreement, unless we were able to negotiate a waiver. The lenders could condition any such waiver on an amendment to the credit agreement on terms that may be unfavourable to us. If we are unable to negotiate a covenant waiver or replace or refinance our credit agreement on favourable terms or at all, our business will be adversely impacted.

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We may require additional capital to maintain current growth rates, which may not be available on favourable terms or at all

Over the last eleven years, we have grown via a combination of internal growth and acquisitions requiring available resources. Our ability to raise capital, through equity or debt financing, is directly related to our ability to both continue to grow and improve returns from our operations. Debt or equity financing may not be available to us on favourable terms or at all. In addition, an equity financing would dilute our current shareholders and may result in a decrease in our share price if we are unable to realize returns equal to or above our current rate of return. We will not be able to maintain our growth rate and our strategy as a consolidator within the natural and organic food industries without continued access to capital resources.

Our customers generally are not obligated to continue purchasing products from us

Many of our customers buy from us under purchase orders, and we generally do not have agreements with or commitments from these customers for the purchase of products. We cannot assure you that our customers will maintain or increase their sales volumes or orders for the products supplied by us or that we will be able to maintain or add to our existing customer base. Decreases in our customers' sales volumes or orders for products supplied by us may have a material adverse effect on our business, financial condition or results of operations.

Consumer preferences for natural and organic food products are difficult to predict and may change

Approximately 91% of our 2010 revenues were derived from SunOpta Foods. Our success depends, in part, on our ability to offer products that anticipate the tastes and dietary habits of consumers and appeal to their preferences on a timely and affordable basis. A significant shift in consumer demand away from our products or products that utilize our integrated grains, ingredients, fruits and natural health products, or our failure to maintain our current market position, could reduce our sales and harm our business. Consumer trends change based on a number of possible factors, including nutritional values, a change in consumer preferences or general economic conditions. Additionally, there is a growing movement among some consumers to buy local food products in an attempt to reduce the carbon footprint associated with transporting food products from longer distances, which could result in a decrease in the demand for food products and ingredients that we import from other countries or transport from warmer domestic growing regions. These changes could lead to, among other things, reduced demand and price decreases, which could have a material adverse effect on our business.

We operate in a highly competitive industry

We operate businesses in highly competitive product and geographic markets in the U.S., Canada and various international markets. The Grains and Foods Group, the Ingredients Group, the International Foods Group and the Fruit Group compete with various U.S. and international commercial grain procurement marketers, major companies with food ingredient divisions, other food ingredient companies, stabilizer companies, trading companies, consumer food companies that also engage in the development and sale of food ingredients and other food companies involved in natural and organic fruits. Our natural health products division of the International Foods Group competes against other companies that market and sell vitamins, supplements, natural health products, health and beauty aids that provide specialty or high end packaged products. These competitors may have financial resources and staff larger than ours and may be able to benefit from economies of scale, pricing advantages and greater resources to launch new products that compete with our offerings. We have little control over and cannot otherwise affect these competitive factors. If we are unable to effectively respond to these competitive factors or if the competition in any of our product markets results in price reductions or decreased demand for our products, our business, results of operations and financial condition may be materially impacted.

An interruption at one of our manufacturing facilities could negatively affect our business

We own or lease, manage and operate a number of manufacturing, processing and packaging facilities located throughout the U.S., Canada, Mexico, Europe, China and Ethiopia. As of January 1, 2011, SunOpta Foods operates 29 processing facilities located in ten U.S. states, Canada, Mexico, China and Ethiopia. Opta Minerals operates 14 facilities located in the United States, Canada and Eastern Europe.

An interruption in or the loss of operations at one or more of these facilities, or the failure to maintain our labor force at one or more of these facilities, could delay or postpone production of our products, which could have a material adverse effect on our business, results of operations and financial condition until we could secure an alternate source of supply.

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If we lose the services of our key management, our business could suffer

Our prospects depend to a significant extent on the continued service of our key executives, and our continued growth depends on our ability to identify, recruit and retain key management personnel. We are also dependent on our ability to continue to attract, retain and motivate our sourcing, production, distribution, sales, marketing and other personnel. We do not carry key person life insurance on any of our executive officers. If we lose the services of our key management or fail to identify, recruit and retain key personnel, our business, results of operations and financial condition may be materially and adversely impacted.

If we do not manage our supply chain effectively, our operating results may be adversely affected

Our supply chain is complex. We rely on suppliers for our raw materials and for the manufacturing, processing and distribution of many of our products. The inability of any of these suppliers to deliver or perform for us in a timely or cost-effective manner could cause our operating costs to rise and our margins to fall. Many of our products are perishable and require timely processing and transportation to our customers. Many of our products can only be stored for a limited amount of time before they spoil and cannot be sold. We must continuously monitor our inventory and product mix against forecasted demand or risk having inadequate supplies to meet consumer demand as well as having too much inventory that may reach its expiration date. If we are unable to manage our supply chain efficiently and ensure that our products are available to meet consumer demand, our operating costs could increase and our margins could fall.

Volatility in the prices of raw materials and energy could increase our cost of sales and reduce our gross margins

Raw materials used by SunOpta Foods and Opta Minerals represent a significant portion of our cost of sales. Our cost to purchase services and materials, such as grains, fruits and other commodities, processing aids, industrial minerals and natural gas, can fluctuate depending on many factors, including weather patterns, economic and political conditions and pricing volatility. In addition, we must compete for limited supplies of these raw materials and services with competitors having greater resources than us. If our cost of materials and services increases due to any of the above factors, we may not be able to pass along the increased costs to our customers.

SunOpta Foods enters into a number of exchange-traded commodity futures and options contracts to partially hedge its exposure to price fluctuations on grain transactions to the extent considered practicable for minimizing risk from market price fluctuations. Futures contracts used for hedging purposes are purchased and sold through regulated commodity exchanges. Inventories, however, may not be completely hedged, due in part to our assessment of exposure from expected price fluctuations and an inability to hedge all raw materials.

Exchange purchase and sales contracts may expose us to risks that a counter party to a transaction is unable to fulfill its contractual obligation. We may be unable to hedge 100% of the price risk of each transaction due to timing and availability of hedge contracts and third party credit risk. In addition, we have a risk of loss from hedge activity if a grower does not deliver the commodity as scheduled. We also monitor the prices of natural gas and will from time to time lock in a percentage of our natural gas needs based on current prices and expected trends.

An increase in our cost of sales resulting from an increase in the price of raw materials and energy would have an adverse impact on our financial condition and results of operations.

Climate change legislation could have an impact on our financial condition and consolidated results of operations

Legislative and regulatory authorities in the U.S., Canada and internationally will likely continue to consider numerous measures related to climate change and greenhouse gas emissions. In order to produce, manufacture and

distribute our products, we and our suppliers, use fuels, electricity and various other inputs that result in the release of greenhouse gas emissions. Concerns about the environmental impacts of greenhouse gas emissions and the global climate change may result in environmental taxes, charges, regulatory schemes, assessments or penalties, which could restrict or negatively impact our operations, as well as our suppliers, who would likely pass all or a portion of their costs along to us. We may not be able to pass any resulting cost increases along to our customers. Any enactment of laws or passage of regulations regarding greenhouse gas emissions or other climate change legislation by the U.S., Canada or any other international jurisdiction where we conduct business could adversely affect our financial condition and consolidated results of operations.

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Adverse weather conditions could impose costs on our business

Our various food products, from seeds and grains to ingredients, fruits, vegetables and other inputs, are vulnerable to adverse weather conditions, including windstorms, floods, droughts, fires and temperature extremes, which are quite common but difficult to predict. Additionally, severe weather conditions may occur with higher frequency or may be less predictable in the future due to the effects of climate change. Unfavourable growing conditions can reduce both crop size and crop quality. In extreme cases, entire harvests may be lost in some geographic areas. These factors can increase costs, decrease revenues and lead to additional charges to earnings, which may have a material adverse effect on our business, results of operations and financial condition.

The exercise of stock options, participation in our employee stock purchase plan and issuance of additional securities could dilute the value of our common shares

As of January 1, 2011, there were outstanding stock options to purchase 2,348,100 of our common shares, with exercise prices ranging from \$0.91 to \$13.75 per common share. The exercise of these stock options could result in dilution in the value of our common shares and the voting power represented thereby. Furthermore, to the extent common shares are issued pursuant to the exercise of stock options, the employee stock purchase plan or other issuances of common shares, our share price may decrease due to the additional amount of common shares available in the market. The subsequent sales of these shares could encourage short sales by our shareholders and others which could place further downward pressure on our share price. Moreover, the holders of our stock options may hedge their positions in our common shares by short selling our common shares, which could further adversely affect our stock price.

Impairment charges in goodwill or other intangible assets could adversely impact our financial condition and consolidated results of operations

As a result of our acquisitions, a portion of our total assets is comprised of intangible assets and goodwill. We are required to perform impairment tests of our goodwill and other intangible assets annually or at any time when events occur that could affect the value of our intangible assets. We have previously recorded impairment charges to our consolidated statements of operations. We expect to engage in additional acquisitions, which may result in our recognition of additional intangible assets and goodwill. A determination that impairment has occurred would require us to write-off the impaired portion of our goodwill or other intangible assets, resulting in a charge to our earnings. Such a write-off could adversely impact our financial condition and consolidated results of operations.

Technological innovation by our competitors could make our food products less competitive

Our competitors include major food ingredient and consumer food companies that also engage in the development and sale of food and food ingredients. Many of these companies are engaged in the development of food ingredients and other food products and frequently introduce new products into the market. Existing products or products under development by our competitors could prove to be more effective or less costly than our products.

We rely on protection of our intellectual property and proprietary rights

The success of SunOpta Foods depends in part on our ability to protect our intellectual property rights. We rely primarily on patent, copyright, trademark and trade secret laws to protect our proprietary technologies. Our policy is to protect our technology by, among other things, filing patent applications for technology relating to the development of our business in the United States and in selected foreign jurisdictions.

Our trademarks and brand names are registered in the U.S., Canada and other jurisdictions. We intend to keep these filings current and seek protection for new trademarks to the extent consistent with business needs. We also rely on trade secrets and proprietary know-how and confidentiality agreements to protect certain of the technologies and

processes used by SunOpta Foods.

The failure of any patents, trademarks, trade secrets or other intellectual property rights to provide protection to our technologies would make it easier for our competitors to offer similar products, which could result in lower sales or gross margins.

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We are subject to substantial environmental regulation and policies

We are, and expect to continue to be, subject to substantial federal, state, provincial and local environmental regulation. Some of the key environmental regulations to which we are subject include air quality regulations of the EPA and certain city/state air pollution control groups, waste treatment/disposal regulations, including but not limited to specific regulations of the Ontario Ministry of Environment and Energy and the Commonwealth of Virginia, Department of Environmental Quality, sewer regulations under agreements with local city sewer districts, regulations governing hazardous substances, storm water regulations and bioterrorism regulations. For a more detailed summary of the environmental regulations and policies to which we are subject, see *Business Regulation SunOpta Foods* in Item 1 of this report. Our business also requires that we have certain permits from various state, provincial and local authorities related to air quality, storm water discharge, solid waste, land spreading and hazardous waste.

In the event that our safety procedures for handling and disposing of potentially hazardous materials in certain of our businesses were to fail, we could be held liable for any damages that result and any such liability could exceed our resources. We may be required to incur significant costs to comply with environmental laws and regulations in the future. In addition, changes to environmental regulations may require us to modify our existing plant and processing facilities and could significantly increase the cost of those operations.

The foregoing environmental regulations, as well as others common to the industries in which we participate, can present delays and costs that can adversely affect business development and growth. If we fail to comply with applicable laws and regulations, we may be subject to civil remedies, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, which could have a material adverse effect on our business, results of operations and financial condition. In addition, any changes to current regulations may impact the development, manufacturing and marketing of our products, and may have a negative impact on our future results.

SunOpta Foods is subject to significant food and health regulations

SunOpta Foods is affected by a wide range of governmental regulations in Canada, the United States, and several countries in Europe, among others. These laws and regulations are implemented at the national level (including, among others, federal laws and regulation in Canada and the United States) and by local subdivisions (including, among others, state laws in the United States and provincial laws in Canada). We are also subject to regulations of the European Union. We are also subject to the regulatory authority of regulatory agencies in several different countries. Examples of regulatory agencies influencing our operations include: the U.S. Department of Agriculture, the U.S. Food and Drug Administration, the U.S. Department of Homeland Security, the U.S. Environmental Protection Agency, the Canadian Food Inspection Agency and SKAL (a European agency based in The Netherlands responsible for the certification of organic products) among others.

Examples of laws and regulations that affect SunOpta Foods include laws and regulations applicable to:

- the use of seed, fertilizer and pesticides;
- the purchasing, harvesting, transportation and warehousing of grain and other products;
- the processing and sale of food, including wholesale operations; and
- the product labeling and marketing of food and food products, food safety and food defense.

These laws and regulations affect various aspects of our business. For example, as described in more detail under *Business Regulation SunOpta Foods* in Item 1 of this report, certain food ingredient products manufactured by SunOpta Foods are regulated under the 1958 Food Additive Amendments of FDCA, as administered by the FDA. Under the FDCA, pre-marketing approval by the FDA is required for the sale of a food ingredient which is a food additive unless the substance is generally regarded as safe, or GRAS, under the conditions of its intended use by qualified experts in food safety. We believe that most products for which we have retained commercial rights are GRAS. However, such status cannot be determined until actual formulations and uses are finalized. As a result, we

may be adversely impacted if the FDA determines that our food ingredient products do not meet the criteria for GRAS. In addition, certain USDA regulations, set forth the minimum standards producers must meet in order to have their products labeled as certified organic and we currently manufacture and distribute a number of organic products that are covered by these regulations. While we believe our products and our supply chain are in compliance with these regulations, changes to food regulations may increase our costs to remain in compliance. We could lose our organic certification if a facility becomes contaminated with non-organic materials or if we do not use raw materials that are certified organic. The loss of our organic certifications could materially harm our business, results of operations and financial condition.

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As described in more detail under **Business Regulation SunOpta Foods** in Item 1 of this report, certain of our natural health products are also subject to regulations under federal Canadian legislation, including the Food and Drug Act (Canada), the Pest Control Products Act (Canada), Natural Health Products Regulation (Canada) and the regulations made thereunder and the Environmental Protection Act (Canada).

Changes in any government laws and regulations applicable to our operations could increase our compliance costs, negatively affect our ability to sell certain products or otherwise adversely affect our results of operations. In addition, while we believe SunOpta Foods is in material compliance with all laws and regulations applicable to our operations, we cannot assure you that we have been, or will at all times be, in compliance with all food production and health requirements, or that we will not incur material costs or liabilities in connection with these requirements. Our failure to comply with any laws, regulations or policies applicable to our business could result in fines, lawsuits, enforcement actions, penalties or loss in the ability to sell certain products, any of which could adversely affect our business, results of operations and financial condition.

Our operations are influenced by agricultural policies

SunOpta Foods is affected by governmental agricultural policies such as price supports and acreage set aside programs and these types of policies may affect our business. The production levels, markets and prices of the grains and other raw products that we use in our business are materially affected by government programs, which include acreage control and price support programs of the USDA. Revisions in these programs, in the United States and elsewhere, could have an adverse affect on the results of our operations.

Product liability suits, recalls and threatened market withdrawals, could have a material adverse effect on our business

The sale of food products for human consumption involves the risk of injury or illness to consumers. Such injuries may result from inadvertent mislabeling, tampering by unauthorized third parties or product contamination or spoilage. Under certain circumstances, we may be required to recall or withdraw products, which may lead to a material adverse effect on our business. Even if a situation does not necessitate a recall or market withdrawal, product liability claims might be asserted against us. While we are subject to governmental inspection and regulations and believe our facilities and those of our co-packers comply in all material respects with all applicable laws and regulations, if the consumption of any of our products causes, or is alleged to have caused, a health-related illness in the future we may become subject to claims or lawsuits relating to such matters. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our products caused illness or physical harm could adversely affect our reputation with existing and potential customers and consumers and our corporate and brand image. Moreover, claims or liabilities of this sort might not be covered by our insurance or by any rights of indemnity or contribution that we may have against others. We maintain product liability insurance in an amount that we believe to be adequate. However, we cannot be sure that we will not incur claims or liabilities for which we are not insured or that exceed the amount of our insurance coverage. A product liability judgment against us or a product recall could have a material adverse effect on our business, consolidated financial condition, results of operations or liquidity.

Litigation and regulatory enforcement concerning marketing and labeling of food products

The marketing and labeling of any food product in recent years has brought increased risk that consumers will bring putative class action lawsuits and that the FTC and/or state attorney generals will bring legal action concerning the truth and accuracy of the marketing and labeling of the product. Examples of causes of action that may be asserted in a putative consumer class action lawsuit include fraud, unfair trade practices, recession, and breach of state consumer protection statutes (such as Proposition 65 in California). FTC and/or state attorney generals may bring legal action that seeks removal of a product from the market-place, fines and penalties. Even when not merited, putative class claims, action by the FTC or state attorneys general enforcement actions can be expensive to defend and adversely

affect our reputation with existing and potential customers and consumers and our corporate and brand image.

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Our lack of management and operational control over Mascoma may limit our ability to protect or increase the value of our interest in Mascoma

Following the SBI Transaction, we have a 19.61% ownership interest in Mascoma, through a combination of preferred and common shares. We do not have the ability to exercise day to day control over Mascoma. The management team of Mascoma could make business decisions that could impair the economic value of our interest in Mascoma. In addition, we have no ability to cause Mascoma to take actions that might be to our benefit, including but not limited to actions relating to a change of control of Mascoma and declarations of dividends to Mascoma's stockholders. For the foregoing reasons, we may be unable to prevent actions that could have an adverse impact on our investment in Mascoma.

Loss of a key customer could materially reduce revenues and earnings

Although we had no customers that represented over 10% of revenues for the year ended January 1, 2011, the loss or cancellation of business with any of our larger customers could materially and adversely affect our business, financial condition or results of operations.

Fluctuations in exchange rates, interest rates and certain commodities could adversely affect our results of operations, financial condition and liquidity

We are exposed to foreign exchange rate fluctuations as our Canadian, Mexican and European operations are translated into United States dollars for financial reporting purposes. We are exposed to changes in interest rates as a portion of our debt bears interest at variable rates. We are exposed to price fluctuations on a number of commodities as we hold inventory and enter into transactions to buy and sell products in a number of markets. Additional qualitative and quantitative disclosures about these risks can be found in Item 7A of this report. As a result of these exposures, fluctuations in exchange rates, interest rates and certain commodities could adversely affect our liquidity, financial condition and results of operations.

We may not be able to effectively manage our growth and integrate acquired companies

From time to time we may pursue acquisition opportunities that are consistent with our overall growth strategy. Our ability to effectively integrate recent and future acquisitions, including our ability to realize potentially available marketing opportunities and cost savings in a timely and efficient manner will have a direct impact on our future results. We may encounter problems in connection with the integration of any new businesses, such as challenges relating to the following:

- integration of an acquired company's products into our product mix;
- the amount of cost savings that may be realized as a result of our integration of an acquired product or business;
- unanticipated quality and production issues with acquired products;
- adverse effects on business relationships with our suppliers and customers;
- diversion of management attention;
- difficulty with personnel and loss of key employees;
- implementation of an integrated enterprise wide accounting and information system and consolidation of back office accounting;
- compatibility of financial control and information systems;
- exchange rate risk with respect to our acquisitions outside the United States;
- potential for patent and trademark claims or other litigation against or involving the acquired company; and
- in the case of foreign acquisitions, uncertainty regarding foreign laws and regulations and difficulty integrating operations and systems as a result of cultural, systems and operational differences.

Our operating results and share price are subject to significant volatility

Our net sales and operating results may vary significantly from period to period due to:

- changes in our operating expenses;
- management's ability to execute our business strategies focused on improved operating earnings;
- personnel changes;
- legal and administrative cases (whether civil, such as environmental or product related, or criminal), settlements, judgments and investigations;
- supply shortages; and
- general economic conditions.

In addition, our share price may be highly volatile compared to larger public companies. Certain announcements could have a significant effect on our share price, including announcements regarding:

- fluctuations in financial performance from period to period;
- mergers, and acquisitions and/or divestitures;
- changes in key personnel;
- strategic partnerships or arrangements;
- litigation and governmental inquiries;
- changes in governmental regulation and policy;
- patents or proprietary rights;
- changes in consumer preferences and demand;
- new financings; and
- general market conditions.

Higher volatility increases the chance of larger than normal price swings which reduces predictability in the share value of our stock and could impair investment decisions. In addition, price and volume trading volatility in the stock markets can have a substantial effect on our share price, frequently for reasons other than our operating performance. These broad market fluctuations could adversely affect the market price of our common shares.

Item 1B. Unresolved Staff Comments None.

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Item 2. Properties

Our primary facilities in each of our segments are as follows:

SunOpta Foods

As of January 1, 2011, SunOpta Foods operates from the following locations which are owned unless otherwise noted.

Location	State/Province/Country	Group/Sub Group	Facility Description
Brampton	Ontario	Corporate Head Office	Corporate head office
Minnetonka (2 Leases) (1)	Minnesota	Corporate Services	IT Corporate and Grains and Foods office
Hope	Minnesota	Grains and Foods	Grains head office and grain processing
Alexandria	Minnesota	Grains and Foods	Aseptic packaging facility
Alexandria	Minnesota	Grains and Foods	Ingredient processing
Modesto (Lease) (2)	California	Grains and Foods	Soy processing and packaging plant
Wahpeton	North Dakota	Grains and Foods	Processing, warehouse and distribution
Wahpeton	North Dakota	Grains and Foods	Grain storage
Huevelton	New York	Grains and Foods	Soymilk processing plant
Blooming Prairie	Minnesota	Grains and Foods	Grain storage
Ellendale	Minnesota	Grains and Foods	Grain storage
Snover (Monthly Rent)	Michigan	Grains and Foods	Grains sales office
Cresco	Iowa	Grains and Foods	Milling facility
Breckenridge	Minnesota	Grains and Foods	Grain processing and distribution
Breckenridge (Lease) (3)	Minnesota	Grains and Foods	Grains sales Office
Goodland	Kansas	Grains and Foods	Grain processing and distribution
Edson (Land Lease) (4)	Kansas	Grains and Foods	Grain processing and distribution
Moorehead	Minnesota	Grains and Foods	Grain processing and distribution
Crookston	Minnesota	Grains and Foods	Processing, warehouse and distribution
Fargo	North Dakota	Grains and Foods	Processing, warehouse and distribution
Grace City	North Dakota	Grains and Foods	Grain Storage

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Ipswich (Lease) (5)	South Dakota	Grains and Foods	Grain Storage
Chelmsford (Lease) (6)	Massachusetts	Ingredients	Ingredients head office and development centre
Louisville (Lease) (7)	Kentucky	Ingredients	Fiber processing facility
Cedar Rapids	Iowa	Ingredients	Fiber processing facility
Cambridge	Minnesota	Ingredients	Fiber processing facility
Fosston	Minnesota	Ingredients	Processing and drying
Galesburg	Illinois	Ingredients	Starch based production and ingredients blending
Buena Park (2 Leases) (8)	California	Fruit Group Specialties	Fruit Processing, warehouse and distribution and Fruit Group head office
South Gate (Lease) (9)	California	Fruit Group Specialties	Fruit Processing, warehouse and distribution
Salinas (Lease) (10)	California	Fruit Group Specialties	Fruit Processing, warehouse and distribution
Rosarito (Lease) (11)	Mexico	Fruit Group Specialties	Fruit Frozen fruit processing facility
Guanajuato	Mexico	Fruit Group Specialties	Fruit Frozen fruit processing facility
Summerland (Lease) (12)	British Columbia	Fruit Group Snacks Operations	Healthy Administrative office
Omak (Lease) (13)	Washington	Fruit Group Snacks Operations	Healthy Processing, warehouse and distribution

Brampton (Lease) (14)	Ontario	Fruit Group Healthy Snacks Operations	Sales office
Carson City (Lease) (15)	Nevada	Fruit Group Healthy Snacks Operations	Processing, warehouse and distribution
Santa Cruz (Lease) (16)	California	International Foods	Organic Ingredients office
Dalian (Lease) (17)	China	International Foods	Sales office, processing facilities
Amsterdam (Lease) (18)	The Netherlands	International Foods	Sales office
Syke (Lease) (19)	Germany	International Foods	Sales office
Shelton (Lease) (20)	Connecticut	International Foods	Sales office
Addis Ababa (Lease) (21)	Ethiopia	International Foods	Processing facility and warehouse
Acton (4 Leases) (22)	Ontario	International Foods	Office, distribution and warehousing and NHP packaging
Vancouver (Lease) (23)	British Columbia	International Foods	NHP Office, distribution and warehousing
Brantford (Lease) (24)	Ontario	International Foods	NHP Processing, warehouse and distribution

- (1) Leases have an expiry date of June 2012.
(2) Lease has an expiry date of May 2019.
(3) Lease has an expiry date of October 2011.
(4) Lease has an expiry date of November 2023.
(5) Lease has an expiry date of October 2015.
(6) Lease has an expiry date of September 2013.
(7) Lease has an expiry date of January 2013.
(8) Leases have expiry dates of May 2015 and May 2015 respectively.
(9) Lease has an expiry date of December 2016.
(10) Lease has an expiry date of December 2011, and is currently under a sub-lease arrangement to a third party.
(11) Lease has an expiry date of May 2012.
(12) One lease has an expiry date of December 2016 and one lease is month- to-month.
(13) Lease has an expiry date of May 2017.
(14) Lease has an expiry date of November 2012.
(15) Lease has an expiry date of December 2015.
(16) Lease has an expiry date of December 2016.
(17) Lease has an expiry date of September 2011.
(18) Lease has an expiry date of April 2014.
(19) Lease is month to month.
(20) Lease has an expiry date of April 2012.
(21) Lease is month to month.
(22) All leases have an expiry date of December 2011.
(23) Lease has an expiry date of August 2011.
(24) Lease has an expiry date of November 2013.

Opta Minerals

As of January 1, 2011, Opta Minerals operates from the following major locations which are owned unless otherwise noted.

Location	State/Province/Country	Group	Description
Waterdown	Ontario	Opta Minerals	Group head office, processing and distribution

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Brantford (Lease) (1)	Ontario	Opta Minerals	Distribution and packing center
Bruno de Guigues	Quebec	Opta Minerals	Specialty sands
New Orleans (Lease) (2)	Louisiana	Opta Minerals	Abrasives processing
Norfolk (Lease) (3)	Virginia	Opta Minerals	Abrasives processing and distribution
Keeseville (Lease) (4)	New York	Opta Minerals	Garnet processing and distribution
Baltimore (Lease) (5)	Maryland	Opta Minerals	Abrasives processing
Hardeeville	South Carolina	Opta Minerals	Abrasives processing
Laval (Lease) (6)	Quebec	Opta Minerals	Processing facility
Walkerton	Indiana	Opta Minerals	Processing facility
Kosice (Lease) (7)	Slovakia	Opta Minerals	Processing facility
Milan	Michigan	Opta Minerals	Processing facility
Freeport (Lease) (8)	Texas	Opta Minerals	Abrasives processing
Tampa (Lease) (9)	Florida	Opta Minerals	Abrasives processing

(1) Lease has an expiry date of April 2015.

(2) Lease has an expiry date of December 2011.

(3) Lease has an expiry date of October 2011 and an option to purchase up to expiry.

(4) Lease has an expiry date of November 2011.

(5) Lease has an expiry date of December 2013.

(6) Lease has an expiry date of February 2012.

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- (7) Lease is month to month.
 (8) Lease has an expiry date of March 2014.
 (9) Lease has an expiry date of January 2014.

Executive Offices

Our executive head office is located at 2838 Bovaird Drive West, Brampton, Ontario, a property we own.

Item 3. Legal Proceedings

From time to time, we are involved in litigation incident to the ordinary conduct of our business. For a discussion of certain legal proceedings, see Note 16. Commitments and Contingencies to our consolidated financial statements included elsewhere in this report. Although disposition of our pending litigation is currently not expected by management to have a material adverse effect on our business, results of operation or financial condition, these matters are subject to inherent uncertainties and management's view of these matters may change in the future.

Item 4. (Removed and Reserved)

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases Equity Securities

Our common shares trade in U.S. dollars on The NASDAQ Global Select Market under the symbol **STKL**, and in Canadian dollars on the TSX under the symbol **SOY**.

The following table indicates the high and low sales prices for our common shares for each quarterly period during the past two fiscal years as reported by NASDAQ. The prices shown are representative inter-dealer prices, do not include retail mark ups, markdowns or commissions and do not necessarily reflect actual transactions.

Sales Prices on NASDAQ (U.S. Dollars)

2010	HIGH	LOW
First Quarter	4.23	2.65
Second Quarter	5.27	3.80
Third Quarter	6.30	3.98
Fourth Quarter	8.83	5.81
2009	HIGH	LOW
First Quarter	3.88	0.79
Second Quarter	2.50	1.40
Third Quarter	4.20	2.00
Fourth Quarter	4.40	3.05

The following table indicates the high and low sales prices for our common shares for each quarterly period during the past two fiscal years as reported by the TSX.

Sales Prices on TSX (Canadian Dollars)

2010	HIGH	LOW
First Quarter	4.30	2.81
Second Quarter	5.35	3.88
Third Quarter	6.43	4.09
Fourth Quarter	9.00	5.86
2009	HIGH	LOW
First Quarter	4.49	1.06
Second Quarter	2.84	1.66
Third Quarter	4.57	2.31
Fourth Quarter	4.67	3.25

At January 1, 2011, we had approximately 701 shareholders of record. We have never paid cash dividends on our common stock and do not anticipate paying dividends in the foreseeable future. Our future dividend policy will depend on our earnings, capital requirements and financial condition, requirements of the financial agreements to which we are then a party and other factors considered relevant by our Board of Directors. Additionally, the terms of our existing credit facility restrict our ability to pay dividends to shareholders. The receipt of cash dividends by U.S. shareholders from a Canadian corporation, such as we are, may be subject to Canadian withholding tax.

Shareholder Return Performance Graph

This performance graph shall not be deemed filed for purposes of Section 18 of the Exchange Act or incorporated by reference into any filing of SunOpta Inc. under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

The following graph compares the five year cumulative shareholder return on our common shares to the cumulative total return of the S&P/TSX Composite and the NASDAQ Industrial Indices for the period which commenced December 31, 2005.

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
SunOpta Inc.	100.00	167.30	253.80	29.85	63.88	148.67
Nasdaq Industrial Index	100.00	112.39	117.14	63.99	93.96	117.43
S&P/TSX Composite	100.00	114.51	122.72	79.73	104.20	119.26

Assumes that \$100.00 was invested in our common shares and in each Index on December 31, 2005.

Issuance of unregistered securities

On February 5, 2010, the Company issued a Warrant to Purchase Common Shares to a financial advisor in connection with an Advisory Services Agreement (the "Warrant"). The Warrant was issued in connection with services to be performed under the Advisory Services Agreement and did not involve any public offering, general advertising or solicitation. Under the terms of the Warrant, upon exercise the warrant holder is entitled to purchase up to 250,000 common shares at an exercise price of \$3.25. The Warrant may be exercised at any time on or before February 5, 2015. No consideration was received by the Company upon issuance of the Warrant. Based on certain facts and representations by the financial advisor, the Warrant was issued in reliance upon a claimed exemption from registration under the Securities Act of 1933, as amended, pursuant to the provisions of Regulation S promulgated under such Act.

On June 11, 2010, the Company issued a Warrant to Purchase Common Shares to a financial advisor in connection with an advisory services agreement (the "June Warrant"). The June Warrant was issued in connection with services to be performed under the advisory services agreement and did not involve any public offering, general advertising or

solicitation. Under the terms of the June Warrant, upon exercise the warrant holder is entitled to purchase up to 600,000 common shares at an exercise price of \$5.11. The June Warrant may be exercised at any time on or before June 11, 2015. No consideration was received by the Company upon issuance of the June Warrant. Based on certain facts and representations by the financial advisor, the June Warrant was issued in reliance upon a claimed exemption from registration under the Securities Act of 1933, as amended, pursuant to the provisions of Regulation S promulgated under the Securities Act of 1933, as amended.

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Item 6. Selected Financial Data

We have completed a number of acquisitions over the five fiscal periods presented below. For a listing of the acquisitions completed by SunOpta Foods and Opta Minerals, refer to Part I, Item 1 of this report entitled "Business". In addition, the pro-forma revenues, pro forma earnings (loss) attributable to SunOpta Inc., and pro-forma basic and diluted earnings (loss) per share are presented in note 2 (c) of the Consolidated Financial Statements contained in Item 8 of this report.

The following information for the years 2008, 2009 and 2010 has been summarized from our Consolidated Financial Statements included elsewhere in this report. The information for 2006 and 2007 has been updated to reflect the dispositions of the Canadian Food Distribution assets and SunOpta BioProcess Inc. The information set forth below is not necessarily indicative of results of future operations, and should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the Consolidated Financial Statements and related notes included in Item 8 of this report to fully understand the factors that may affect the comparability of the information presented below.

Summary (expressed in thousands of U.S. dollars, except per share amounts)

	2010	2009	2008	2007	2006
	\$	\$	\$	\$	\$
Revenues	898,931	819,040	874,445	647,100	476,046
Earnings (loss) from continuing operations	12,685	(6,490)	(11,899)	42	7,270
Total assets	609,684	551,290	581,047	569,440	404,730
Long-term debt (including current portion)	64,982	87,189	111,527	98,714	77,827
Long-term liabilities (including current portion)	7,213	3,443	6,379	4,611	5,343
Basic earnings (loss) per share from continuing operations	0.20	(0.10)	(0.18)	0.00	0.13
Diluted earnings (loss) per share from continuing operations	0.19	(0.10)	(0.18)	0.00	0.13

Exchange rates (Cdn \$ / U.S. \$)

Period end	0.9946	1.0510	1.2180	0.9913	1.1654
Average	1.0300	1.1415	1.0660	1.0740	1.1344

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-looking Financial Information

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section provides analysis of our operations and financial position for the fiscal period ended January 1, 2011 and includes information available to February 28, 2011. It is supplementary information and should be read in conjunction with our 2010 Consolidated Financial Statements, including the accompanying notes, management's report and the auditor's report included elsewhere in this report.

Certain statements contained in this MD&A may constitute forward-looking statements as defined under securities laws. Forward-looking statements may relate to our future outlook and anticipated events or results and may include statements regarding our future financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, taxes, plans and objectives. In some cases, forward-looking statements can be identified by terms such as may , will , should , expect , plan , anticipate , believe , intend , estimate , continue , or other similar expressions concerning matters that are not historical facts.

To the extent any forward-looking statements contain future-oriented financial information or financial outlooks, such information is being provided to enable a reader to assess our financial condition, material changes in our financial condition and our results of operations, including liquidity and capital resources for the fiscal period ended January 1, 2011, compared with the fiscal period ended December 31, 2009. Readers are cautioned that this information may be not appropriate for any other purpose, including investment decisions.

Forward-looking statements contained in this MD&A are based on certain factors and assumptions regarding expected growth, results of operations, performance, and business prospects and opportunities. While we consider these assumptions to be reasonable, based on information currently available, they may prove to be incorrect.

Forward-looking statements are also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what we currently expect. These factors are more fully described in the Risk Factors section at Item 1A of this Annual Report on Form 10-K.

Forward-looking statements contained in this commentary are based on our current estimates, expectations and projections, which we believe are reasonable as of the current date. You should not place undue importance on forward-looking statements and should not rely upon this information as of any other date. Other than as required under securities laws, we do not undertake to update any forward-looking information at any particular time.

Overview

The 2010 Consolidated Financial Statements include the results of our two principal industry segments:

- SunOpta Foods, which accounts for approximately 91% of 2010 revenues, sources, processes, packages, markets and distributes a wide range of natural, organic, and specialty food products and ingredients with a focus on soy, corn, sunflower, fruit, fiber and other natural and organic foods and natural health products; and
- Opta Minerals, which accounts for approximately 9% of 2010 revenues, processes, distributes and recycles silica- free loose abrasives, roofing granules, industrial minerals and specialty sands for the foundry, loose abrasives cleaning, steel, roofing shingles and bridge and ship-cleaning industries.

Both of our industry segments are growth oriented, ethical businesses, focused on environmental responsibility and the health and well being of the communities they serve. For a more detailed description of our operating groups and their businesses, please see the Business section at Item 1 of this Annual Report on Form 10-K.

The MD&A detailed below is presented in seven parts: Critical Accounting Estimates, Results of Operations for 2010 versus 2009 and 2009 versus 2008, Liquidity and Capital Resources, Cash Flows, Business and Financial Outlook, Off-balance Sheet Arrangements, and Contractual Obligations. This MD&A should be read in conjunction with our January 1, 2011 Consolidated Financial Statements and accompanying notes. Dollar amounts in this MD&A are presented in thousands of U.S. Dollars, unless otherwise noted.

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Critical Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, related revenues and expenses, and disclosure of gain and loss contingencies at the date of the financial statements. The estimates and assumptions made require us to exercise our judgment and are based on historical experience and various other factors that we believe to be reasonable under the circumstances. We continually evaluate the information that forms the basis of our estimates and assumptions as our business and the business environment generally changes. The use of estimates is pervasive throughout our financial statements. The following are the accounting estimates which we believe to be most important to our business.

Revenue recognition

We recognize revenue at the time of delivery of the product or service and when all of the following have occurred: a sales agreement is in place, price is fixed or determinable, and collection is reasonably assured. Consideration given to customers such as value incentives, rebates, early payment discounts and other discounts are recorded as reductions to revenues at the time of sale.

Accounts receivable

Our accounts receivable primarily includes amounts due from our customers. The carrying value of each account is carefully monitored with a view to assessing the likelihood of collection. An allowance for doubtful accounts is provided for as an estimate of losses that could result from customers defaulting on their obligation to us. In assessing the amount of reserve required, a number of factors are considered including the age of the account, the credit-worthiness of the customer, payment terms, the customer's historical payment history and general economic conditions. Because the amount of the reserve is an estimate, the actual amount collected could differ from the carrying value of the amount receivable. Note 4 of the 2010 Consolidated Financial Statements provides an analysis of the changes in the allowance for doubtful accounts.

Inventory

Inventory is our largest current asset. Our inventory consists primarily of raw materials and finished goods held for sale. Inventories are valued at the lower of cost, valued on a weighted average cost basis, or estimated net realizable value except certain grain inventories that are carried at market value. Depending on market conditions, the actual amount received on sale could differ from our estimated value of inventory when provisions to record inventory at market are necessary. In order to determine the value of inventory at the balance sheet date, we evaluate a number of factors to determine the adequacy of provisions for inventory. The factors include the age of inventory, the amount of inventory held by type, future demand for products and the expected future selling price we expect to realize by selling the inventory. Our estimates are judgmental in nature and are made at a point in time, using available information, expected business plans and expected market conditions. We perform a review of our inventory by reporting unit and product line on a quarterly basis. Note 5 of the 2010 Consolidated Financial Statements provides an analysis of the movements in inventory reserve.

Prepaid and other current assets

Prepaid and other current assets include amounts paid in cash and recorded as a current asset prior to consumption. The balance also includes advances to growers required to secure future delivery of product (net of provisions). An allowance against realizing these advances is recorded when it is determined that we will not recover the advances, due to default on scheduled repayment terms, or general economic or market conditions. Advances to growers are typically made at the start of the growing season. We monitor our advances to growers by monitoring adherence to agreed upon terms as well as evaluating general economic and market conditions, and assessing the status of the crops

being grown in order to determine if the collection of the advance is at risk.

Impairment testing of goodwill

With the implementation of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) topic 350-20 (formerly Statement of Financial Accounting Standard No. 142, Goodwill and Other Intangible Assets), goodwill and intangible assets with an indefinite life are no longer amortized, but instead are tested at least annually for impairment. Any impairment loss is recognized in income.

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In accordance with ASC 350-20, we evaluate goodwill for impairment on a reporting unit basis. Reporting units are operating segments or components of operating segments for which discrete financial information is available. To evaluate goodwill, the fair value of each reporting unit is compared to its carrying value. Where the carrying value is greater than the fair value, the implied fair value of the reporting unit goodwill is determined by allocating the fair value of the reporting unit to all the assets and liabilities of the reporting unit with any remainder being allocated to goodwill. The implied fair value of the reporting unit goodwill is then compared to the carrying value of that goodwill to determine whether an impairment loss exists.

We measure the fair value of reporting units using discounted cash flows. Because the business is assumed to continue in perpetuity, the discounted future cash flow includes a terminal value. The first year or base year in the calculation of the discounted cash flow model is based on actual results in each component, adjusted for unusual and non-recurring items. Future years' cash flows to perpetuity are forecasted based on projected revenue growth, and our planned business strategies in future periods that would impact actual cash flows reported in the base year. Examples of planned strategies would include a plant or line expansion at an existing facility, a reduction of working capital at a specific location, and price increases or cost reductions within business units. The revenue growth and planned business strategies for future periods incorporated into the discounted cash flow model reflect our long-term view of the market. The discount rate is based on a segment's targeted weighted average cost of capital, which is not necessarily the same as our weighted average cost of capital. These assumptions are subject to change and are also impacted by our ability to achieve our forecasts and by economic conditions which may impact future results and result in projections not being attained. Each year we re-evaluate the assumptions used to reflect changes in the business environment.

During the third quarter of 2010, we determined that there were external market conditions and other circumstances that suggested the carrying value of the natural health products reporting unit, which is part of the International Foods segment, may exceed its fair value. These external market conditions and other circumstances included reduced sales levels, increased competition leading to price concessions and decreased market share, shift in product mix causing lower gross margins, and product delisting at certain retailers. As a result of completing the test for goodwill impairment, we determined that the carrying value of goodwill in our natural health reporting unit exceeded its fair value, and recorded a non-cash goodwill impairment charge of \$1,654.

The rest of the annual goodwill impairment test for the year ended January 1, 2011 indicated that the fair value of the Grains and Foods Group, the Ingredients Group and The Organic Corporation (a reporting unit within the International Foods Group) exceeded their carrying values, and as a result, no impairment charges were recorded.

During the year ended December 31, 2009, Opta Minerals determined that there were external market conditions and other circumstances that suggested the carrying value of certain reporting units in Opta Minerals may exceed their fair value. These external market conditions and other circumstances included continued operating losses and extended periods of facility underutilization due to continued weakness in the steel, abrasives and foundry markets. As a result of completing a test for goodwill impairment, Opta Minerals determined that the carrying value of goodwill in certain of its mill and foundry and abrasive products reporting units exceeded their fair value, and recorded a non-cash impairment charge of \$8,341. Also during the year ended December 31, 2009, we determined that the \$500 increase in goodwill as a result of contingent consideration in the Fruit Group resulted in the carrying value of the group exceeding its fair value. As a result, we recorded a \$500 charge to the consolidated statement of operations. Note 7 of the 2010 Consolidated Financial Statements provides a summary of the critical assumptions used in the 2010 annual impairment test.

Purchase price allocation

Business acquisitions are accounted for by the purchase method of accounting. Under this method, the purchase price is allocated to the assets acquired and the liabilities assumed based on the fair value at the time of the acquisition. Any excess purchase price over the fair value of identifiable assets and liabilities acquired is recorded as goodwill. The

assumptions and estimates with respect to determining the fair value of intangible assets acquired generally requires the most judgment, and include estimates of future profitability, and/or customer and supplier based attrition, income tax rates and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of the acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill in the purchase price allocation. Future net earnings can be affected as a result of changes in these estimates resulting in an asset or goodwill impairment. Further, amortization periods are subjective based on expected useful lives and chosen rates. In accordance with ASC 805, Business Combinations, all costs incurred related to the acquisitions completed during fiscal 2010 were charged to the consolidated statement of operations. Note 2 of the Consolidated Financial Statements provide information with respect to businesses acquired and note 7 outlines annual amortization expense relating to these intangibles.

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Accrued expenses and other assets

We make estimates of future payments and receipts which relate to current and future accounting periods. These estimates cover items such as accrued but unpaid wages and bonuses, estimates of taxes and estimates of amounts payable or receivable under legal suits. In establishing appropriate accruals and receivable balances, we must make judgments regarding the amount of the disbursement or receipts that will ultimately be incurred or received. In making such assessments, we use historical experience as well as any other special circumstances surrounding a particular item. The actual amount paid or received could differ from our estimates.

Income taxes

We are liable for income taxes in the United States, Canada, and other jurisdictions where we operate. Our effective tax rate differs from the statutory tax rate and will vary from year to year primarily as a result of numerous permanent differences, investment and other tax credits, the provision for income taxes at different rates in foreign and other provincial jurisdictions, enacted statutory tax rate increases or reductions in the year, the benefit of cross-jurisdictional financing structures, changes due to foreign exchange, changes in valuation allowance based on our recoverability assessments of deferred tax assets, and favourable or unfavourable resolution of various tax examinations.

In making an estimate of our income tax liability, we first assess which items of income and expense are taxable in a particular jurisdiction. This process involves a determination of the amount of taxes currently payable as well as the assessment of the effect of temporary timing differences resulting from different treatment of items for accounting and tax purposes. These differences in the timing of the recognition of income or the deductibility of expenses result in deferred income tax balances that are recorded as assets or liabilities as the case may be on our balance sheet. We also estimate the amount of valuations allowance to maintain relating to loss carry forwards and other balances that can be used to reduce future taxes payable. This judgment is based on forecasted results in the jurisdiction and certain tax planning strategies and as a result actual results may differ from forecasts. We assess the likelihood of the ultimate realization of these tax assets by looking at the relative size of the tax assets in relation to the profitability of the businesses and the jurisdiction to which they can be applied to, the number of years based on management's estimate it will take to use the tax assets and any other special circumstances. If different judgments had been used, our income tax liability could have been different from the amount recorded. In addition, the taxing authorities of those jurisdictions upon audit may not agree with our assessment. Note 13 of the Consolidated Financial Statements provides an analysis of the changes in the valuation allowance and the components of our deferred tax assets.

In June 2006, the FASB issued ASC Topic 740 (formerly Interpretation No. 48, Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109). ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. While we believe we have adequately provided for all tax positions, amounts asserted by taxing authorities could differ from accrued position. Accordingly, additional provisions on federal, provincial, state and foreign tax-related matters could be recorded in the future as revised estimates are made or the underlying matters are settled or otherwise resolved.

Stock compensation

We maintain a stock option plan under which incentive stock options may be granted to employees and non-employee directors. Effective January 1, 2006, ASC 718 (formerly SFAS No. 123(R) Share-Based Payments) requires that we record stock based compensation expenses within the consolidated statements of operations and comprehensive earnings (loss).

At each grant date, we are required to estimate a number of inputs, such as the estimated life of the option and the forfeiture rate used in the Black-Scholes model to determine a fair value for the options granted to employees or non-employee directors. Once determined at the grant date, fair value of the stock award is recorded over the vesting period of the options granted. Refer to note 11 of the 2010 Consolidated Financial Statements for disclosure of the inputs used to determine the fair value of stock based compensation granted in 2010, 2009 and 2008.

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Results of 2010 Operations Compared With Results of 2009 Operations
(Expressed in thousands of U.S dollars, except per share amount)

	January 1, 2011	December 31, 2009	Change	Change
	\$	\$	\$	%
Revenue				
SunOpta Foods	818,063	756,517	61,546	8.1%
Opta Minerals	80,868	62,523	18,345	29.3%
Total Revenue	898,931	819,040	79,891	9.8%
Gross Profit				
SunOpta Foods	124,407	95,978	28,429	29.6%
Opta Minerals	20,037	13,081	6,956	53.2%
Total Gross Profit	144,444	109,059	35,385	32.4%
Operating Income				
SunOpta Foods	44,837	17,660	27,177	153.9%
Opta Minerals	7,753	1,161	6,592	567.8%
Corporate Services	(11,213)	(6,614)	(4,599)	69.5%
Total Operating Income	41,377	12,207	29,170	239.0%
Other expense, net	10,945	2,245	8,700	387.5%
Goodwill impairment	1,654	8,841	(7,187)	-81.3%
Interest expense, net	9,749	13,839	(4,090)	-29.6%
Provision for (recovery of) income taxes	5,463	(3,201)	8,664	-270.7%
Earnings from continuing operations	13,566	(9,517)	23,083	242.5%
Earnings (loss) attributable to non-controlling interests	881	(3,027)	3,908	-129.1%
Loss from discontinued operations, net of taxes	(14,569)	(273)	(14,296)	5236.6%
Gain on sale of discontinued operations, net of taxes	62,950	-	62,950	n/m
Earnings (loss) attributable to SunOpta Inc.	61,066	(6,763)	67,829	n/m

(Operating Income is defined as Earnings before the following excluding the impact of Other expense (income), net, and "Goodwill impairment")

Revenues for the year ended January 1, 2011 increased by 9.8% to \$898,931 from \$819,040 for the year ended December 31, 2009. Revenues in SunOpta Foods increased by 8.1% to \$818,063 and revenues in Opta Minerals increased by 29.3% to \$80,868. The increased revenue is based on consolidated internal growth of 8.6% and acquisition revenues of \$13,076. Internal growth includes growth on the base business plus growth on acquisitions from the date of acquisition over the previous year in addition to the impact of foreign exchange movements on the translation of foreign denominated revenue to U.S. dollars and commodity related price movements. Excluding the impact of foreign exchange and commodity related price movements, revenues increased approximately 10.6% over the prior year. The acquisition of Dahlgren & Company, Inc. and Edner of Nevada, Inc. added incremental acquisition

revenues of \$13,031 and \$45, respectively. The increase in revenue was due primarily to the changes in sales volume and pricing described below in Segmented Operations Information .

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Gross profit increased \$35,385, or 32.4%, for the year ended January 1, 2011 to \$144,444 from \$109,059 for the year ended December 31, 2009. As a percentage of revenues, gross profit for the year ended January 1, 2011 was 16.1% compared to 13.3% for the year ended December 31, 2009, an increase of 2.8%. For the year ended January 1, 2011, we experienced increased gross profit in all of our operating segments. Within SunOpta Foods, higher volumes of fiber, fruit ingredient products, grains, consumer products and plant efficiencies all contributed to the increased gross profit. Also contributing to the increase in gross profit was a rebound in the steel and abrasive markets for Opta Minerals. The improvement in gross profit was due primarily to a lower overall cost of goods sold, as a percentage of revenues, as a result of the variances described below under Segmented Operations Information .

Warehouse and Distribution (W&D) costs for the year ended January 1, 2011 were \$3,703, a \$520 decrease compared to \$4,223 for the year ended December 31, 2009. These costs are solely related to the International Foods Group and specifically the Group's Canadian based natural health products operation as warehousing and distribution costs for all other operations are considered part of cost of goods sold.

Selling, general and administrative costs (SG&A) including intangible asset amortization increased \$7,864 to \$101,016 for the year ended January 1, 2011 compared to \$93,152 for the year ended December 31, 2009. The combination of a stronger Canadian dollar and a weaker Euro for the year ended January 1, 2011 led to a \$3,049 increase in SG&A on foreign denominated costs. Additional SG&A costs of \$6,844 relating to higher compensation costs, the acquisition of Dahlgren & Company, Inc., non-cash stock compensation, professional fees and general overhead expenses were offset by a \$2,029 reduction in costs relating to brand re-launch initiatives at our natural health products operation and severance and facility rationalizations in our frozen foods operations. As a percentage of revenues, SG&A costs and intangible asset amortization costs were 11.2% for the year ended January 1, 2011 compared to 11.4% for the year ended December 31, 2009.

Foreign exchange gains were \$1,652 for the year ended January 1, 2011 as compared to gains of \$523 for the year ended December 31, 2009. The increase is primarily due to favourable exchange rate movements for the Euro and Canadian dollar relative to the U.S. dollar.

Operating income for the year ended January 1, 2011 increased by \$29,170 to \$41,377 compared to operating income of \$12,207 for the year ended December 31, 2009 due to the factors noted above. As a percentage of revenue, operating income was 4.6% for the year ended January 1, 2011, compared to 1.5% for the year ended December 31, 2009. Further details on revenue, gross margins and operating income variances are provided below under Segmented Operations Information .

Other expense for the year ended January 1, 2011 of \$10,945 reflects non-cash long-lived asset impairment charges recorded in the Fruit Group of \$7,033 and \$1,805 of severance and other period costs expensed as incurred due to rationalization efforts that began in fiscal 2009 and continued into 2010, as well as the rationalization efforts at our natural health products operation which began in the second quarter of 2010. In addition, there were other expenses relating to acquisition costs of \$547, non-cash stock compensation expense of \$435 at Opta Minerals, non-cash pension curtailment expense of \$588 and other charges totalling \$537 relating primarily to the Fruit Group. In 2009, other expense of \$2,245 related to facility rationalization costs, the settlement of a labour related class action lawsuit, and the elimination of certain long-term liabilities at Opta Minerals.

Goodwill impairment of \$1,654 reflects a non-cash impairment charge recorded as the Company determined that the carrying value of goodwill in the International Foods Group and specifically its natural health products reporting unit exceeded its fair value. In 2009, goodwill impairment charges were recorded for \$8,341 at Opta Minerals and \$500 in the Fruit Group.

Interest expense for the year ended January 1, 2011 was \$9,749 compared to \$13,839 for the year ended December 31, 2009, a \$4,090 decrease. Borrowing costs were lower for the year ended January 1, 2011 due to lower debt levels, due in part to the proceeds received on the sale of the Canadian Food Distribution assets, lower LIBOR rates, improved

positioning on our interest rate pricing grid due to stronger operating results, and as a result of \$1,800 of non-cash interest charges incurred in 2009 related to the waiver and amendment of our credit facilities, which occurred on April 30, 2009.

Income tax provision for the year ended January 1, 2011 was \$5,463 compared to a recovery of \$3,201 for the year ended December 31, 2009, due to the higher consolidated earnings before tax in the current period.

Earnings from continuing operations for the year ended January 1, 2011 were \$13,566 as compared to a loss of \$9,517 for the year ended December 31, 2009, a \$23,083 increase. Basic and diluted earnings per share from continuing operations was \$0.20 and \$0.19 respectively for the year ended January 1, 2011 compared to a loss of \$0.10 and \$0.10 respectively for the year ended December 31, 2009.

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Earnings attributable to non-controlling interest for the year ended January 1, 2011 were \$881 compared to losses of \$3,027 for the year ended December 31, 2009. The \$3,908 increase is due to higher net earnings in our less than wholly-owned subsidiaries.

Losses from discontinued operations, net of income taxes, were \$14,569 for the year ended January 1, 2011 compared to losses of \$273 for the year ended December 31, 2009. The \$14,296 increase in losses from discontinued operations is due to \$15,280 relating to stock-based and other compensation costs that were realized upon the sale of SunOpta BioProcess, and costs of \$1,289 incurred as a result of the sale of the Canadian Food Distribution assets including retention bonuses, severances and mandatory interest payments, offset by \$2,273 of higher operating margins from discontinued operations.

Gain on the sale of discontinued operations of \$62,950 represents the after tax gains realized on the dispositions of the Canadian Food Distribution assets and the shares of SunOpta BioProcess Inc.

On a consolidated basis, earnings and basic and diluted earnings per share were \$61,066, \$0.94 and \$0.92 respectively, for the year ended January 1, 2011, compared to losses of \$6,763, \$0.10 and \$0.10, respectively, for the year ended December 31, 2009.

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Adjusted Earnings from Operations

Following is a calculation of our Adjusted earnings from operations ⁽¹⁾ and Adjusted net earnings per share ⁽¹⁾ for the year ended January 1, 2011:

			Diluted Earnings per Share ⁽²⁾
Earnings attributable to SunOpta Inc.	\$	61,066	\$ 0.92
Adjusted for:			
Gain on sale of discontinued operations, net of taxes		(62,950)	(0.95)
Gain on dilution of SunOpta BioProcess Inc.'s ownership position in Xylitol Canada		(1,242)	(0.02)
Reversal of tax valuation allowance at SunOpta Inc., net of valuation allowance recorded at Opta Minerals		(350)	(0.01)
Costs included in discontinued operations as a result of the sale of the Canadian food distribution assets and SunOpta BioProcess Inc., net of taxes of \$388		16,183	0.25
Impairment of long-lived assets and goodwill, net of taxes of \$2,321		6,367	0.10
Severance and closure costs at our natural health products operation and our brokerage operation, net of taxes of \$345		662	0.01
Non-cash pension curtailment expense		588	0.01
Costs incurred to complete acquisitions of Dahlgren & Company Inc. and Edner of Nevada, Inc.		547	0.01
Non-cash compensation costs related to cancelled stock options recorded at Opta Minerals, net of \$146 allocated to non-controlling interests		289	-
Adjusted earnings from operations ⁽¹⁾	\$	21,160	\$ 0.32

Adjusted net earnings per share ⁽¹⁾ for the year ended January 1, 2011 were \$0.32 per diluted common share. During the year ended January 1, 2011, we recognized gains and recorded specific expenses against net earnings that we do not believe are reflective of normal business operations. As a result, we believe it is useful to eliminate these gains and expenses to compute an adjusted net earnings per share ⁽¹⁾ amount for the year ended January 1, 2011 which we believe is more reflective of normal business operations.

During the year ended January 1, 2011, we recorded gains on the sales of the Canadian Food Distribution assets and the sale of SunOpta BioProcess Inc. (see note 3). Losses from discontinued operations, net of income taxes, include costs incurred as a result of the sales including stock-based and other compensation rewards that were triggered upon closing of the sales, severances and mandatory interest payments. We also executed a restructuring plan at our natural health products operation as a result of market conditions and the sale of the Canadian Food Distribution assets, which triggered severance costs. As a result of its dilution in ownership in an investment prior to being sold, SunOpta BioProcess recorded a non-taxable dilution gain in the second quarter of 2010. We also recorded asset write-downs relating to property, plant and equipment and intangible assets within the Fruit Group, recognized a goodwill impairment charge relating to our natural health products division, and reversed a tax valuation allowance relating to a tax position that is no longer uncertain. In addition, we incurred professional, legal and other costs related to our fourth quarter of 2010 acquisitions of Dahlgren & Company, Inc. and the assets of Edner of Nevada Inc., as well as non-cash compensation related to cancelled stock options at our less than wholly-owned subsidiary. We believe that earnings attributable to SunOpta Inc. is the performance measure calculated and presented in accordance with GAAP that is most directly comparable to Adjusted earnings from operations⁽¹⁾, and that earnings per share is the performance measure calculated and presented in accordance with GAAP that is most directly comparable to Adjusted net earnings per share ⁽¹⁾.

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The table above reconciles earnings attributable to SunOpta Inc. to Adjusted earnings from operations⁽¹⁾ and reconciles earnings per share to Adjusted net earnings per share ⁽¹⁾, in each case for the year ended January 1, 2011.

(1) Adjusted net earnings per share and Adjusted earnings from operations are non-GAAP financial measures. We believe these non-GAAP measures, which have been adjusted for the impact of the items listed in the table above, assist investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. Adjusted net earnings per share and Adjusted earnings from operations should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP.

(2) The Diluted weighted average number of shares outstanding for the year ended January 1, 2011 is 66,028,278 (see note 12).

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Segmented Operations Information**SunOpta Foods**

For the year ended	January 1, 2011	December 31, 2009	Change	% Change
Revenue	818,063	756,517	61,546	8.1%
Gross Margin	124,407	95,978	28,429	29.6%
Gross Margin %	15.2%	12.7%		2.5%

Operating Income	44,837	17,660	27,177	153.9%
Operating Income %	5.5%	2.3%		3.2%

(Operating Income is defined as Earnings before the following excluding the impact of Other expense (income), net , and "Goodwill impairment")

SunOpta Foods contributed \$818,063 or 91.0% of consolidated revenue for the year ended January 1, 2011 compared to \$756,517 or 92.4% of consolidated revenues for the year ended December 31, 2009, an increase of \$61,546. The increased revenue is based on SunOpta Foods internal growth of 6.9% and acquisition revenues of \$13,076. Internal growth includes growth on the base business plus growth on acquisitions from the date of acquisition over the previous year in addition to the impact of foreign exchange movements on the translation of foreign denominated revenue to U.S. dollars and commodity related price movements. Excluding the impact of foreign exchange and commodity related price movements, revenues in SunOpta Foods increased approximately 9.1% over the prior year. The acquisition of Dahlgren and Company, Inc. and Edner of Nevada, Inc. added incremental acquisition revenues of \$13,031 and \$45, respectively. The table below explains the increase in revenue by group:

SunOpta Foods Revenue Changes	
Revenue for the year ended December 31, 2009	\$756,517
Increase in the Grains and Foods Group	40,489
Increase in the Ingredients Group	3,706
Increase in the Fruit Group	4,135
Increase in the International Foods Group	13,216
Revenue for the year ended January 1, 2011	\$818,063

Gross margin in SunOpta Foods increased by \$28,429 for the year ended January 1, 2011 to \$124,407, or 15.2% of revenues, compared to \$95,978, or 12.7% of revenues for the year ended December 31, 2009. The table below explains the increase in gross margin by group:

SunOpta Foods Gross Margin Changes	
Gross Margin for the year ended December 31, 2009	\$95,978
Increase in the Grains and Foods Group	10,054
Increase in the Ingredients Group	4,910
Increase in the Fruit Group	7,381
Increase in the International Foods Group	6,084
Gross Margin for the year ended January 1, 2011	\$124,407

Operating income in SunOpta Foods increased by \$27,177 for the year ended January 1, 2011 to \$44,837 or 5.5% of revenues, compared to \$17,660 or 2.3% of revenues for the year ended December 31, 2009. The table below explains the increase in operating income:

SunOpta Foods Operating Income Changes	
Operating Income for the year ended December 31, 2009	\$17,660
Increase in gross margin, as noted above	28,429
Increase in foreign exchange gains	805
Increase in SG&A costs	(2,577)
Decrease in W&D costs	520
Operating Income for the year ended January 1, 2011	\$44,837

Further details on revenue, gross margin and operating income variances within SunOpta Foods are provided in the segmented operations information that follows.

Grains and Foods Group	January 1, 2011	December 31, 2009	Change	% Change
Revenue	365,527	325,038	40,489	12.5%
Gross Margin	46,351	36,297	10,054	27.7%
Gross Margin %	12.7%	11.2%		1.5%
Operating Income	26,398	18,044	8,354	46.3%
Operating Income %	7.2%	5.6%		1.6%

(Operating Income is defined as Earnings before the following excluding the impact of Other expense (income), net, and "Goodwill impairment")

The Grains and Foods Group contributed \$365,527 in revenues for the year ended January 1, 2011, compared to \$325,038 for the year ended December 31, 2009, a \$40,489 or 12.5% increase. The table below explains the increase in revenue:

Grains and Foods Group Revenue Changes	
Revenue for the year ended December 31, 2009	\$325,038
Higher volume of commodity grains and grain-based food ingredients and incremental revenue generated from our South African soy base operation	25,946
Higher soymilk and alternate beverage sales due to growth in volumes from existing and new customer contracts and the commencement of aseptically packaged natural broth and soup products at our Alexandria, MN facility	22,715
Incremental revenue from the acquisition of Dahlgren on November 8, 2010	13,031
Increased specialty oil volume from the Colorado Mills vegetable oil operation which commenced commercial operations near the end of 2009	613
Increased sunflower product sales as a result of higher bakery kernel and by-product volume, offset by lower volume of in-shell products and by price declines due in part to the weakening Euro	608
Volume increase at our roasted grain operation as a result of the launch of our Sunrich Naturals brand roasted snack product	597
Decline in price for commodity soy and corn as well as organic grains and grain-based ingredients	(14,076)

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Loss of significant customer for extended shelf life soy milk products in the third quarter of 2009	(8,945)
Revenue for the year ended January 1, 2011	\$365,527

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Gross margin in the Grains and Foods Group increased by \$10,054 to \$46,351 for the year ended January 1, 2011 compared to \$36,297 for the year ended December 31, 2009, and the gross margin percentage increased by 1.5% to 12.7%. The increase in gross margin as a percentage of revenue is primarily due to a favourable shift in sales mix, as soymilk and alternative beverages as well as sunflower products have higher inherent margins than our grain-based sales. Improved efficiencies at our West Coast aseptic packaging facility which was being commissioned during the first half of 2009 also helped to increase the gross margin rate. The table below explains the increase in gross margin:

Grains and Foods Group Gross Margin Changes	
Gross Margin for the year ended December 31, 2009	\$36,297
Higher volumes of soymilk, alternate beverages and broth products	5,239
Increased volume for bakery kernel products combined with plant efficiencies and improved in-shell pricing	3,621
Pre-opening costs incurred in 2009 at our aseptic packaging facility in Modesto, California which became operational late in the second quarter of 2009	2,464
Incremental margin from the acquisition of Dahlgren on November 8, 2010	2,048
Loss of significant customer for extended shelf life soy milk products in the third quarter of 2009	(1,994)
Business interruption insurance proceeds not received in 2010	(577)
Inefficiencies at our vegetable oil refinery operation due to equipment issues and low plant throughput, offset by increased volumes in our roasted grain operation as a result of launch of Sunrich Naturals brand roasted product, and production efficiencies	(428)
Unfavourable pricing of our non-GMO and organic grains and grain-based foods due to market pricing of specialty grains and crop quality, offset by increased volumes	(319)
Gross Margin for the year ended January 1, 2011	\$46,351

Operating income in the Grains and Foods Group increased by \$8,354 or 46.3% to \$26,398 for the year ended January 1, 2011, compared to \$18,044 for the year ended December 31, 2009. The table below explains the increase in operating income:

Grains and Foods Group Operating Income Changes	
Operating Income for the year ended December 31, 2009	\$18,044
Increase in gross margin, as explained above	10,054
Lower foreign exchange losses	207
Increased professional fees and reserves as a result of the dispute with Colorado Sun Oil Processors, LLC	(767)
Increased office, travel, marketing and R&D costs due to facility expansions and international strategy initiatives, partially offset by lower compensation costs	(577)
Incremental SG&A from the acquisition of Dahlgren on November 8, 2010	(563)
Operating Income for the year ended January 1, 2011	\$26,398

Looking forward, we believe the acquisition of Dahlgren & Company, Inc. positions us as a global leader in the confection sunflower business with solid growth potential. We expect our aseptic packaging expansion on the West Coast to continue to enhance our capacity to manufacture aseptic soy and alternate beverages. We also intend to focus our efforts on growing our sunflower and IP grains business, expanding revenues from organic ingredients and continuing to focus on value-added ingredient and packaged product offerings. Additionally, the international expansion of our soy base sales via strategic relationships for procurement of product is expected to drive incremental sales volume. Our long-term expectation for this group is to achieve a segment operating margin of 6% to 8% which assumes we are able to secure consistent quantity and quality grains and sunflower stocks, improve product mix, and control costs. The statements in this paragraph are forward-looking statements. See Forward-Looking Statements above. Increased supply pressure in the commodity-based markets in which we operate, volume decreases or loss of customers, or our inability to secure quality inputs or achieve our product mix or cost reduction goals, along with the other factors described above under Forward-Looking Statements, could adversely impact our ability to meet these forward-looking expectations.

Ingredients Group	January 1, 2011	December 31, 2009	Change	% Change
Revenue	68,363	64,657	3,706	5.7%
Gross Margin	21,106	16,196	4,910	30.3%
Gross Margin %	30.9%	25.0%		5.9%
Operating Income	13,172	8,691	4,481	51.6%
Operating Income %	19.3%	13.4%		5.9%

(Operating Income is defined as Earnings before the following excluding the impact of Other expense (income), net, and "Goodwill impairment")

The Ingredients Group contributed \$68,363 in revenues for the year ended January 1, 2011, compared to \$64,657 for the year ended December 31, 2009, a \$3,706 or 5.7% increase. The table below explains the increase in revenue:

Ingredients Group Revenue Changes		
Revenue for the year ended December 31, 2009		\$64,657
Increased oat and soy fiber volumes due to customer demands, slightly offset by price decreases		3,567
Improved pricing in contract manufacturing		1,735
Decrease in blended food ingredients due to lower volume and the partial sale of our product portfolio during the fourth quarter of 2009, as well as lower pricing in the dairy blends market		(1,256)
Decrease in bran sales due to lower volumes in corn as well as the overall bran market		(340)
Revenue for the year ended January 1, 2011		\$68,363

Gross margin in the Ingredients Group increased by \$4,910 to \$21,106 for the year ended January 1, 2011 compared to \$16,196 for the year ended December 31, 2009, and the gross margin percentage increased by 5.9% to 30.9%. The increase in gross margin as a percentage of revenue is due to continued process improvements implemented in our manufacturing facilities and lower raw material costs coupled with higher fiber volumes. The table below explains the increase in gross margin:

Ingredients Group Gross Margin Changes	
Gross Margin for the year ended December 31, 2009	\$16,196
Increase due to oat and soy fiber volume and plant efficiencies	3,802
Increase in volume and pricing in contract manufacturing	1,158
Lower manufacturing costs in dairy blends and other blended products, partially offset by lower volumes	288
Decrease in starch and brans due primarily to lower volume	(338)
Gross Margin for the year ended January 1, 2011	\$21,106

Operating income in the Ingredients Group increased by \$4,481, or 51.6%, to \$13,172 for the year ended January 1, 2011, compared to \$8,691 for the year ended December 31, 2009. The table below explains the increase in operating income:

Ingredients Group Operating Income Changes	
Operating Income for the year ended December 31, 2009	\$8,691
Increase in gross margin, as explained above	4,910
Decrease in bad debt expense	321
Increase in compensation costs	(477)
Higher professional fees, increased travel expense and higher general office costs and corporate allocations, offset by a decrease in foreign exchange losses	(273)
Operating Income for the year ended January 1, 2011	\$13,172

Looking forward, we will continue to concentrate on growing the Ingredients Group's fiber portfolio and customer base through product innovation and diversification of both soluble and insoluble fiber applications. We will also focus on maintaining the continuous improvement culture of this group to further increase capacity utilization, reduce costs, and sustain margins. Our long-term expectation for the Ingredients Group is to maintain segment operating margins of 12% to 15%. The statements in this paragraph are forward-looking statements. See "Forward-Looking Statements" above. An unexpected increase in input costs or our inability to introduce new products to the market, or implement our strategies and goals relating to pricing, capacity utilization or cost reductions, along with the other factors described above under "Forward-Looking Statements," could adversely impact our ability to meet these forward-looking expectations.

Fruit Group	January 1, 2011	December 31, 2009	Change	% Change
Revenue	151,578	147,443	4,135	2.8%
Gross Margin	19,427	12,046	7,381	61.3%
Gross Margin %	12.8%	8.2%		4.6%
Operating Income	3,615	(4,073)	7,688	188.8%
Operating Income %	2.4%	-2.8%		5.2%

(Operating Income is defined as Earnings before the following excluding the impact of Other expense (income), net, and "Goodwill impairment")

The Fruit Group contributed \$151,578 in revenues for the year ended January 1, 2011, compared to \$147,443 for the year ended December 31, 2009, a \$4,135 or 2.8% increase. The table below explains the increase in revenue:

Fruit Group Revenue Changes	
Revenue for the year ended December 31, 2009	\$147,443
Higher volume due to the increased demand at our fruit ingredient operations for industrial and food service products and new product offerings as well as improved pricing	6,910
Higher volume as a result of new customers and increased demand in our healthy snacks operation, partially offset by reduced contract pricing to certain customers	2,477
Decrease in brokerage operations due to lower volumes and lost customers	(3,179)
Volume declines on industrial and food service offerings along with retail price decreases in the Frozen Fruit operation, partially offset by higher retail volumes and price increases for industrial products	(2,073)
Revenue for the year ended January 1, 2011	\$151,578

Gross margins in the Fruit Group increased by \$7,381 to \$19,427 for the year ended January 1, 2011 compared to \$12,046 for the year ended December 31, 2009, and the gross margin percentage increased by 4.6% to 12.8%. The increase in gross margin as a percentage of revenue is due to liquidation and rationalization costs incurred in 2009 that did not reoccur in 2010, as well as improved production efficiencies at our fruit ingredient and frozen foods operations, and cost benefits realized from process improvement initiatives implemented in our healthy snacks and fruit ingredients operations. The table below explains the increase in gross margin:

Fruit Group Gross Margin Changes	
Gross Margin for the year ended December 31, 2009	\$12,046
Costs incurred in 2009 to liquidate inventories and rationalize product offerings in the frozen foods operation	3,238
Impact of improved pricing and higher volumes in our fruit ingredient operations which, in addition to process improvements, contributed to manufacturing efficiencies	2,426
Positive impact of the elimination of fresh fruit processing at our Buena Park facility via reduced storage and less costly Mexican fruit, coupled with increased retail volumes and lower brokerage costs, slightly offset by higher transportation costs	1,484
Impact of higher volumes, process improvement initiatives and cost reductions implemented at our healthy snacks operations, offset by costs related to the consolidation of two manufacturing facilities	1,265
Decline in volume at our brokerage operations	(1,032)
Gross Margin for the year ended January 1, 2011	\$19,427

Operating income in the Fruit Group increased by \$7,688, or 188.8%, to \$3,615 for the year ended January 1, 2011, compared to a loss of \$4,073 for the year ended December 31, 2009. The table below explains the increase in operating income:

Fruit Group Operating Income Changes	
Operating Loss for the year ended December 31, 2009	(\$4,073)
Increase in gross margin, as explained above	7,381
Decrease in office costs including utilities, insurance, supplies, storage and freight as a result of various cost saving initiatives, as well as lower depreciation expense	561
Severance and related costs incurred in the first quarter of 2009 associated with the rationalization of a facility	545
Increase in professional fees related to ongoing legal matters	(471)
Increase in marketing expense in support of new product offerings and expanded sales efforts	(158)
Increase in bad debt reserves	(122)
Increase in foreign exchange losses	(48)
Operating Income for the year ended January 1, 2011	\$3,615

Looking forward, we expect improvement in margins and operating income in the Fruit Group through the growth of our fruit ingredients and healthy snacks operations, and from our streamlined frozen foods division. The decision to idle operations at our Mexican frozen fruit processing facilities and increase our mix of value added retail offerings is expected to help enhance the margins of the group. We remain customer focused and continue to explore new ways to bring value added product offerings to market, such as the Garden Green Garbanzo , as well as to continue to improve plant efficiencies. A new aseptic packaging line in our fruit ingredient division is expected to increase capacity and drive incremental volumes and cost savings when completed in 2011. Long term we expect 6% to 8% operating margins from the Fruit Group. The statements in this paragraph are forward-looking statements. See [Forward-Looking Statements](#) above. Unexpected declines in volumes, shifts in consumer preferences, inefficiencies in our manufacturing processes, lack of consumer product acceptance, or our inability to successfully implement the particular goals and strategies indicated above, along with the other factors described above under [Forward-Looking Statements](#), could have an adverse impact on these forward-looking expectations.

International Foods Group

For the year ended	January 1, 2011	December 31, 2009	Change	% Change
Revenue	232,595	219,379	13,216	6.0%
Gross Margin	37,523	31,439	6,084	19.4%
Gross Margin %	16.1%	14.3%		1.8%
Operating Income	1,652	(5,002)	6,654	133.0%
Operating Income %	0.7%	-2.3%		3.0%

(Operating Income is defined as Earnings before the following excluding the impact of Other expense (income), net , and "Goodwill impairment")

The International Foods Group contributed \$232,595 in revenues for the year ended January 1, 2011, compared to \$219,379 for the year ended December 31, 2009, a \$13,216 or a 6.0% increase. The table below explains the increase in revenue:

International Foods Group Revenue Changes	
Revenue for the year ended December 31, 2009	\$219,379
Higher customer demand for natural and organic commodities such as processed fruits and vegetables, cocoa products, sweeteners, and coffee beans, partially offset by lower demand for feed ingredients	12,606
Improved pricing for sweeteners, coffee beans and agave, and market pricing for cocoa, which continues to trade at or near record pricing, partially offset by lower contract pricing on grains, seeds and frozen fruits and vegetables	4,109
Increased volume at Consumer Product Solutions, primarily driven by new products, including low-calorie lemonades and electrolyte water products	4,379
Decline in volume of shipments of both branded and distributed natural health products due to increased competition in the Canadian market and lower demand for health and beauty aids and health food products, slightly offset by increased demand in international markets for our natural health products	(7,350)
Unfavourable net impact on revenues due to the weakened Euro relative to the U.S. dollar, partially offset by the stronger Canadian dollar relative to the U.S. dollar compared to the 2009 period	(528)
Revenue for the year ended January 1, 2011	\$232,595

Gross margins in the International Foods Group increased by \$6,084 to \$37,523 for the year ended January 1, 2011 compared to \$31,439 for the year ended December 31, 2009, and the gross margin percentage increased by 1.8% to 16.1%. The increase in margin rate was due to improved contract pricing on certain organic ingredients at The Organic Corporation, as well as the new higher margin product offerings at our Consumer Product Solutions operation. The table below explains the increase in gross margin:

International Foods Group Gross Margin Changes	
Gross Margin for the year ended December 31, 2009	\$31,439
Higher volumes of natural and organic commodities, as well as improved contract pricing on coffee beans, sweeteners, agave and cocoa	6,159
Reduced spending on a brand re-launch initiative that was undertaken in 2009 in support of certain of our branded natural health products	1,714
Introduction of new, high margin, products offerings at Consumer Product Solutions in addition to improved pricing on existing products, as well as lower warehousing costs and a decrease in inventory reserves as a result of lower inventory levels	1,491
Favourable net impact on gross margins due to the stronger Canadian dollar relative to the U.S. dollar, partially offset by weakened Euro relative to the U.S. dollar versus the 2009 period	619
Lower shipment volumes of both branded products and distributed products, partially offset by improved pricing on distributed products and reduced trade spending in our natural health products operations	(3,899)
Gross Margin for the year ended January 1, 2011	\$37,523

Operating income in the International Foods Group increased by \$6,654, or 133.0%, to \$1,652 for the year ended January 1, 2011, compared to a loss of \$5,002 for the year ended December 31, 2009. The table below explains the

increase in operating income:

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International Foods Group Operating Income Changes	
Operating Loss for the year ended December 31, 2009	(\$5,002)
Improved gross margins, as noted above	6,084
Lower marketing costs related to a brand re-launch initiative that was undertaken in 2009 in support of certain of our branded natural health products	1,484
Lower compensation costs as a result of a restructuring plan in our natural health products operation initiated in the second quarter of 2010 combined with a reduction in warehousing and distribution costs that are variable with lower branded and distributed revenues	718
Foreign exchange gains on forward foreign exchange contracts entered into by The Organic Corporation, mostly related to U.S. denominated contracts	627
Negative impact on Canadian borne SG&A spending due to higher Canadian dollar relative to the U.S., partially offset by Euro borne SG&A spending due to the lower Euro relative to the U.S. dollar as compared to the 2009 period	(1,560)
Increase in travel and related costs at The Organic Corporation to support higher sales and the sourcing of raw material products, as well as higher reserve for bad debt and an increase in management fees, partially offset by lower compensation related costs in our natural and health products operations due to headcount reductions in 2010	(699)
Operating Income for the year ended January 1, 2011	\$1,652

Looking forward, the International Foods Group is focused on leveraging its sourcing, supply and distribution expertise to grow its portfolio of organic ingredients as well as to expand its range of consumer and natural health product offerings. Long-term group operating margins are targeted at 5% to 6% of revenues which is expected to be achieved through a combination of sourcing, pricing and product development strategies. We will also strive to foster an environment of continuous improvement to help forward and backward integrate where opportunities exist, expand our processing expertise and increase our value-added capabilities. The statements in this paragraph are forward-looking statements. See Forward-Looking Statements above. Unfavourable fluctuations in foreign exchange, reduced demand for natural and organic ingredients and delayed synergies as well as our inability to realize our particular strategic expansion goals, along with the other factors described above under Forward-Looking Statements, could have an adverse impact on these forward-looking expectations.

Opta Minerals	January 1, 2011	December 31, 2009	Change	% Change
Revenue	80,868	62,523	18,345	29.3%
Gross Margin	20,037	13,081	6,956	53.2%
Gross Margin %	24.8%	20.9%		3.9%
Operating Income	7,753	1,161	6,592	567.8%
Operating Income %	9.6%	1.9%		7.7%

(Operating Income is defined as Earnings before the following excluding the impact of Other expense (income), net, and "Goodwill impairment")

Opta Minerals contributed \$80,868 in revenues for the year ended January 1, 2011, compared to \$62,523 for the year ended December 31, 2009, an \$18,345 or 29.3% increase. The table below explains the increase in revenue:

Opta Minerals Revenue Changes	
Revenue for the year ended December 31, 2009	\$62,523
Increased volume as a result of a global increase in demand for steel and related products	11,568
Higher volume of abrasive products as a result of increased demand for abrasive slag in the Southern U.S.	3,626
Incremental sales from new production facilities located in Freeport, Texas and Tampa Bay, Florida which did not start to come online until the fourth quarter of 2009	3,151
Revenue for the year ended January 1, 2011	\$80,868

Gross margin for Opta Minerals increased by \$6,956 to \$20,037 for the year ended January 1, 2011 compared to \$13,081 for the year ended December 31, 2009, and the gross margin percentage increased by 3.9% to 24.8% . The table below explains the increase in gross margin:

Opta Minerals Gross Margin Changes	
Gross Margin for the year ended December 31, 2009	\$13,081
Increased volume of steel and related products due to higher demand, combined with cost reduction measures that were implemented during 2009	5,369
Incremental gross margin from new production facilities located in Freeport, Texas and Tampa Bay, Florida which did not start to come online until the fourth quarter of 2009	821
Higher volume of abrasive products and lower costs due to cost reduction measures that were implemented during 2009	766
Gross Margin for the year ended January 1, 2011	\$20,037

Operating income for Opta Minerals increased by \$6,592, or 567.8%, to \$7,753 for the year ended January 1, 2011, compared to \$1,161 for the year ended December 31, 2009. The table below explains the increase in operating income:

Opta Minerals Operating Income Changes	
Operating Income for the year ended December 31, 2009	\$1,161
Increase in gross margin, as explained above	6,956
Increase in foreign exchange gains	805
Decrease in depreciation and amortization	170
Decrease in professional fees due to fewer legal matters	155
Increase in compensation costs	(975)
Increase in bad debt, office and occupancy costs, and storage and freight, offset by lower marketing and other SG&A costs	(519)
Operating Income for the year ended January 1, 2011	\$7,753

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Opta Minerals continues to develop and introduce new products into the marketplace, and is focused on leveraging the global platform that has been put in place both to drive these new products and to improve efficiencies. Opta Minerals continues to expand in core North American and European markets and during 2009 restructured operations to address the economic downturn. As a result, we believe Opta Minerals is well positioned for continued future profitability as economic conditions improve. Opta Minerals recently expanded its abrasives processing operations in Texas and Florida to better serve the Southern U.S. markets. We own 66.4% of Opta Minerals and segment operating income is presented prior to minority interest expense. The statements in this paragraph are forward-looking statements. See **Forward-Looking Statements** above. An extended period of softness in the steel and foundry industries, slowdown in economic improvement, or delays in bringing new facilities completely online, along with the other factors described above under **Forward-Looking Statements**, could have an adverse impact on these forward-looking expectations.

Corporate Services	January 1, 2011	December 31, 2009	Change	% Change
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Operating Loss	(11,213)	(6,614)	(4,599)	-69.5%
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(Operating loss is defined as Earnings before the following excluding the impact of Other expense (income), net, and Goodwill impairment)

Operating loss at Corporate Services increased by \$4,599 to \$11,213 for the year ended January 1, 2011, from costs of \$6,614 for the year ended December 31, 2009. The table below explains the increase in operating loss:

Corporate Services Operating Loss Changes	
Operating Loss for the year ended December 31, 2009	(\$6,614)
Increased compensation costs due to higher bonus accruals and increased workers compensation expense	(2,508)
Increase in SG&A costs due to the strengthened Canadian dollar in 2010 on translating Canadian borne expenses into U.S. dollars	(1,489)
Higher stock compensation expense as a result of warrants that were issued pursuant to an advisory services agreement with a financial advisory firm, as well as consulting costs	(640)
Increase in other corporate overhead costs mainly due to higher insurance premiums, increased IT related communication and hosting expenses and increased bank charges under our asset based lending facility, offset by lower depreciation expense	(613)
Decrease in foreign exchange gains	(410)
Increase in corporate management fees that are allocated to SunOpta operating groups	683
Decreased professional fees primarily due to a reduction in legal costs related to the restatement of financial statements for the three quarters of 2007	378
Operating Loss for the year ended January 1, 2011	(\$11,213)

Management fees mainly consist of salaries of corporate personnel who perform back office functions for divisions, as well as costs related to the enterprise resource management system used within several of the divisions. These expenses are allocated to the groups based on (1) specific identification of allocable costs that represent a service provided to each division and (2) a proportionate distribution of costs based on a weighting of factors such as revenue contribution and number of people employed within each division. As a result of the sale of the Canadian Food Distribution business and SunOpta BioProcess, a portion of the corporate management fees previously charged to these groups was reallocated as an expense of the Corporate Services operating segment. The operating loss for Corporate Services for the year ended December 31, 2009 has been adjusted to reflect this change.

Results of 2009 Operations Compared with Results of 2008 Operations

	December 31, 2009	December 31, 2008	Change	% Change
Revenue				
SunOpta Foods	756,517	781,023	(24,506)	-3.1%
Opta Minerals	62,523	93,422	(30,899)	-33.1%
Total Revenue	819,040	874,445	(55,405)	-6.3%
Gross Profit				
SunOpta Foods	95,978	93,861	2,117	2.3%
Opta Minerals	13,081	18,476	(5,395)	-29.2%
Total Gross Profit	109,059	112,337	(3,278)	-2.9%
Operating Income				
SunOpta Foods	17,660	17,071	589	3.5%
Opta Minerals	1,161	5,531	(4,370)	-79.0%
Corporate Services	(6,614)	(11,247)	4,633	-41.2%
Total Operating Income	12,207	11,355	852	7.5%
Other expense (income), net	2,245	(719)	2,964	-412.2%
Goodwill impairment	8,841	10,154	(1,313)	-12.9%
Interest expense, net	13,839	14,607	(768)	-5.3%
Recovery of income taxes	(3,201)	(1,699)	(1,502)	88.4%
Loss from continuing operations	(9,517)	(10,988)	1,471	-13.4%
(Loss) earnings attributable to non-controlling interests	(3,027)	911	(3,938)	-432.3%
(Loss) earnings from discontinued operations, net of taxes	(273)	963	(1,236)	-128.3%
Loss attributable to SunOpta Inc.	(6,763)	(10,936)	4,173	-38.2%

(Operating Income is defined as Earnings before the following excluding the impact of Other expense (income), net, and "Goodwill impairment")

Revenues for the year ended December 31, 2009 decreased by 6.3% to \$819,040 from \$874,445 for the year ended December 31, 2008. Revenues in SunOpta Foods decreased by 3.1% to \$756,517 and revenues in Opta Minerals decreased by 33.1% to \$62,523. The decreased revenue reflects an internal revenue decline of 9.7% on a consolidated basis in 2009. Internal revenue decline includes growth or declines on the base business in addition to the impact of foreign exchange movements on the translation of foreign denominated revenue to U.S. dollars and the impact of changes in commodity related pricing. Excluding the impact of changes in foreign exchange and commodity related pricing, revenues decreased approximately 7.3% over the prior year. The decrease in revenue was due primarily to the changes in sales volume and pricing described below in Segmented Operations Information .

Gross profit decreased \$3,278, or 2.9%, for the year ended December 31, 2009 to \$109,059 from \$112,337 for the year ended December 31, 2008. As a percentage of revenues, gross profit for the year ended December 31, 2009 was 13.3% compared to 12.8% for the year ended December 31, 2008, an increase of 0.5%. Gross margin increased by \$2,117 in SunOpta Foods driven by improved margins in the Grains and Foods, Ingredients and Fruit Groups, offset by a decline in International Foods due to costs associated with the phasing out and re-launch of branded natural health products, and lower demand for organic ingredients. Also contributing to the lower gross margin was a dramatic volume decline in the steel and foundry markets which impacted Opta Minerals in 2009. The decrease in gross profit was due primarily to a higher overall cost of goods sold, as a percentage of revenues, as a result of the variances described below under Segmented Operations Information .

W&D costs for the year ended December 31, 2009 were \$4,223, a \$573 decrease compared to \$4,796 for the year ended December 31, 2008. These costs are solely related to the International Foods Group and specifically the Group's Canadian based natural health products distribution operation as warehousing and distribution costs for all other operations are considered part of cost of goods sold.

SG&A costs, including intangible asset amortization decreased \$7,495 to \$93,152 for the year ended December 31, 2009 compared to \$100,647 for the year ended December 31, 2008. The combination of a weaker Canadian dollar and Euro in 2009 led to a \$2,748 decrease in SG&A on foreign denominated costs. Costs related to the internal investigation, class action lawsuits and other legal matters were \$5,920 lower in 2009 compared to 2008. These decreases were offset by the acquisitions of The Organic Corporation and MCP Mg-Serbien as incremental SG&A from these companies increased SG&A by \$2,682 in 2009. Severance costs associated with headcount reductions and closing costs related to the rationalization of various plants increased SG&A by \$2,140. Marketing, listing fees and other costs associated with the re-launch of certain branded natural health products increased SG&A by \$1,484. The remaining SG&A decrease of \$5,133 is due to overall cost saving initiatives. SG&A as a percentage of sales was 11.4% in 2009 which is comparable to 11.5% in 2008.

Foreign exchange gains were \$523 for the year ended December 31, 2009 as compared to gains of \$4,461 for the year ended December 31, 2008. The decrease in foreign exchange gains was primarily due to less favourable exchange rate movements for the Euro and Canadian dollar relative to the U.S. dollar. In 2008, we entered into a number of Canadian and Euro forward contracts that were closed prior to reaching their maturity. Due to the volatility in these exchange rates in 2008, gains were realized.

Operating income for the year ended December 31, 2009 increased by \$852 to \$12,207 compared to operating income of \$11,355 for the year ended December 31, 2008 due to the factors noted above. As a percentage of revenue, operating income was 1.5% for the year ended December 31, 2009, compared to 1.3% for the year ended December 31, 2008. Further details on revenue, gross margins and operating income variances are provided below under Segmented Operations Information .

Other expense was \$2,245 in 2009 compared to other income of \$719 in 2008. The increased expense in 2009 is due primarily to facility rationalization charges and the settlement of a labour related class action lawsuit, slightly offset by the elimination of certain long-term liabilities at Opta Minerals. The other income in 2008 related primarily to insurance proceeds received.

During 2009, Opta Minerals determined that the carrying value of certain goodwill in its mill and foundry and abrasive products reporting units exceeded its fair value. As a result, a non-cash impairment charge of \$8,341 was recorded. During the fourth quarter of 2009, an additional impairment charge of \$500 was recorded as a result of contingent consideration being earned by a division within the Fruit Group that also could not support its carrying value. Goodwill impairment charges recorded in 2008 were \$8,198 relating to the Fruit Group and \$1,956 relating to the International Foods Group.

Interest expense for the year ended December 31, 2009 was \$13,839 compared to \$14,607 for the year ended December 31, 2008, a \$768 decrease. The decrease reflects lower LIBOR rates and lower borrowing levels in 2009 versus 2008, offset by higher costs related to waiver and amendment fees relating to our credit facilities that we negotiated with our lenders in 2009.

Income tax recovery for the year ended December 31, 2009 was \$3,201 compared to a recovery of \$1,699 for the year ended December 31, 2008. The increase in the recovery reflects a higher loss from continuing operations before tax and a decrease in the amount of allowance recorded against the value of deferred income taxes.

Loss from continuing operations for the year ended December 31, 2009 was \$9,517 as compared to a loss of \$10,988 for the year ended December 31, 2008, a \$1,471 decrease. Basic and diluted loss per share from continuing operations was \$0.10 and \$0.10 respectively for the year ended December 31, 2009 compared to a loss of \$0.18 and \$0.18 respectively for the year ended December 31, 2008.

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Losses attributable to non-controlling interests for the year ended December 31, 2009 were \$3,027 compared to earnings of \$911 for the year ended December 31, 2008. The \$3,938 decreased expense is due to lower net earnings in our less than wholly-owned subsidiaries.

Losses from discontinued operations, net of income taxes, were \$273 for the year ended December 31, 2009 compared to earnings of \$963 for the year ended December 31, 2008. The \$1,236 decrease in earnings is due to lower net operating margins realized in the Canadian distribution business and SunOpta BioProcess.

On a consolidated basis, losses and basic and diluted losses per share were \$6,763, \$0.10 and \$0.10 respectively, for the year ended December 31, 2009, compared to losses of \$10,936, \$0.17 and \$0.17, respectively, for the year ended December 31, 2008.

Segmented Operations Information

(Note: Certain prior year figures have been adjusted to conform with current year presentation and segmented reporting.)

SunOpta Foods

for the year ended **December 31, 2009** **December 31, 2008** **Change** **% Change**

Revenue	756,517	781,023	(24,506)	-3.1%
Gross Margin	95,978	93,861	2,117	2.3%
Gross Margin %	12.7%	12.0%		0.7%

Operating Income	17,660	17,071	589	3.5%
Operating Income %	2.3%	2.2%		0.1%

(Operating Income is defined as Earnings before the following excluding the impact of Other expense (income), net , and "Goodwill impairment")

SunOpta Foods contributed \$756,517 or 92.4% of consolidated revenue for the year ended December 31, 2009 compared to \$781,023 or 89.3% of consolidated revenues for the year ended December 31, 2008, a \$24,506 decrease. The decreased revenue reflects an internal revenue decline of 7.0% for SunOpta Foods in 2009. Internal revenue decline includes growth or declines on the base business in addition to the impact of foreign exchange movements on the translation of foreign denominated revenue to U.S. dollars and the impact of changes in commodity related pricing. Excluding the impact of changes in foreign exchange and commodity related pricing, revenue in SunOpta Foods decreased 4.3% over the prior year. The table below explains the decrease in revenue by group:

SunOpta Foods Revenue Changes	
Revenue for the year ended December 31, 2008	\$781,023
Decrease in the Grains and Foods Group	(2,269)
Decrease in the Ingredients Group	(613)
Decrease in the Fruit Group	(3,436)
Decrease in the International Foods Group	(18,188)
Revenue for the year ended December 31, 2009	\$756,517

Gross margin in SunOpta Foods increased by \$2,117 for the year ended December 31, 2009 to \$95,978, or 12.7% of revenues, compared to \$93,861, or 12.0% of revenues for the year ended December 31, 2008. The table below explains the increase in gross margin by group:

SunOpta Foods Gross Margin Changes	
Gross Margin for the year ended December 31, 2008	\$93,861
Increase in the Grains and Foods Group	1,988
Increase in the Ingredients Group	5,651
Increase in the Fruit Group	4,697
Decrease in the International Foods Group	(10,219)
Gross Margin for the year ended December 31, 2009	\$95,978

Operating income in SunOpta Foods increased by \$589 for the year ended December 31, 2009 to \$17,660 or 2.3% of revenues, compared to \$17,071 or 2.2% of revenues for the year ended December 31, 2008. The table below explains the increase in operating income:

SunOpta Foods Operating Income Changes	
Operating Income for the year ended December 31, 2008	\$17,071
Increase in gross margin, as explained above	2,117
Increase in foreign exchange losses	(777)
Increase in SG&A costs	(1,324)
Decrease in W&D costs	573
Operating Income for the year ended December 31, 2009	\$17,660

Further details on revenue, gross margins and operating income variances within SunOpta Foods are provided in the segmented operations information that follows.

Grains & Foods Group

For the year ended	December 31, 2009	December 31, 2008	Change	% Change
Revenue	325,038	327,307	(2,269)	-0.7%
Gross Margin	36,297	34,309	1,988	5.8%
Gross Margin %	11.2%	10.5%		0.7%
Operating Income	18,044	18,541	(497)	-2.7%
Operating Income %	5.6%	5.7%		-0.1%

(Operating Income is defined as Earnings before the following excluding the impact of Other expense (income), net, and "Goodwill impairment")

The Grains and Foods Group contributed \$325,038 in revenues for the year ended December 31, 2009, compared to \$327,307 for the year ended December 31, 2008, a \$2,269 or 0.7% decrease. The table below explains the decrease in revenue:

Grains and Foods Group Revenue Changes	
Revenue for the year ended December 31, 2008	\$327,307
Decline in volume and price of commodity soy and corn, as well as lower volumes of organic grains and grain based food ingredients	(28,676)
Higher soymilk and alternate beverage sales due to continued growth in volumes from existing customer contracts, a large food service contract which began shipping in late 2008 and a half year of operations at the Modesto, CA facility which opened late in the second quarter of 2009	14,455
Increased sunflower product sales as a result of higher in-shell demand, particularly in Europe, offset by lower volumes of bakery kernel and bi-products due to oversupply in these markets	11,084
Higher volumes of roasted grain and other products due primarily to new customers	868
Revenue for the year ended December 31, 2009	\$325,038

Gross margin in the Grains and Foods Group increased by \$1,988 to \$36,297 for the year ended December 31, 2009 compared to \$34,309 for the year ended December 31, 2008, and the gross margin percentage increased by 0.7% to 11.2%. The increase in gross margin as a percentage of revenue is primarily due to a favourable shift in sales mix as soymilk and alternate beverage sales have higher inherent margins than our grains based sales. The table below explains the increase in gross margin:

Grains and Foods Group Gross Margin Changes	
Gross Margin for the year ended December 31, 2008	\$34,309
Increase due to higher volumes of soy milk and alternate beverages	6,490
Recovery of an insurance settlement from a business interruption claim relating to a fire that occurred in 2008	577
Higher sales volumes and improved plant efficiencies in our roasted grains operation	553
Decline in sunflower product margins due primarily to pricing pressure brought on by a market over supply of bakery kernel and bird food products, volume declines in high oleic kernel, offset by increased volumes and prices of in-shell products as well as improved plant efficiencies	(1,945)
Decline in organic feed and grain-based food ingredients volumes and prices due to increased international competition, offset by improved margins on soybean and corn products as a result of favourable pricing and ownership positions	(1,926)
Preopening costs associated with the Modesto plant and Colorado Mills vegetable oil refinery start-up	(1,761)
Gross Margin for the year ended December 31, 2009	\$36,297

Operating income in the Grains and Foods Group decreased by \$497, or 2.7%, to \$18,044 for the year ended December 31, 2009, compared to \$18,541 for the year ended December 31, 2008. The table below explains the decrease in operating income:

Grains and Foods Group Operating Income Changes	
Operating Income for the year ended December 31, 2008	\$18,541
Increase in gross margin, as explained above	1,988
Increase in corporate cost allocations	(1,434)
Increase in SG&A primarily due to higher compensation and professional fees	(727)
Increase in foreign exchange losses	(324)
Operating Income for the year ended December 31, 2009	\$18,044

Ingredients Group

For the year ended	December 31, 2009	December 31, 2008	Change	% Change
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Revenue	64,657	65,270	(613)	-0.9%
Gross Margin	16,196	10,545	5,651	53.6%
Gross Margin %	25.0%	16.2%		8.8%

Operating Income	8,691	3,392	5,299	156.2%
Operating Income %	13.4%	5.2%		8.2%

(Operating Income is defined as Earnings before the following excluding the impact of Other expense (income), net, and "Goodwill impairment")

The Ingredients Group contributed \$64,657 in revenues for the year ended December 31, 2009, compared to \$65,270 for the year ended December 31, 2008, a \$613 or 0.9% decrease. The table below explains the decrease in revenue:

Ingredients Group Revenue Changes	
Revenue for the year ended December 31, 2008	\$65,270
Lower demand for dairy blends due to depressed commodity prices in the dairy market	(1,550)
Decrease in ingredient systems due to partial sale of plant operation during the fourth quarter of 2009, combined with lower bran volumes due to quality issues that suppressed corn volume	(1,534)
Increased oat and soy fiber volumes from existing and new customers	2,471
Revenue for the year ended December 31, 2009	\$64,657

The Ingredients Group gross margin increased by \$5,651 to \$16,196 for the year ended December 31, 2009 compared to \$10,545 for the year ended December 31, 2008, and the gross margin percentage increased by 8.8% to 25.0%. Lower raw material input costs, improved pricing, and process improvements implemented in our manufacturing plants led to the significant increase in gross margin and margin rate versus prior year. The table below explains the increase in gross margin:

Ingredients Group Gross Margin Changes	
Gross Margin for the year ended December 31, 2008	\$10,545
Reduction in raw material, chemical and utility costs as well as process improvements in our fiber manufacturing plants and improved volumes	5,387
Improved dairy blend margins due to improved product mix	264
Gross Margin for the year ended December 31, 2009	\$16,196

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Operating income in the Ingredients Group increased by \$5,299, or 156.2%, to \$8,691 for the year ended December 31, 2009, compared to \$3,392 for the year ended December 31, 2008. The table below explains the increase in operating income:

Ingredients Group Operating Income Changes	
Operating Income for the year ended December 31, 2008	\$3,392
Increase in gross margin, as explained above	5,651
Increased reserves for bad debt and compensation, partially offset by lower utilities, travel and other SG&A expenses as a result of various cost saving initiatives	(235)
Increase in corporate cost allocations	(117)
Operating Income for the year ended December 31, 2009	\$8,691

Fruit Group

For the year ended	December 31, 2009	December 31, 2008	Change	% Change
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Revenue	147,443	150,879	(3,436)	-2.3%
Gross Margin	12,046	7,349	4,697	63.9%
Gross Margin %	8.2%	4.9%		3.3%

Operating Income	(4,073)	(10,219)	6,146	60.1%
Operating Income %	-2.8%	-6.8%		4.0%

(Operating Income is defined as Earnings before the following excluding the impact of Other expense (income), net, and "Goodwill impairment")

The Fruit Group contributed \$147,443 in revenues for the year ended December 31, 2009, compared to \$150,879 for the year ended December 31, 2008, a \$3,436 or 2.3% decrease. The table b