TreeHouse Foods, Inc.
Form 10-K
February 19, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2014

Or

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

For the Transition Period from to

Commission File Number 001-32504

TreeHouse Foods, Inc.

(Exact name of the registrant as specified in its charter)

Delaware	**20-2311383**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. employer identification no.)**
2021 Spring Road, Suite 600	
Oak Brook, IL	**60523**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code (708) 483-1300

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.01 par value	**New York Stock Exchange**

Securities registered pursuant to section 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 þ No ¨

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 þ

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 þ 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (section 229.405 of this Chapter) is not contained herein, and will not be contained, to the best of 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 the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	þ	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	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 þ

The aggregate market value of the registrant s common stock held by non-affiliates as of June 30, 2014, based on the $80.07 per share closing price on the New York Stock Exchange on such date, was approximately $2,876,212,726. Shares of common stock held by executive officers and directors of the registrant have been excluded from this calculation because such persons may be deemed to be affiliates.

The number of shares of the registrant s common stock outstanding as of January 31, 2015 was 42,747,554.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s definitive Proxy Statement for its Annual Meeting of Stockholders to be held on April 23, 2015 are incorporated by reference into Part III of this Form 10-K.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements and information in this Form 10-K may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the 1933 Act) and Section 21E of the Securities Exchange Act of 1934, as amended (the 1934 Act). The words believe, estimate , project , expect, anticipate, plan, intend, foresee, should, would, could or other similar e intended to identify forward-looking statements, which are generally not historical in nature. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effect on us. These forward-looking statements and other information are based on our beliefs as well as assumptions made by us using information currently available. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. We are making investors aware that such forward-looking statements, because they relate to future events, are by their very nature subject to many important factors that could cause actual results to differ materially from those contemplated. Such factors include, but are not limited to, the outcome of litigation and regulatory proceedings to which we may be a party; the impact of product recalls; increased competition in our industry and actions of our competitors; changes and developments affecting our industry; quarterly or cyclical variations in financial results; our ability to obtain suitable pricing for our products; development of new products and services; our level of indebtedness; the availability of financing on commercially reasonable terms; cost of borrowing; our ability to maintain and improve cost efficiency of operations; changes in foreign currency exchange rates, interest rates, raw material, and commodity costs; changes in economic, political, and weather conditions and other factors beyond our control; reliance on third parties for manufacturing of products and provision of services; general U.S. and global economic conditions and disruptions in the financial markets and; the financial condition of our customers and suppliers and our ability to retain our customers; dependence on a limited number of customers; consolidations in the retail grocery and foodservice industries; our ability to continue to make acquisitions in accordance with our business strategy or effectively manage the growth from acquisitions; changes in consumer preferences; changes in laws and regulations applicable to us; disruptions in or failures of our information technology systems; disruption of our supply chain or distribution capabilities; and labor strikes or work stoppages and other risks that are described Part I, Item 1A *Risk Factors* and our other reports filed from time to time with the Securities and Exchange Commission (the SEC).

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

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PART I

Item 1. *Business*

References herein to we, us, our, Company , and TreeHouse refer to TreeHouse Foods, Inc. and its consolidated subsidiaries unless the context specifically states or implies otherwise.

TreeHouse is a Delaware corporation incorporated on January 25, 2005 by Dean Foods Company to accomplish a spin-off of certain specialty businesses to its shareholders, which was completed on June 27, 2005. Since the Company began operating as an independent entity, it has expanded its product offerings through a number of acquisitions:

On April 24, 2006, the Company acquired the private label soup and infant feeding business from Del Monte Corporation.

On May 31, 2007, the Company acquired VDW Acquisition, Ltd. (San Antonio Farms), a manufacturer of Mexican sauces.

On October 15, 2007, the Company acquired the assets of E.D. Smith Income Fund (E.D. Smith), a manufacturer of salad dressings, jams, and various sauces.

On March 2, 2010, the Company acquired Sturm Foods, Inc. (Sturm), a manufacturer of hot cereals and powdered drink mixes.

On October 28, 2010, the Company acquired S.T. Specialty Foods, Inc. (S.T. Foods), a manufacturer of dry dinners, which include macaroni and cheese and skillet dinners.

On April 13, 2012, the Company acquired substantially all of the assets of Naturally Fresh, Inc. (Naturally Fresh), a manufacturer of refrigerated dressings, sauces, marinades, dips, and other specialty items.

On July 1, 2013, the Company acquired Cains Foods, L.P. (Cains), a manufacturer of shelf stable mayonnaise, dressings, and sauces.

On October 8, 2013, the Company acquired Associated Brands Management Holdings Inc., Associated Brands Holdings Limited Partnership, Associated Brands GP Corporation, and 6726607 Canada Ltd. (collectively, Associated Brands), a manufacturer of powdered drinks, specialty teas, and sweeteners.

On May 30, 2014, the Company acquired all of the outstanding equity interests of PFF Capital Group, Inc. (Protenergy), a manufacturer of broths, soups, and gravies.

On July 29, 2014, the Company acquired Flagstone Foods (Flagstone), a manufacturer of snack nuts, trail mixes, dried fruit, snack mixes, and other wholesome snacks.

We are a consumer packaged food and beverage manufacturer operating 24 manufacturing facilities across the United States and Canada servicing retail grocery, food away from home, and industrial and export customers. We manufacture a variety of shelf stable, refrigerated, and fresh products. Our product categories include beverages; salad dressings; snacks; beverage enhancers; pickles; Mexican and other sauces; soup and infant feeding; cereals; dry dinners; aseptic products; jams; and other products. We have a comprehensive offering of packaging formats and flavor profiles, and we also offer natural, organic, and preservative-free ingredients in many categories. Our strategy is to be the leading supplier of private label food and beverage products by providing the best balance of quality and cost to our customers. We manufacture and sell the following:

private label products to retailers, such as supermarkets, mass merchandisers, and specialty retailers, for resale under the retailers own or controlled labels,

private label and branded products to the foodservice industry, including foodservice distributors and national restaurant operators,

branded products under our own proprietary brands, primarily on a regional basis to retailers, and

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products to our industrial customer base for repackaging in portion control packages and for use as ingredients by other food manufacturers.

We discuss the following segments in Item 7: North American Retail Grocery, Food Away From Home, and Industrial and Export. The key performance indicators of our segments are net sales dollars and direct operating income, which is gross profit less the cost of transporting products to customer locations, commissions paid to independent sales brokers, and direct selling and marketing expenses.

North American Retail Grocery Our North American Retail Grocery segment sells branded and private label products to customers within the United States and Canada. These products include non-dairy powdered creamers; sweeteners; condensed, ready to serve, and powdered soups, broths, and gravies; refrigerated and shelf stable salad dressings and sauces; pickles and related products; Mexican and other sauces; jams and pie fillings; aseptic products; liquid non-dairy creamer; powdered drinks; single serve hot beverages; specialty teas; hot and cold cereals; baking and mix powders; macaroni and cheese; skillet dinners; and snack nuts, trail mixes, dried fruit, and other wholesome snacks.

Food Away From Home Our Food Away From Home segment sells non-dairy powdered creamers; sweeteners; pickles and related products; Mexican and other sauces; refrigerated and shelf stable dressings; aseptic products; hot cereals; powdered drinks; and single serve hot beverages to foodservice customers, including restaurant chains and food distribution companies, within the United States and Canada.

Industrial and Export Our Industrial and Export segment includes the Company s co-pack business and non-dairy powdered creamer sales to industrial customers for use in industrial applications, including products for repackaging in portion control packages and for use as ingredients by other food manufacturers. This segment sells non-dairy powdered creamer; baking and mix powders; pickles and related products; refrigerated and shelf stable salad dressings; Mexican sauces; aseptic products; soup and infant feeding products; hot cereal; powdered drinks; single serve hot beverages; specialty teas; nuts; and other products. Export sales are primarily to industrial customers outside of North America.

See Note 22 to the Consolidated Financial Statements and Item 7 for information related to the Company s business segments.

We operate our business as Bay Valley Foods, LLC (Bay Valley), Sturm, S.T. Foods, Cains, Associated Brands, Inc. (Associated Brands U.S.), Protenergy Natural Foods, Inc. (Protenergy U.S.), and Flagstone Foods (Flagstone) in the United States and E.D. Smith, Associated Brands, Inc. (Associated Brands Canada), and Protenergy Natural Foods Corporation (Protenergy Canada) in Canada. Bay Valley is a Delaware limited liability company, a 100% owned subsidiary of TreeHouse. E.D. Smith, Sturm, S.T. Foods, Cains, Associated Brands U.S., Associated Brands Canada, Protenergy U.S., Protenergy Canada, and Flagstone are directly or indirectly 100% owned subsidiaries of Bay Valley.

Our Products

Financial information about our North American Retail Grocery, Food Away From Home, and Industrial and Export segments can be found in Item 7.

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The following table presents the Company s net sales by major products. In 2013, as a result of the Associated Brands acquisition, the Company updated the product categories. We changed Non-dairy creamer to Beverage enhancers to include sweeteners from Associated Brands. Powdered drinks was renamed Beverages and now includes the specialty teas and related products from Associated Brands. We revised Hot cereals to Cereals, as Associated Brands sells cold cereals. These changes did not require prior period adjustments. In 2014, the Company added the Snacks category due to the acquisition of Flagstone. This category includes snack nuts, trail mixes, dried fruit, and other wholesome snacks.

	Year Ended December 31,					
	2014		2013		2012	
	(Dollars in thousands)					
Products						
Beverages	$ 499,829	17.0%	$ 341,547	14.9%	$ 234,430	10.8%
Salad dressings	361,859	12.3	334,577	14.6	284,027	13.0
Beverage enhancers	359,179	12.2	361,290	15.7	362,238	16.6
Soup and infant feeding	351,917	11.9	219,404	9.6	281,827	12.9
Pickles	302,621	10.3	297,904	13.0	308,228	14.1
Snacks	287,281	9.8				
Mexican and other sauces	248,979	8.5	245,171	10.7	232,025	10.6
Cereals	168,739	5.7	169,843	7.4	162,952	7.5
Dry dinners	139,285	4.7	124,075	5.4	126,804	5.8
Aseptic products	102,635	3.5	96,136	4.2	91,585	4.2
Other products	70,720	2.3	46,650	2.0	36,573	1.7
Jams	53,058	1.8	57,330	2.5	61,436	2.8
Total net sales	$ 2,946,102	100.0%	$ 2,293,927	100.0%	$ 2,182,125	100.0%

Beverages We produce a variety of beverages that include the Company s single serve hot beverages such as filtered coffee, cappuccino, hot cocoa, and cider. Also included in this category are the Company s powdered drink mixes that include such items as lemonade, iced tea, and energy, vitamin enhanced, and isotonic sports drinks. Beginning in 2013, as a result of the Associated Brands acquisition, we also added specialty teas to our beverages offerings. We primarily sell these products to grocery retailers. We believe we are the largest manufacturer of private label powdered drink mixes in both the United States and Canada, based on volume. We believe we are the largest manufacturer of private label single serve hot beverages in the United States, based on volume. Beverages represented 17.0% of our consolidated net sales in 2014.

Salad dressings We produce pourable and spoonable, refrigerated, and shelf stable salad dressings. Our salad dressings are primarily sold to grocery retailers throughout the United States and Canada, encompass many flavor varieties, and include private label and regional branded offerings. We believe we are the largest manufacturer of private label salad dressings in both the United States and Canada, based on volume. Salad dressings represented 12.3% of our consolidated net sales in 2014.

Beverage enhancers Beverage enhancers includes non-dairy powdered creamer, refrigerated liquid non-dairy creamer, and sweeteners. Non-dairy powdered creamer, the largest component in this category, is used as coffee creamer or whitener and as an ingredient in baking, hot and cold beverages, gravy mixes, and similar products. Product offerings in this category include both private label and branded products packaged for grocery retailers and foodservice customers. Products sold outside of the retail channel are for use in coffee and beverage service, and other industrial applications, such as portion control, repackaging, and ingredient use by other food manufacturers. We believe we are the largest manufacturer of non-dairy powdered creamer in the United States, based on volume. Beverage enhancers represented 12.2% of our consolidated net sales in 2014.

Soup and infant feeding Condensed, ready to serve, and powdered soup, as well as broth and gravy, are produced and packaged in various sizes, from single serve to larger sized packages. We primarily produce private label products sold to grocery retailers. In 2014, the acquisition of Protenergy contributed additional volume to this category, while also diversifying the Company s packaging technologies to include carton production capabilities. We also co-pack organic infant feeding products for a branded baby food company in the Industrial and Export segment. In 2014, soup and infant feeding sales represented 11.9% of our consolidated net sales, with the majority of the sales coming from soup sold through the retail channel.

Pickles We produce pickles and a variety of related products, including peppers and pickled vegetables, for private label and regional branded offerings. These products are sold to grocery retail, foodservice, and industrial customers. We believe we are the largest producer of pickles in the United States, based on volume. Pickles and related products represented 10.3% of our consolidated net sales in 2014.

Snacks We produce snack nuts, trail mixes, dried fruit, snack mixes, and other wholesome snacks as a result of our Flagstone acquisition in 2014. We believe we are the largest manufacturer of trail mixes in North America. These products are predominantly sold to grocery retailers. Snacks represented 9.8% of our consolidated net sales in 2014.

Mexican and other sauces We produce a wide variety of Mexican and other sauces, including salsa, picante sauce, cheese dip, enchilada sauce, pasta sauce, and taco sauce that we sell to grocery retailers and foodservice customers in the United States and Canada, as well as to industrial markets. Mexican and other sauces represented 8.5% of our consolidated net sales in 2014.

Cereals We produce a variety of instant, cook-on-stove, and traditional cereals, the majority of which include oatmeal, farina, and grits in single-serve instant packets and microwaveable bowls. These products are primarily sold to grocery retailers. We believe we are the largest manufacturer of private label instant hot cereals in both the United States and Canada, based on volume. Cereals represented 5.7% of our consolidated net sales in 2014.

Dry dinners We produce private label macaroni and cheese, skillet dinners, and other value-added side dishes. These products are sold to grocery retailers. Dry dinners represented 4.7% of our consolidated net sales in 2014.

Aseptic products We produce aseptic products, which include cheese sauces and puddings. Aseptic products are processed under heat and pressure in a sterile production and packaging environment, creating a product that does not require refrigeration prior to use. These products are sold primarily to foodservice customers in cans and flexible packages. Aseptic products represented 3.5% of our consolidated net sales in 2014.

Jams We produce jams and pie fillings that we sell to grocery retailers and foodservice customers in the United States and Canada. Jams represented 1.8% of our consolidated net sales in 2014.

See Note 22 to the Consolidated Financial Statements for financial information by segment.

Customers and Distribution

We sell our products through various distribution channels, including grocery retailers, foodservice distributors, and industrial and export, which includes food manufacturers and repackagers of foodservice products. We have an internal sales force that manages customer relationships and a broker network for sales to retail and foodservice accounts. Industrial food products are generally sold directly to customers without the use of a broker. Most of our customers purchase products from us either by purchase order or pursuant to contracts that generally are terminable at will.

Products are shipped from our production facilities directly to customers, or from warehouse distribution centers where products are consolidated for shipment to customers if an order includes products manufactured in more than one production facility or product category. We believe this consolidation of products enables us to improve customer service by offering our customers a single order, invoice, and shipment.

We sell our products to a diverse customer base, including most of the leading grocery retailers and foodservice operators in the United States and Canada, and a variety of customers that purchase bulk products for industrial food applications. We currently supply more than 250 food retail customers in North America, including each of the 50 largest food retailers, and more than 500 foodservice customers, including distributors who comprise 90% of the foodservice sales universe and over 50 of the 100 largest restaurant chains. A relatively limited number of customers account for a large percentage of our consolidated net sales. For the year ended December 31, 2014, our ten largest customers accounted for approximately 54.0% of our consolidated net sales. For the years ended December 31, 2014, 2013 and 2012, our largest customer, Wal-Mart Stores, Inc. and its affiliates, accounted for approximately 18.8%, 19.0% and 20.7%, respectively, of our consolidated net sales. No other customer accounted for 10% or more of the Company s consolidated net sales. Total trade receivables with Wal-Mart Stores, Inc. and affiliates represented 17.5% and 24.8% of our total trade receivables as of December 31, 2014 and 2013, respectively. The Company had revenues from customers outside of the United States of approximately 12.4%, 13.2%, and 13.0% of total consolidated net sales in 2014, 2013, and 2012, respectively, with 11.3%, 12.2%, and 12.1% from Canada in 2014, 2013, and 2012, respectively. Sales are determined based on the customer destination where the products are shipped.

Backlog

We generally ship our products from inventory upon receipt of a customer order. In certain cases, we produce to order. Sales order backlog is not material to our business.

Competition

We have several competitors in each of our segments. For sales of private label products to retailers, the principal competitive factors are product quality, quality of service, and price. For sales of products to foodservice, industrial, and export customers, the principal competitive factors are price, product quality, specifications, and reliability of service. We believe we are the largest manufacturer of non-dairy powdered creamer, pickles, and private label single serve hot beverages in the United States, based on volume, and the largest manufacturer of private label salad dressings, powdered drink mixes, trail mixes, and instant hot cereals in the United States and Canada, based on sales volume.

Competition to obtain shelf space for our branded products with retailers generally is based on the expected or historical performance of our product sales relative to our competitors. The principal competitive factors for sales of our branded products to consumers are brand recognition and loyalty, product quality, promotion, and price. Some of our branded competitors have significantly greater resources and brand recognition than we do.

Recent trends impacting competition include an increase in snacking and awareness of healthier and better for you foods. These trends, together with a surge of specialty retailers who cater to consumers looking for either the highest quality ingredients, unique packaging, products to satisfy particular dietary needs, or value offerings where consumers are looking to maximize their food purchasing power, create pressure on manufacturers to provide a full array of products to meet customer and consumer demand.

We believe our strategies for competing in each of our business segments, which include providing superior product quality, effective cost control, an efficient supply chain, successful innovation programs, and competitive pricing, allow us to compete effectively.

Patents and Trademarks

We own a number of registered trademarks. While we consider our trademarks to be valuable assets, we do not consider any trademark to be of such material importance that its absence would cause a material disruption of our business. No trademark is material to any one segment.

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Trademarks sold within the North American Retail Grocery segment include the following pickle brands, *Farman s®, Nalley®, Peter Piper®,* and *Steinfeld s®.* Also sold are trademarks related to sauces and syrups that include, *Bennett s®, Hoffman House®, Roddenbery s Northwoods®,* and *San Antonio Farms®*. Non-dairy powdered creamer is sold under our proprietary *Cremora®* trademark, and non-dairy refrigerated liquid creamer is sold under the *Mocha Mix®* trademark. Single serve hot beverages are sold under the *Caza Trail®* and *Grove Square®* trademarks. Other refrigerated products are sold under the *Second Nature®* trademark, and our jams and other sauces are sold under the *E.D. Smith®* and *Habitant®* trademarks. Our oatmeal is sold under the *McCann s®* trademark. Certain refrigerated dressings and sauces are sold under the *Naturally Fresh®* trademark. Additionally, certain mayonnaise, dressings, and sauces are sold under the *Cains®* and *Olde Cape Cod®* trademarks. *Knox®* gelatin and *J-Cloth®* cleaning cloths are products using these trademarks sold in Canada.

As a result of the Flagstone acquisition, the Company acquired the *Ann s House of Nuts®* and *Amport®* trademarks. These trademarks are primarily used in the North American Retail Grocery segment and pertain to the snacks product category.

Trademarks used in our Food Away From Home segment include *Schwartz®*, *Saucemaker®, Naturally Fresh®,* and *Cains®.*

Seasonality

In the aggregate, our sales do not vary significantly by quarter but are slightly weighted towards the second half of the year, particularly in the fourth quarter, with a more pronounced impact on profitability. As our product portfolio has grown, we have shifted to a higher percentage of cold weather products. Products that show a higher level of seasonality include non-dairy powdered creamer, coffee, specialty teas, cappuccinos, and hot cereal, all of which have higher sales in the first and fourth quarters. Additionally, sales of soup and snack nuts are highest in the fourth quarter. Warmer weather products such as dressings and pickles typically have higher sales in the second quarter, while drink mixes show higher sales in the second and third quarters. As a result of our product portfolio and the related seasonality, our financing needs are highest in the second and third quarters due to inventory builds, while cash flow is highest in the first and fourth quarters following the seasonality of our sales.

Foreign Operations and Geographic Information

Foreign sales information is set forth in Note 22 to the Consolidated Financial Statements.

Raw Materials and Supplies

Our raw materials consist of ingredients and packaging materials. Principal ingredients used in our operations include processed vegetables and meats, soybean oil, coconut oil, casein, oats, wheat, cheese, corn syrup, coffee, tea, cucumbers, peppers, nuts, and fruit. These ingredients are generally purchased under supply contracts, and we occasionally engage in forward buying when we determine such buying to be to our advantage. We believe these ingredients generally are available from a number of suppliers. The cost of raw materials used in our products may fluctuate due to weather conditions, regulations, industry and general U.S. and global economic conditions, fuel prices, energy costs, labor disputes, transportation delays, political unrest, or other unforeseen circumstances. The most important packaging materials and supplies used in our operations are glass, plastic, and corrugated containers, metal closures, and metal cans. Most packaging materials are purchased under long-term supply contracts. We believe these packaging materials are generally available from a number of suppliers. Volatility in the cost of our raw materials and packaging supplies can adversely affect our performance, as price changes often lag behind changes in costs, and we are not always able to adjust our pricing to reflect changes in raw material and supply costs.

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For additional discussion of the risks associated with the raw materials used in our operations, see Part 1, Item 1A *Risk Factors* and Item 7 *Known Trends and Uncertainties*.

Working Capital

Our short-term financing needs are primarily for financing working capital and are highest in the second and third quarters as we build inventory. Due to the seasonality of vegetable and fruit production being driven by harvest cycles, which occur primarily during late spring and summer, inventories generally are at a low point in late spring and at a high point during the fall, increasing our working capital requirements. In addition, we build inventories of salad dressings in the spring and inventories of soup and nuts in the summer months in anticipation of large seasonal shipments that begin late in the second and third quarters, respectively. Our long-term financing needs depend largely on potential acquisition activity. Our $900 million revolving credit facility (the Revolving Credit Facility), plus cash flow from operations, is expected to be adequate to provide liquidity for a period of no less than twelve months. See the *Liquidity and Capital Resources* section of Item 7.

Research and Development

Sample preparation, plant trials, ingredient approval, and other quality control procedures are conducted at all our manufacturing facilities. Research and development expense totaled $12.8 million, $17.5 million, and $11.1 million in 2014, 2013, and 2012, respectively, and is included in the General and administrative line of the Consolidated Statements of Income. Below is a list of our facilities and related research and development activities:

Facility:	**Research and Development Activities:**
Atlanta, GA	Salad dressings, dips
Ayer, MA	Mayonnaise, salad dressings, sauces
Brooklyn Park, MN	Dry dinners
Cambridge, MD	Soups, broths, and gravies
Delta, British Columbia, Canada	Specialty teas
Dixon, IL	Aseptic products
Green Bay, WI	Pickle and related products
Manawa, WI	Hot cereals, powdered drinks
Medina, NY	Powdered drinks, dry dinners, sweeteners
Mississauga, Ontario, Canada	Powdered drinks, dry dinners, sweeteners
North East, PA	Salad dressings
Oak Brook, IL	All product categories
Pecatonica, IL	Aseptic, powdered creamer
Pittsburgh, PA	Soup, infant feeding
Richmond Hill, Ontario, Canada	Soups, broths, and gravies
San Antonio, TX	Mexican sauces
St. Paul, MN	Snacks
Winona, Ontario, Canada	Jams, fruit-based products, sauces

Employees

As of December 31, 2014, our work force consisted of approximately 6,181 full-time employees, with 5,353 in the United States and 828 in Canada.

Available Information

We make available, free of charge, through the Investor Relations SEC Filings link on our Internet website at www.treehousefoods.com, our annual report 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 1934 Act,

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as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. We use our Internet website, through the Investor Relations link, as a channel for routine distribution of important information, including news releases, analyst presentations, and financial information. Copies of any materials the Company files with the SEC can be obtained free of charge through the SEC s website at http://www.sec.gov, at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549, or by calling the SEC s Office of Investor Education and Assistance at 1-800-732-0330.

Regulatory Environment and Environmental Compliance

The conduct of our businesses, and the production, distribution, sale, labeling, safety, transportation, and use of our products, are subject to various laws and regulations administered by federal, state, and local governmental agencies in the United States, as well as to foreign laws and regulations administered by government entities and agencies in markets where we operate. It is our policy to abide by the laws and regulations that apply to our businesses.

We are subject to national and local environmental laws in the United States and in foreign countries in which we do business including laws relating to water consumption and treatment, air quality, waste handling and disposal, and other regulations intended to protect public health and the environment. We are committed to meeting all applicable environmental compliance requirements.

The cost of compliance with national and international laws does not have and is not expected to have, a material financial impact on our capital expenditures, earnings or competitive position.

Executive Officers as of February 19, 2015

Sam K. Reed	68	Chairman of the Board of Directors, President and Chief Executive Officer. Mr. Reed has served as the Chief Executive Officer since January 2005 and President since July 2011.
Dennis F. Riordan	57	Executive Vice President since July 2011. Chief Financial Officer since January 2006.
Thomas E. O Neill	59	Executive Vice President since July 2011. General Counsel, Chief Administrative Officer and Corporate Secretary since January 2005.
Harry J. Walsh	59	Executive Vice President, Acquisition Integration since May 2013. Executive Vice President since July 2011.
Chris D. Sliva	51	Executive Vice President for TreeHouse Foods, Inc. and President of Bay Valley Foods, LLC since July 2012.
Alan T. Gambrel	60	Senior Vice President, Human Resources for TreeHouse Foods, Inc. since January 2005 and Chief Administrative Officer of Bay Valley Foods, LLC since July 2008.
Erik T. Kahler	49	Senior Vice President, Corporate Development since October 2006.
Rachel R. Bishop	41	Senior Vice President, Chief Strategy Officer since May 2014.

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Item 1A. *Risk Factors*

In addition to the factors discussed elsewhere in this Report, the following risks and uncertainties could materially and adversely affect the Company s business, financial condition, results of operations and cash flows. Additional risks and uncertainties not presently known to the Company also may impair the Company s business operations and financial condition.

Disruptions in the financial markets could affect our ability to fund acquisitions or to renew our outstanding credit agreements upon expiration on commercially reasonable terms.

As of December 31, 2014, we had $1,459.9 million of outstanding indebtedness which included $554 million outstanding under our $900 million Revolving Credit Facility that matures May 6, 2019, a $298.5 million senior unsecured term loan (the Term Loan) maturing on May 6, 2021, a $197.5 million senior unsecured term loan (the Acquisition Term Loan) that matures on May 6, 2019, $400 million of 4.875% notes due March 15, 2022 (the 2022 Notes), and $9.9 million of tax increment financing, capital lease obligations, and other debt. The inability to generate sufficient cash flow to satisfy our debt obligations, or to refinance our debt obligations on commercially reasonable terms, would have a material adverse effect on our business, financial condition and results of operations. In addition, the inability to access additional borrowing at commercially reasonable terms could affect our ability to pursue additional acquisitions. United States capital credit markets have experienced volatility, dislocations, and liquidity disruptions that caused tightened access to capital markets and other sources of funding. Capital and credit markets and the U.S. and global economies could be affected by additional volatility or economic downturns in the future. Events affecting the credit markets could have an adverse effect on other financial markets in the United States, which may make it more difficult or costly for us to raise capital through the issuance of common stock or other equity securities. There can be no assurance that future volatility or disruption in the capital and credit markets will not impair our liquidity or increase our costs of borrowing. Our business could also be negatively impacted if our suppliers or customers experience disruptions resulting from tighter capital and credit markets, or a slowdown in the general economy. Any of these risks could impair our ability to fund our operations or limit our ability to expand our business and could possibly increase our interest expense, which could have a material adverse effect on our financial results.

Increases in interest rates may negatively affect earnings.

As of December 31, 2014, the aggregate principal amount of our debt instruments with exposure to interest rate risk was approximately $1,050.0 million, based on the outstanding debt balance of our revolving credit facility. As a result, higher interest rates will increase the cost of servicing our financial instruments with exposure to interest rate risk, and could materially reduce our profitability and cash flows. As of December 31, 2014, each one percentage point change in interest rates would result in an approximate $10.5 million change in the annual cash interest expense, before any principal payment, on our financial instruments with exposure to interest rate risk.

Fluctuations in foreign currencies may adversely affect earnings.

The Company is exposed to fluctuations in foreign currency exchange rates. The Company s Canadian subsidiaries purchase various inputs that are based in U.S. dollars, accordingly, the profitability of the Canadian subsidiaries are subject to foreign currency transaction gains and losses that affect earnings. We manage the impact of foreign currency fluctuations related to raw material purchases using foreign currency contracts. We are also exposed to fluctuations in the value of our foreign currency investment in our Canadian subsidiaries.

We translate the Canadian assets, liabilities, revenues and expenses into U.S. dollars at applicable exchange rates. Accordingly, we are exposed to volatility in the translation of foreign currency earnings due to fluctuations in the value of the Canadian dollar, which may negatively impact the Company s results of operations and financial position.

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As we are dependent upon a limited number of customers, the loss of a significant customer, or consolidation of our customer base, could adversely affect our operating results.

A limited number of customers represent a large percentage of our consolidated net sales. Our operating results are contingent on our ability to maintain our sales to these customers. The competition to supply products to these high volume customers is very strong. We expect that a significant portion of our net sales will continue to arise from a small number of customers, consisting primarily of traditional grocery retailers, mass merchandisers, and foodservice operators. For the year ended December 31, 2014, our ten largest customers accounted for approximately 54.0% of our consolidated net sales. These customers typically do not enter into written contracts, and the contracts that they do enter into generally are terminable at will. Our customers make purchase decisions based on a combination of price, product quality, and customer service performance. If our product sales to one or more of these customers decline, this reduction may have a material adverse effect on our business, results of operations and financial condition.

Further, over the past several years, the retail grocery and foodservice industries have experienced a consolidation trend, which has resulted in mass merchandisers and non-traditional grocers gaining market share. As our customer base continues to consolidate, we expect competition to intensify as we compete for the business of fewer large customers. As this trend continues and such customers grow larger, they may seek to use their position to improve their profitability through improved efficiency, lower pricing or increased promotional programs. If we are unable to use our scale, product innovation, and category leadership positions to respond to these demands, our profitability or volume growth could be negatively impacted. Additionally, if the surviving entity of a consolidation or similar transaction is not a current customer of the Company, we may lose significant business once held with the acquired retailer.

Increases in input costs, such as ingredients, packaging materials, and fuel costs, could adversely affect earnings.

The costs of raw materials, packaging materials, and fuel have varied widely in recent years and future changes in such costs may cause our results of operations and our operating margins to fluctuate significantly. While individual input cost changes varied throughout the year, with certain costs increasing and others decreasing, input costs remained relatively flat in 2014 compared to 2013. We expect the volatile nature of these costs to continue with an overall long-term upward trend.

We manage the impact of increases in the costs of raw materials, wherever possible, by locking in prices on quantities required to meet our production requirements. In addition, we attempt to offset the effect of such increases by raising prices to our customers. However, changes in the prices of our products may lag behind changes in the costs of our materials. Competitive pressures may also limit our ability to quickly raise prices in response to increased raw materials, packaging, and fuel costs. Accordingly, if we are unable to increase our prices to offset increasing raw material, packaging, and fuel costs, our operating profits and margins could be materially affected. In addition, in instances of declining input costs, customers may look for price reductions in situations where we have locked into purchases at higher costs.

Our private label and regionally branded products may not be able to compete successfully with nationally branded products.

For sales of private label products to retailers, the principal competitive factors are price, product quality, and quality of service. For sales of private label products to consumers, the principal competitive factors are price and product quality. In many cases, competitors with nationally branded products have a competitive advantage over private label products due to name recognition. In addition, when branded competitors focus on price and promotion, the environment for private label producers becomes more challenging because the price differential between private label products and branded products may become less significant.

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Competition to obtain shelf space for our branded products with retailers is primarily based on the expected or historical performance of our product sales relative to our competitors. The principal competitive factors for sales of our branded products to consumers are brand recognition and loyalty, product quality, promotion, and price. Most of our branded competitors have significantly greater resources and brand recognition than we do.

Competitive pressures or other factors could cause us to lose market share, which may require us to lower prices, increase the use of discounting or promotional programs, or increase marketing expenditures, each of which would adversely affect our margins and could result in a decrease in our operating results and profitability.

We operate in the highly competitive food industry.

We face competition across our product lines from other companies that have varying abilities to withstand changes in market conditions. Some of our competitors have substantial financial, marketing and other resources, and competition with them in our various business segments and product lines could cause us to reduce prices, increase capital, marketing or other expenditures, or lose category share, which could have a material adverse effect on our business and financial results. Category share and growth could also be adversely impacted if we are not successful in introducing new products.

Some customer buying decisions are based on a periodic bidding process in which the successful bidder is assured the selling of its selected product to the food retailer, super center, mass merchandiser, or foodservice distributors, until the next bidding process. Our sales volume may decrease significantly if our offer is too high and we lose the ability to sell products through these channels, even temporarily. Alternatively, we risk reducing our margins if our offer is successful but below our desired price point. Either of these outcomes may adversely affect our results of operations.

We may be unsuccessful in our future acquisition endeavors, if any, which may have an adverse effect on our business.

Consistent with our stated strategy, our future growth depends, in large part, on our acquisition of additional food manufacturing businesses, products or processes. We may be unable to identify suitable targets, opportunistic or otherwise, for acquisition or make acquisitions at favorable prices. If we identify a suitable acquisition candidate, our ability to successfully implement the acquisition would depend on a variety of factors, including our ability to obtain financing on acceptable terms.

Acquisitions involve risks, including those associated with integrating the operations, financial reporting, disparate technologies, and personnel of acquired companies; managing geographically dispersed operations; the diversion of management s attention from other business concerns; the inherent risks in entering markets or lines of business in which we have either limited or no direct experience; unknown risks; and the potential loss of key employees, customers, and strategic partners of acquired companies. We may not successfully integrate businesses or technologies we acquire in the future and may not achieve anticipated revenue and cost benefits. Acquisitions may not be accretive to our earnings and may negatively impact our results of operations due to, among other things, the incurrence of debt, onetime write-offs of goodwill, and amortization expenses of other intangible assets. In addition, future acquisitions could result in dilutive issuances of equity securities.

We may be unable to anticipate changes in consumer preferences, which may result in decreased demand for our products.

Our success depends in part on our ability to anticipate the tastes, eating habits, and overall purchasing trends of consumers and to offer products that appeal to their preferences. Consumer preferences change from time to time, and our failure to anticipate, identify, or react to these changes could result in reduced demand for our products, which would adversely affect our operating results and profitability.

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We may be subject to product liability claims for misbranded, adulterated, contaminated or spoiled food products.

We sell food products for human consumption, which involves risks such as product contamination or spoilage, misbranding, product tampering, and other adulteration of food products. Consumption of a misbranded, adulterated, contaminated or spoiled product may result in personal illness or injury. We could be subject to claims or lawsuits relating to an actual or alleged illness or injury, and we could incur liabilities that are not insured or that exceed our insurance coverage. Even if product liability claims against us are not successful or fully pursued, these claims could be costly and time consuming, and may require management to spend time defending the claims rather than operating our business. A product that has been actually or allegedly misbranded or becomes adulterated could result in product withdrawals, product recalls, destruction of product inventory, negative publicity, temporary plant closings, and substantial costs of compliance or remediation. Any of these events, including a significant product liability judgment against us, could result in a loss of confidence in our food products, which could have an adverse effect on our financial condition, results of operations, or cash flows.

New laws or regulations or changes in existing laws or regulations could adversely affect our business.

The food industry is subject to a variety of federal, state, local, and foreign laws and regulations, including those related to food safety, food labeling, and environmental matters. Governmental regulations also affect taxes and levies, healthcare costs, energy usage, international trade, immigration, and other labor issues, all of which may have a direct or indirect effect on our business or those of our customers or suppliers. Changes in these laws or regulations, or the introduction of new laws or regulations, could increase the costs of doing business for the Company, our customers, or suppliers, or restrict our actions, causing our results of operations to be adversely affected.

Increased government regulations to limit carbon dioxide and other greenhouse gas emissions as a result of concern over climate change may result in increased compliance costs, capital expenditures, and other financial obligations for us. We use natural gas, diesel fuel, and electricity in the manufacturing and distribution of our products. Legislation or regulation affecting these inputs could materially affect our profitability. In addition, climate change could affect our ability to procure needed commodities at costs and in quantities we currently experience, and may require us to make additional unplanned capital expenditures.

Our business operations could be disrupted if our information technology systems fail to perform adequately.

The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to effectively manage our business data, communications, supply chain, order entry and fulfillment, and other business processes. The failure of our information technology systems to perform as we anticipate could disrupt our business and could result in transaction errors, processing inefficiencies, and the loss of sales and customers, causing our business and results of operations to suffer. In addition, our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, system failures, security breaches, and viruses. If we are unable to prevent security breaches, we may suffer business disruption, theft of intellectual property, trade secrets, or customer information and unauthorized access to personnel, customer, or otherwise confidential information. Such unauthorized disclosure of information may lead to financial or reputational damage or penalties, which could cause significant damage to our reputation, affect our relationships with our customers, or lead to claims against the Company or governmental investigations and proceedings, any of which could result in our exposure to material civil or criminal liability and ultimately harm our business. To the extent that our business is interrupted or data is lost, destroyed, or inappropriately used or disclosed, such disruptions could adversely affect our competitive position, relationships with our customers, financial condition, operating results, and cash flows. Any such damage or interruption could have a material adverse effect on our business. In addition, we may be required to incur significant costs to protect against the damage caused by these disruptions or security breaches in the future.

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Changes in weather conditions, natural disasters, and other events beyond our control could adversely affect our results of operations.

Changes in weather conditions and natural disasters such as floods, droughts, frosts, earthquakes, hurricanes, fires, or pestilence, may affect the cost and supply of commodities and raw materials. Additionally, these events could result in reduced supplies of raw materials. Our competitors may be affected differently by weather conditions and natural disasters depending on the location of their suppliers and operations. Further, our earnings may be affected by seasonal factors including the seasonality of our supplies and consumer demand. Damage or disruption to our production or distribution capabilities due to weather, natural disaster, fire, terrorism, pandemic, strikes, or other reasons could impair our ability to manufacture or sell our products. Failure to take adequate steps to reduce the likelihood or mitigate the potential impact of such events, or to effectively manage such events if they occur, particularly when a product is sourced from a single location, could adversely affect our business and results of operations, as well as require additional resources to restore our supply chain.

Disruption of our supply chain or distribution capabilities could have an adverse effect on our business, financial condition, and results of operations.

Our ability to manufacture, move, and sell products is critical to our success. We are subject to damage or disruption to raw material supplies or our manufacturing or distribution capabilities (in particular, to the extent that our raw materials are sourced globally) due to weather, including any potential effects of climate change, natural disaster, fire, terrorism, adverse changes in political conditions or political unrest, pandemic, strikes, import restrictions, or other factors that could impair our ability to manufacture or sell our products. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect our business, financial condition, and results of operations, as well as require additional resources to restore our supply chain.

Our business could be harmed by strikes or work stoppages by our employees.

Currently, collective bargaining agreements cover a significant number of our full-time distribution, production, and maintenance employees. A dispute with a union or employees represented by a union could result in production interruptions caused by work stoppages. If a strike or work stoppage were to occur, our results of operations could be adversely affected.

Item 1B. ***Unresolved Staff Comments***

None.

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Item 2. *Properties*

We operate the following production facilities, the majority of which we own, as shown below. We lease our principal executive offices in Oak Brook, Illinois and other office space in Green Bay, Wisconsin; Pittsburgh, Pennsylvania; St. Paul, Minnesota; Richmond Hill, Ontario, Canada; and Mississauga, Ontario, Canada. We believe our owned and leased facilities are suitable for our operations and provide sufficient capacity to meet our requirements for the foreseeable future. On August 7, 2012, the Company announced the planned closing of the Mendota, Illinois and Seaforth, Ontario, Canada facilities. The Mendota, Illinois facility ended production as of December 31, 2012 and the Seaforth, Ontario, Canada facility ended production in December 2013, with full plant closure occurring in the first quarter of 2014. See Note 3 to the Consolidated Financial Statements for more information regarding these closures.
The following chart lists the location and principal products by segment produced at our production facilities at December 31, 2014:

Facility Location	Principal Products	Occupancy	Segment (1)
Atlanta, Georgia	Dressings, sauces, and dips	Owned	1,2
Ayer, Massachusetts	Mayonnaise, dressings, and sauces	Owned	1,2
Brooklyn Park, Minnesota	Macaroni and cheese and skillet dinners	Owned	1
Cambridge, Maryland	Soups, broths, and gravies	Owned	1,3
City of Industry, California	Liquid non-dairy creamer and refrigerated salad dressings	Leased	1,2,3
Chicago, Illinois	Refrigerated foodservice pickles	Owned	2
Delta, British Columbia, Canada	Specialty tea	Leased	1,3
Dixon, Illinois	Aseptic cheese sauces, puddings, and gravies	Owned	2,3
Faison, North Carolina	Pickles, peppers, relish, and syrup	Owned	1,2,3
Green Bay, Wisconsin	Pickles, peppers, relish, and sauces	Owned	1,2,3
Kenosha, Wisconsin	Macaroni and cheese and skillet dinners	Owned	1
Manawa, Wisconsin	Cereal and beverages	Owned	1,2,3
Medina, New York	Beverages, beverage enhancers, dry dinners, and dry soup	Owned	1,2,3
New Hampton, Iowa	Non-dairy powdered creamer	Owned	3
North East, Pennsylvania	Salad dressings and mayonnaise	Owned	1,3
Pecatonica, Illinois	Non-dairy powdered creamer	Owned	1,2,3
Pittsburgh, Pennsylvania	Soups, broths, gravies, and baby food	Owned	1,3
Plymouth, Indiana	Pickles, peppers, and relish	Owned	1,2,3
Richmond Hill, Ontario, Canada	Soups, broths, and gravies	Leased	1,3
Robersonville, North Carolina	Snacks	Leased	1,3
San Antonio, Texas	Mexican sauces	Owned	1,2,3
St. Paul, Minnesota	Snacks	Owned	1,3
Wayland, Michigan	Non-dairy powdered creamer	Owned	1,3
Winona, Ontario, Canada	Jams, pie fillings, and specialty sauces	Owned	1,2,3

(1) Segments: 1. North American Retail Grocery
2. Food Away From Home

3. Industrial and Export

Item 3. ***Legal Proceedings***

We are party to a variety of legal proceedings arising out of the conduct of our business. While the results of proceedings cannot be predicted with certainty, management believes that the final outcome of these proceedings will not have a material effect on the Consolidated Financial Statements.

Item 4. ***Mine Safety Disclosures***

Not applicable.

PART II

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

The Company s common stock is traded on the New York Stock Exchange (NYSE) under the symbol THS. The high and low closing sales prices of our common stock as quoted on the NYSE for each quarter of 2014 and 2013 are provided in the table below:

	2014		2013	
	High	**Low**	**High**	**Low**
First Quarter	$ 74.90	$ 63.59	$ 65.15	$ 52.23
Second Quarter	80.07	69.85	67.41	61.16
Third Quarter	82.53	73.50	74.00	64.04
Fourth Quarter	87.95	78.63	75.19	67.07

The closing sales price of our common stock on January 30, 2015, as reported on the NYSE, was $90.70 per share. On January 30, 2015, there were 2,911 shareholders of record of our common stock.

We have not paid any cash dividends on the common stock and currently anticipate that, for the foreseeable future, we will retain any earnings for the development of our business. Accordingly, no dividends are expected to be declared or paid on the common stock. The declaration of dividends is at the discretion of our board of directors (Board of Directors).

The Company did not purchase any shares of its common stock in either 2014 or 2013.

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Performance Graph

The price information reflected for our common stock in the following performance graph and accompanying table represents the closing sales prices of the common stock for the period from December 31, 2009 through December 31, 2014. The graph and accompanying table compare the cumulative total stockholders return on our common stock with the cumulative total return of the S&P MidCap 400 Index, S&P SmallCap 600 Index, Russell 2000 Index, and the Current and Previous Peer Group Indices. Our Current Peer Group includes the following companies based on the similar nature of their business to ours: Kraft Foods Group, Inc.; General Mills, Inc.; Kellogg Co.; ConAgra Foods, Inc.; Post Holdings, Inc.; Campbell Soup Co.; McCormick & Co., Inc.; JM Smucker Co.; Cott Corp.; Lancaster Colony Corp.; Flowers Foods, Inc.; The Hain Celestial Group, Inc.; Snyder s-Lance, Inc.; J&J Snack Foods Corp.; B&G Foods, Inc.; Farmer Bros. Co.; Dean Foods; and Pinnacle Foods, Inc. Our Previous Peer Group was the same as our Current Peer Group, except that the Previous Peer Group did not include Cott Corp.; Post Holdings, Inc.; Dean Foods; or Pinnacle Foods, Inc. and included Hillshire Brands Co.; Archer Daniels Midland, Co.; and Ingredion, Inc. Hillshire Brands Co. was removed as it was acquired during 2014, while the remaining changes were made to better align our peer group with the operations of the Company. Lastly, the S&P index fund changed to the S&P MidCap 400 Index from the S&P SmallCap 600 Index last year, as a result of the growth of the Company. The graph assumes an investment of $100 on December 31, 2009, in each of TreeHouse Foods common stock, the stocks comprising the S&P MidCap 400 Index, S&P SmallCap 600 Index, Russell 2000 Index, and the Current and Previous Peer Group Indices.

Comparison of Cumulative Total Return of $100 among Treehouse Foods, Inc., S&P MidCap 400 Index,

S&P SmallCap 600 Index, Russell 2000 Index, and the Current and Previous Peer Group Indices

		INDEXED RETURNS				
	Base Period	Years Ending				
Company Name/Index	**12/31/09**	**12/31/10**	**12/31/11**	**12/31/12**	**12/31/13**	**12/31/14**
TreeHouse Foods, Inc.	**100**	131.47	168.24	134.15	177.35	220.10
S&P MidCap 400 Index	**100**	126.64	124.45	146.69	195.84	214.97
S&P SmallCap 600 Index	**100**	126.31	127.59	148.42	209.74	221.81
Russell 2000 Index	**100**	126.85	121.56	141.43	196.34	205.95
Current Peer Group	**100**	104.02	116.26	129.23	158.38	176.25
Previous Peer Group	**100**	108.86	119.23	129.53	164.44	189.17

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Equity Compensation Plan Information

The following table provides information about our common stock that may be issued upon the exercise of options under all of our equity compensation plans as of December 31, 2014:

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (In thousands)		(b) Weighted-average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in Column (a)) (In thousands)
Equity compensation plans approved by security holders:				
TreeHouse Foods, Inc. Equity and Incentive Plan	2,662(1)	$	49.53(2)	1,348
Equity compensation plans not approved by security holders:				
None				
Total	**2,662**	**$**	**49.53**	**1,348**

(1) Includes 0.5 million restricted stock units and 0.3 million performance unit awards outstanding under the TreeHouse Foods, Inc. Equity and Incentive Plan.

(2) Restricted stock units and performance units do not have an exercise price because their value is dependent upon continued performance conditions. Accordingly, we have disregarded the restricted stock units and performance units for purposes of computing the weighted-average exercise price.

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Item 6. ***Selected Financial Data***

The following selected financial data as of and for each of the five years in the period ended December 31, 2014. The selected financial data should be read in conjunction with Item 7, and our Consolidated Financial Statements and related Notes.

	Year Ended December 31,				
	2014 (4)	**2013 (3)**	**2012 (2)**	**2011**	**2010 (1)**
	(In thousands, except per share data)				
Operating data:					
Net sales	$ 2,946,102	$ 2,293,927	$ 2,182,125	$ 2,049,985	$ 1,817,024
Cost of sales	2,339,498	1,818,378	1,728,215	1,576,688	1,385,690
Gross profit	606,604	475,549	453,910	473,297	431,334
Operating expenses:					
Selling and distribution	174,602	134,998	136,779	142,341	120,120
General and administrative	158,793	121,065	102,973	101,817	107,126
Amortization expense	52,634	35,375	33,546	34,402	26,352
Other operating expense (income), net	2,421	5,947	3,785	6,462	1,183
Total operating expenses	388,450	297,385	277,083	285,022	254,781
Operating income	218,154	178,164	176,827	188,275	176,553
Other expense (income):					
Interest expense	42,036	49,304	51,609	53,071	45,691
Interest income	(990)	(2,185)	(643)	(48)	
Loss (gain) on foreign currency exchange	13,389	2,890	358	(3,510)	(1,574)
Loss on extinguishment of debt	22,019				
Other expense (income), net	5,130	3,245	1,294	(1,036)	(3,964)
Total other expense	81,584	53,254	52,618	48,477	40,153
Income from continuing operations, before income taxes	136,570	124,910	124,209	139,798	136,400
Income taxes	46,690	37,922	35,846	45,391	45,481
Net income	$ 89,880	$ 86,988	$ 88,363	$ 94,407	$ 90,919
Net earnings per basic share	$ 2.28	$ 2.39	$ 2.44	$ 2.64	$ 2.59
Net earnings per diluted share	$ 2.23	$ 2.33	$ 2.38	$ 2.56	$ 2.51
Weighted average shares basic	39,348	36,418	36,155	35,805	35,079
Weighted average shares diluted	40,238	37,396	37,118	36,950	36,172
Other data:					
Balance sheet data (at end of period):					
Total assets	$ 3,903,004	$ 2,721,054	$ 2,525,873	$ 2,404,529	$ 2,391,248

Long-term debt	1,445,488	938,945	898,100	902,929	976,452
Other long-term liabilities	67,572	40,058	49,027	54,346	38,553
Deferred income taxes	319,454	228,569	212,461	202,258	194,917
Total stockholders equity	1,759,257	1,273,118	1,179,255	1,073,517	977,966

(1) The Company acquired Sturm and S.T. Foods in 2010.
(2) The Company acquired Naturally Fresh in 2012.
(3) The Company acquired Cains and Associated Brands in 2013.
(4) The Company acquired Protenergy and Flagstone in 2014.

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Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***
Executive Overview

We are a consumer food and beverage manufacturer operating 24 facilities in the United States and Canada that has a comprehensive offering of packaging formats and flavor profiles, and we also offer natural, organic and preservative-free ingredients in many categories. We believe we are the largest manufacturer of private label salad dressings, powdered drink mixes, trail mixes, and instant hot cereals in the United States and Canada, and the largest manufacturer of private label single serve hot beverages, non-dairy powdered creamer, and pickles in the United States, based upon total sales volumes.

We sell our products to the retail grocery, foodservice, and industrial and export channels. For the year ended December 31, 2014, sales to the retail grocery, foodservice, and industrial and export channels represented 73.8%, 12.9%, and 13.3%, respectively, of our consolidated net sales. A majority of our sales are private label products.

In 2014, based on available industry data, the U.S. private label consumer packaged goods market, in total, had an approximate 17.5% market share. This market share has improved over the years, increasing approximately 140 basis points since 2009. While the private label market share has grown in recent years, the total market share remains lower than that of Europe, where private label food has an approximate 33% market share. We expect over time, that the private label market share in the United States will approach the levels currently present in Europe, but due to structural differences, we do not anticipate this in the short term. In 2014, based on available industry data, private label products sold in the retail grocery channel in the United States compete with branded products on the basis of equivalent quality at a lower price. These private label products comprise the following approximate market share percentages of all products in their respective categories:

Products:	**Private label % market share**
Trail mixes	55.0%
Non-dairy powdered creamer	41.4%
Snack nuts	31.2%
Powdered drinks	29.1%
Hot cereals	27.0%
Dried fruit	25.7%
Pickles and peppers	23.9%
Salad dressings	15.6%
Canned soup	12.3%
Single cup coffee	10.1%

Our strategy is to be the leading supplier of private label food and beverage products by providing the best balance of quality and cost to our customers. We intend to grow our business and enhance profitability and customer relationships through the following strategic initiatives:

Expand Partnerships with Retailers: As grocery retailers become more demanding of their private label food product suppliers, they have come to expect strategic insight, product innovation, customer service, and logistical economies of scale similar to those of our branded competitors. To this end, we are continually developing, investing in, and expanding our private label food product offerings and capabilities in these areas. In addition to our low cost manufacturing, we have invested in research and development, product and packaging innovation, category management, information technology systems, and other capabilities. We believe that these investments enable us to provide a broad and growing array of private label food products that generally meet or exceed the value and quality of branded competitors that have comparable sales, marketing, innovation, and category management support. We believe that we are well positioned to expand our market share with grocery retailers given our differentiated capabilities, breadth of product offerings, and geographic reach.

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Utilize Our Scale and Innovation to Meet Customer Needs: The U.S. retail food industry has continued to bifurcate from traditional food retailers (those who carry a full array of refrigerated, frozen, and shelf stable products) to specialty retailers (which cater to consumers who migrate to either end of the value spectrum). These specialty retailers tend to focus on either value offerings for consumers looking for the maximum value of their food purchases, or catering to consumers looking for the highest quality ingredients, unique packaging, or products to satisfy particular dietary needs. We offer a broad array of innovative products that we believe meet the good, better, and best needs of both traditional grocers and specialty retailers.

Drive Growth and Profitability from our Existing Product Portfolio: We believe we can drive organic growth from our existing product portfolio. Through insights gained from our Economic Value Added (EVA) analyses, we develop operating strategies that enable us to focus our resources and investments on products and categories that we believe offer the highest potential. Additionally, EVA analyses identify products and categories that lag the broader portfolio and require corrective action. We believe EVA analysis is a helpful tool that maximizes the full potential of our product offerings.

Leverage Cross-Selling Opportunities Across Customers, Sales Channels, and Geographies: While we have high private label food product market shares in the United States for our non-dairy powdered creamer, soup, salad dressing, powdered drinks, instant hot cereals, trail mixes, and pickles, as well as a significant branded and private label food product market share in jams in Canada, we believe we still have significant potential for growth with grocery retailers and foodservice distributors that we either currently serve in a limited manner, or do not currently serve. We believe that certain customers view our size and scale as an advantage over smaller private label food product producers, many of whom provide only a single category or service to a single customer or geography. Our ability to service customers across North America and across a wider spectrum of products and capabilities provides many opportunities for cross-selling to customers who seek to reduce the number of private label food product suppliers they utilize.

Growth Through Acquisitions: We believe we have the expertise and demonstrated ability to identify and integrate value-enhancing acquisitions. We selectively pursue acquisitions of complementary businesses that we believe are a compelling strategic fit with our existing operations. Each potential acquisition is evaluated for merit utilizing a rigorous analysis that assesses targets for their market attractiveness, intrinsic value, and strategic fit. We believe our acquisitions have been successful and consistent with our strategy. Since we began operating as an independent company in 2005, our acquisitions have significantly added to our revenue base, and allowed us to expand from an initial base of two center-of-store, shelf stable food categories to more than ten. We attempt to maintain conservative financial policies when pursuing acquisitions and we believe that our proven integration strategies have resulted in rapid deleveraging. By identifying targets that fit within our defined strategies, we believe we can continue to expand our product selection and continue our efforts to be the low-cost, high quality, and innovative supplier of private label food products for our customers. The merger and acquisition market continued to be active in 2014 and is expected to continue given low interest rates and the relatively soft organic growth anticipated in the food industry in 2015. As a result, during 2014, we completed the acquisition of Protenergy for approximately $140 million, net of acquired cash, and Flagstone for approximately $854 million, net of acquired cash.

The following discussion and analysis presents the factors that had a material effect on our financial condition, changes in financial condition, and results of operations for the years ended December 31, 2014, 2013, and 2012. This should be read in conjunction with the Consolidated Financial Statements and the Notes to those Consolidated Financial Statements included elsewhere in this report.

This Management s Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. See *Cautionary Statement Regarding Forward-Looking Information* for a discussion of the uncertainties, risks, and assumptions associated with these statements.

The Company achieved a 28.4% increase in net sales for the year ended December 31, 2014 as compared to 2013, due to additional sales from acquisitions and improved volume/mix driven by our single serve hot beverage products. Unfavorable foreign exchange and reduced pricing offset the volume/mix increase in 2014.

Total direct operating income increased 21.3%, to $442.2 million, for the year ended December 31, 2014, compared to 2013. Although direct operating income increased, profitability as a percentage of net sales decreased due to costs associated with acquisitions, rising freight rates, lower margin products from acquisitions, and foreign exchange. This resulted in total direct operating income as a percentage of net sales decreasing to 15.0% for the year ended December 31, 2014, as compared to 15.9% from the same period last year.

Throughout 2014, and from a macroeconomic perspective, the economy showed variability in key indicators such as consumer confidence, personal consumption, aggregate unemployment/underemployment, and gross domestic product. Recent data suggests that unemployment appears to be decreasing, and household and disposable income increasing. While these recent trends appear to indicate that the broader economic environment is improving, the benefits have not been recognized in the food industry. For example, overall food volumes were marginally lower year over year, as were average gross margins in the packaged foods sector. This contraction has been experienced in both branded and private label portfolios. There is an expectation that overall food consumption will grow in line with population growth, but due to changing trends and purchasing patterns, traditional processed/packaged food volumes growth is expected to trail the growth in other sectors. However, companies that focus on innovation and stronger growth sectors appear to be an exception to this contraction.

With traditional volume growth appearing to be limited in the short term, sectors that have experienced growth at a faster rate have catered to shifting consumer tastes. Specifically, customers are eating fewer formal meals and are instead snacking or grazing. Coincident with this trend is a gradual change in the types of food desired. For example, consumers appear to be more interested in foods described as being better for you, which include fresh or freshly prepared foods, and natural, organic, or specialty foods, most of which are located at the perimeter of the store. These trends are prompting companies to increase or adjust their product offerings to cater to the customer, while retaining their commitment to providing these offerings at reasonable prices. Another trend in the market place is the increase in the number of shopping trips consumers are making and channels that consumers are frequenting. For example, consumers are more willing to visit three or more stores or channels to complete their shopping. This trend puts pressure on food manufacturers to produce the right product and to provide the product in the right size and place. We also expect that the recent decrease in gasoline costs will provide growth in the Food Away From Home segment, as consumers return to restaurants, but due to timing, this did not have much of an impact in 2014.

Recent Developments

In the final quarter of 2014, the Company experienced a confluence of events that resulted in lower sales and profitability than expected. First, the Company was impacted by a change in the timing of sales to a large mass merchant customer. Specifically, sales across all categories in the final month of the year were significantly reduced as this customer appeared to more closely manage its inventory levels. Subsequent to year end, sales to this customer have rebounded to a normal level and we expect no significant changes throughout 2015. Second, year-end consumption in the snack nuts category for both branded and private label fell well short of consumer sales trends in the first nine months of 2014 and led to lower sales than we expected. We expect sales in the snack nuts category to return to historical norms and patterns of growth in 2015. Third, the U.S. dollar significantly strengthened compared to the Canadian dollar relative to the prior year, partially due to the rapid decline in the price of oil. The average Canadian dollar exchange rate was approximately 6.7% weaker than the same period last year. As a result, the Company experienced higher foreign exchange losses and the Company s Canadian operations had reduced profitability, as many of their input costs are sourced in the United States.

On July 29, 2014, the Company completed the acquisition of Flagstone from Gryphon Investors and other shareholders. Flagstone purchases, prepares, packages, distributes, and sells branded and private label varieties of snack nuts, trail mixes, dried fruit, snack mixes, and other wholesome snacks to retailers in North America. The Company paid approximately $854 million, net of acquired cash, for the business, after considering adjustments for working capital. We expect the acquisition to expand our existing product offerings by allowing the Company to enter into the wholesome snack food category, while also providing more exposure to the perimeter of the store. The acquisition is being accounted for under the acquisition method of accounting. The acquisition was funded through a combination of borrowings under our Revolving Credit Facility, the new $200 million Acquisition Term Loan, and the net proceeds from the issuance of the Company s common stock (described further below).

Also on July 29, 2014, the Company entered into an Additional Credit Extension Amendment (the Amendment) to its Credit Agreement (as defined below) dated as of May 6, 2014, the proceeds of which were used to fund, in part, the acquisition of Flagstone. The Amendment, among other things, provided for the new $200 million senior unsecured Acquisition Term Loan. The Acquisition Term Loan matures on May 6, 2019. The interest rates under the Acquisition Term Loan are based on the Company s consolidated leverage ratio and are equal to (i) LIBOR, plus a margin ranging from 1.25% to 2.00%, or (ii) a Base Rate (as defined in the Credit Agreement), plus a margin ranging from 0.25% to 1.00%. The Acquisition Term Loan is subject to substantially the same covenants as the Revolving Credit Facility, and has the same Guarantors (as defined below).

On July 22, 2014, the Company announced that it closed the public offering of an aggregate of 4,950,331 shares of its common stock (the Shares), at a price of $75.50 per share. The Company used the net proceeds ($358 million) from the offering of the Shares to fund, in part, the acquisition of Flagstone.

On May 30, 2014, the Company acquired all of the outstanding equity interests of Protenergy from Whitecastle Investments Limited, Whitecap Venture Partners, and others. Protenergy was a privately owned Canadian company that produces carton and recart broths, soups, and gravies, both for private label and corporate brands, and also serves as a co-manufacturer of national brands. The Company paid approximately $140 million, net of acquired cash, for the business, after considering an adjustment for working capital. The acquisition of Protenergy is expected to expand our existing packaging capabilities and enable us to offer customers a full range of soup products, as well as leverage our research and development capabilities in the evolution of shelf stable liquids from cans to cartons. The transaction was financed through borrowings under the Company s Revolving Credit Facility (as defined below). The acquisition is being accounted for under the acquisition method of accounting.

On May 6, 2014, the Company entered into a new, unsecured Revolving Credit Facility with an aggregate commitment of $900 million and a $300 million Term Loan pursuant to a credit agreement (the Credit Agreement). The Revolving Credit Facility matures on May 6, 2019. The Term Loan matures on May 6, 2021. We used the proceeds from the Term Loan and a draw at closing on the Revolving Credit Facility to repay in full amounts, outstanding under the $750 million unsecured revolving credit facility (the Prior Credit Agreement). The Credit Agreement replaced the Prior Credit Agreement, and the Prior Credit Agreement was terminated upon the repayment of the amounts outstanding thereunder on May 6, 2014.

On March 11, 2014, the Company issued $400 million in aggregate principal amount of 4.875% 2022 Notes due March 15, 2022, the proceeds of which were intended to extinguish $400 million aggregate principal amount outstanding of the previously issued 7.75% notes due March 1, 2018 (the 2018 Notes). Due to timing, only $298 million of the proceeds were used in the first quarter to extinguish the 2018 Notes. The remaining proceeds were used to temporarily pay down the Prior Credit Agreement. On April 10, 2014, the Company extinguished the remaining $102 million of 2018 Notes using borrowings under the Prior Credit Agreement.

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Results of Operations

The following table presents certain information concerning our financial results, including information presented as a percentage of consolidated net sales:

	Year Ended December 31,					
	2014 (3)		2013 (2)		2012 (1)	
	Dollars	Percent	Dollars	Percent	Dollars	Percent
			(Dollars in thousands)			
Net sales	$ 2,946,102	100.0%	$ 2,293,927	100.0%	$ 2,182,125	100.0%
Cost of sales	2,339,498	79.4	1,818,378	79.3	1,728,215	79.2
Gross profit	606,604	20.6	475,549	20.7	453,910	20.8
Operating expenses:						
Selling and distribution	174,602	5.9	134,998	5.9	136,779	6.3
General and administrative	158,793	5.4	121,065	5.3	102,973	4.7
Amortization expense	52,634	1.8	35,375	1.5	33,546	1.5
Other operating expense, net	2,421	0.1	5,947	0.2	3,785	0.2
Total operating expenses	388,450	13.2	297,385	12.9	277,083	12.7
Operating income	218,154	7.4	178,164	7.8	176,827	8.1
Other (income) expense:						
Interest expense	42,036	1.4	49,304	2.2	51,609	2.3
Interest income	(990)		(2,185)	(0.1)	(643)	
Loss on foreign currency exchange	13,389	0.5	2,890	0.1	358	
Loss on extinguishment of debt	22,019	0.7				
Other expense, net	5,130	0.2	3,245	0.1	1,294	0.1
Total other expense	81,584	2.8	53,254	2.3	52,618	2.4
Income before income taxes	136,570	4.6	124,910	5.5	124,209	5.7
Income taxes	46,690	1.5	37,922	1.7	35,846	1.6
Net income	$ 89,880	3.1%	$ 86,988	3.8%	$ 88,363	4.1%

(1) The Company acquired Naturally Fresh in 2012.
(2) The Company acquired Cains and Associated Brands in 2013.
(3) The Company acquired Protenergy and Flagstone in 2014.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Net Sales Net sales increased 28.4% to $2,946.1 million for the year ended December 31, 2014, compared to $2,293.9 million, for the year ended December 31, 2013. Net sales are shown by segment in the following table:

	Consolidated Net Sales			
	Year Ended December 31,		$ Increase/	% Increase/
	2014	2013	(Decrease)	(Decrease)
	(Dollars in thousands)			
North American Retail Grocery	$ 2,173,391	$ 1,642,190	$ 531,201	32.3%
Food Away From Home	380,069	360,868	19,201	5.3
Industrial and Export	392,642	290,869	101,773	35.0
Total	$ 2,946,102	$ 2,293,927	$ 652,175	28.4%

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The increase in net sales was primarily due to the acquisitions of Flagstone and Protenergy, as well as a full year of sales from Cains and Associated Brands (acquired in July 2013 and October 2013, respectively). Volume/mix increases occurred in the beverages (primarily single serve hot beverages), aseptic, and other products categories, partially offset by decreases in the beverage enhancers, dressings, cereals, and jams categories. The increase of 4.0% in volume/mix was partially offset by a 0.9% decrease from unfavorable foreign exchange with Canada.

Cost of Sales All expenses incurred to bring a product to completion are included in cost of sales, such as raw material and packaging costs, labor costs, facility and equipment costs (including costs to operate and maintain our warehouses), as well as costs associated with transporting our finished products from our manufacturing facilities to distribution centers. Cost of sales as a percentage of consolidated net sales increased slightly to 79.4% in 2014 from 79.3% in the prior year. In 2013, cost of sales included $28.4 million of costs associated with restructurings, facility consolidations, and acquisition and integration related costs, while 2014 included $16.0 million in acquisition and integration related costs. After considering these items, cost of sales as a percentage of net sales was approximately 80 basis points higher in 2014 than 2013. Lower margin business from recent acquisitions and unfavorable exchange rates with Canada offset improved sales mix and operational efficiencies. Overall input costs on a year over year basis were relatively flat.

Operating Costs and Expenses Operating expenses increased to $388.5 million in 2014 compared to $297.4 million in 2013. The increase in 2014 resulted from the following:

Selling and distribution expenses increased $39.6 million in 2014 compared to 2013. The increase was primarily due to higher distribution and delivery costs resulting from acquisitions and rising freight rates related to increased regulation and tightening carrier capacity. Despite the increase in total costs, as a percentage of net sales, selling and distribution expenses remained consistent at 5.9%.

General and administrative expenses increased $37.7 million in 2014 compared to 2013. The increase was primarily related to acquisitions and general business growth, as well as increases in incentive based compensation expense due to additional employees from acquisitions and Company performance. Included in the increase were additional net year over year costs of $11.6 million from acquisition and integration activities. As a percentage of net sales, general and administrative expenses were marginally higher at 5.4% in 2014, compared to 5.3% in 2013.

Amortization expense increased $17.3 million in 2014 compared to 2013 due primarily to amortization of intangible assets from recent acquisitions.

Other operating expense decreased $3.5 million in 2014 compared to 2013. The decrease was primarily due to reduced costs in 2014 for the soup restructuring and the Seaforth salad dressing plant closure, as the restructuring projects neared their completion. Restructuring costs related to accelerated depreciation were recorded in Cost of sales.

Interest Expense Interest expense in 2014 was $42.0 million, a decrease of $7.3 million from 2013 due to a decrease in average interest rates after the Company s debt refinancing that offset increased borrowings for acquisitions.

Interest Income Interest income of $1.0 million in 2014 related to interest earned on the cash held by our Canadian subsidiaries and gains on investments as discussed in Note 5 to our Consolidated Financial Statements.

Foreign Currency The impact of fluctuations in foreign currency was considerably more pronounced in 2014, resulting in a loss of $13.4 million in 2014, versus a loss in 2013 of $2.9 million as the U.S dollar strengthened approximately 6.7% over the prior year.

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Loss on Extinguishment of Debt The Company incurred a $22.0 million loss on extinguishment of debt related to the extinguishment of the 2018 Notes.

Other expense (income), net Other expense was $5.1 million in 2014, versus $3.2 million in 2013, primarily due to a loss on derivative contracts in 2014.

Income Taxes Income tax expense was recorded at an effective rate of 34.2% for 2014 compared to 30.4% for 2013. The increase in the effective tax rate for the year ended December 31, 2014 as compared to 2013 was attributable to increased acquisition related expenses that are not deductible for tax purposes, and the tax impact of a shift in income to the U.S. from Canada.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013 Results by Segment

North American Retail Grocery

	Year Ended December 31,			
	2014		2013	
	Dollars	Percent	Dollars	Percent
	(Dollars in thousands)			
Net sales	$ 2,173,391	100.0%	$ 1,642,190	100.0%
Cost of sales	1,714,871	78.9	1,282,253	78.1
Gross profit	458,520	21.1	359,937	21.9
Freight out and commissions	90,131	4.2	65,772	4.0
Direct selling and marketing	41,446	1.9	35,466	2.1
Direct operating income	$ 326,943	15.0%	$ 258,699	15.8%

Net sales in the North American Retail Grocery segment increased by $531.2 million, or 32.3%, for the year ended December 31, 2014 compared to the prior year. The change in net sales from 2013 to 2014 was due to the following:

	Dollars	Percent
	(Dollars in thousands)	
2013 Net sales	$ 1,642,190	
Volume/mix	77,530	4.7%
Pricing	(6,931)	(0.4)
Acquisitions	477,039	29.0
Foreign currency	(16,437)	(1.0)
2014 Net sales	$ 2,173,391	32.3%

The increase in net sales from 2013 to 2014 was due to acquisitions and increased volume/mix, partially offset by the impact of unfavorable exchange rates with Canada. The Company experienced volume/mix gains in the beverages (primarily single serve hot beverages), pickles, and other products categories, partially offset by decreases in the beverage enhancers, cereals, and dressings categories.

Cost of sales as a percentage of net sales increased from 78.1% in 2013 to 78.9% in 2014. Included in 2014 cost of sales was a net year over year increase of $3.8 million in acquisition and integration costs. After considering the net increase, cost of sales as a percentage of net sales increased by 60 basis points as compared to prior year. The lower margins from acquisitions and the impact of foreign exchange were partially offset by improved volume/mix and operating efficiencies. The increase in cost of sales of $432.6 million was primarily due to acquisitions and sales mix.

Freight out and commissions paid to independent brokers increased $24.4 million, or 37.0%, primarily due to acquisitions and rising freight rates.

Direct selling and marketing increased $6.0 million primarily due to acquisitions.

Food Away From Home

	Year Ended December 31,			
	2014		2013	
	Dollars	Percent	Dollars	Percent
	(Dollars in thousands)			
Net sales	$ 380,069	100.0%	$ 360,868	100.0%
Cost of sales	310,275	81.6	289,366	80.2
Gross profit	69,794	18.4	71,502	19.8
Freight out and commissions	14,224	3.8	12,875	3.6
Direct selling and marketing	8,463	2.2	8,517	2.3
Direct operating income	$ 47,107	12.4%	$ 50,110	13.9%

Net sales in the Food Away From Home segment increased by $19.2 million, or 5.3%, for the year ended December 31, 2014 compared to the prior year. The change in net sales from 2013 to 2014 was due to the following:

	Dollars	Percent
	(Dollars in thousands)	
2013 Net sales	$ 360,868	
Volume/mix	(2,465)	(0.7)%
Pricing	1,751	0.5
Acquisitions	22,698	6.3
Foreign currency	(2,783)	(0.8)
2014 Net sales	$ 380,069	5.3%

Net sales increased in 2014 compared to 2013 primarily as a result of the full year impact of the 2013 Cains acquisition, partially offset by slightly lower volume/mix, and unfavorable exchanges rates with Canada. Volume/mix increases in the aseptic products, beverages (primarily single serve hot beverages), and other products categories, were offset by reductions in the dressings, pickles, and Mexican and other sauces categories.

Cost of sales as a percentage of net sales increased from 80.2% in 2013, to 81.6% in 2014, primarily due to the impact of lower margin sales from acquisitions, higher input costs, and operational inefficiencies at several of our legacy plants. Also leading to a higher cost of sales was the impact of foreign exchange with Canada.

Freight out and commissions paid to independent brokers increased $1.3 million in 2014 compared to 2013. This increase was due to higher costs related to acquisitions and rising freight rates, partially offset by lower volumes.

Freight and commissions were 3.8% of net sales, a slight increase from 2013.

Direct selling and marketing expenses were $8.5 million in 2014 and 2013, remaining relatively flat.

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Industrial and Export

	Year Ended December 31,			
	2014		2013	
	Dollars	Percent	Dollars	Percent
	(Dollars in thousands)			
Net sales	$ 392,642	100.0%	$ 290,869	100.0%
Cost of sales	313,354	79.8	228,031	78.4
Gross profit	79,288	20.2	62,838	21.6
Freight out and commissions	9,014	2.3	5,244	1.8
Direct selling and marketing	2,165	0.6	1,840	0.6
Direct operating income	$ 68,109	17.3%	$ 55,754	19.2%

Net sales in the Industrial and Export segment increased by $101.8 million, or 35.0%, for the year ended December 31, 2014 compared to the prior year. The change in net sales from 2013 to 2014 was due to the following:

	Dollars	Percent
	(Dollars in thousands)	
2013 Net sales	$ 290,869	
Volume/mix	16,684	5.7%
Pricing	(137)	
Acquisitions	85,777	29.5
Foreign currency	(551)	(0.2)
2014 Net sales	$ 392,642	35.0%

The increase in net sales was due to acquisitions and improved volume/mix, partially offset by unfavorable foreign exchange with Canada. Volume/mix for the segment experienced a 5.7% increase compared to 2013, as increases in the beverages category (primarily single serve hot beverages) were partially offset by reductions in the jams, beverage enhancers, and other categories. The increase in single serve hot beverages is the result of the continued rollout of the Company s single serve coffee products.

Cost of sales, as a percentage of net sales, increased from 78.4% in 2013 to 79.8% in 2014, due to the inclusion of lower margin products from acquisitions and the impact of foreign exchange. Included in cost of sales for 2014 was $1.8 million of incremental acquisition and integration costs, as compared to 2013. Also leading to a higher cost of sales was the impact of foreign exchange.

Freight out and commissions paid to independent sales brokers were $9.0 million in 2014 compared to $5.2 million in 2013. This increase was due to rising freight rates, higher costs associated with acquisitions, additional volume, and increased export sales.

Direct selling and marketing was $2.2 million in 2014 compared to $1.8 million in 2013. As a percentage of net sales, direct selling and marketing remained flat at 0.6% in 2014 and 2013.

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Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Net Sales Net sales increased 5.1% to $2,293.9 million for the year ended December 31, 2013, compared to $2,182.1 million, for the year ended December 31, 2012. Net sales by segment are shown in the following table:

	Consolidated Net Sales			
	Year Ended December 31,		**$ Increase/**	**% Increase/**
	2013	**2012**	**(Decrease)**	**(Decrease)**
	(Dollars in thousands)			
North American Retail Grocery	$ 1,642,190	$ 1,568,014	$ 74,176	4.7%
Food Away From Home	360,868	338,357	22,511	6.7
Industrial and Export	290,869	275,754	15,115	5.5
Total	$ 2,293,927	$ 2,182,125	$ 111,802	5.1%

The increase in net sales was primarily due to the Cains and Associated Brands acquisitions, as well as a full year of sales from Naturally Fresh (acquired in April 2012). Pricing during the year was offset by reductions in volume/mix, primarily in the soup, aseptic, pickles, and dry dinners categories. The reductions in volume/mix were partially offset by increases in the beverages (primarily single serve hot beverages) and Mexican sauces categories.

Cost of Sales All expenses incurred to bring a product to completion are included in cost of sales, such as raw material and packaging costs, labor costs, facility, and equipment costs (including costs to operate and maintain our warehouses), as well as costs associated with transporting our finished products from our manufacturing facilities to distribution centers. Cost of sales as a percentage of consolidated net sales increased to 79.3% in 2013 from 79.2% in the prior year. Contributing to the increase in cost of sales, as a percent of net sales, was an incremental $16.1 million of costs associated with restructurings, facility consolidations, and acquisitions as compared to 2012, as well as higher cost of sales associated with the Cains and Associated Brands businesses. Overall input costs on a year over year basis were relatively flat.

Operating Costs and Expenses Operating expenses increased to $297.4 million in 2013 compared to $277.1 million in 2012. The increase in 2013 resulted from the following:

Selling and distribution expenses decreased $1.8 million in 2013 compared to 2012, and as a percentage of net sales, decreased to 5.9% in 2013 from 6.3% in 2012. The decrease is primarily due to decreased distribution and delivery costs resulting from efficiencies such as increased utilization of existing shipping capacity and strategic product positioning to reduce distribution expense. Also contributing to the decrease were lower freight costs and volume, as the Company experienced a shift in sales mix to lighter products, which were partially offset by additional costs from the Cains, Associated Brands, and Naturally Fresh acquisitions.

General and administrative expenses increased $18.1 million in 2013 compared to 2012. The increase was primarily related to increases in incentive based compensation expense due to increased profitability, as well as the Cains, Associated Brands, and Naturally Fresh acquisitions.

Amortization expense increased $1.8 million in 2013 compared to 2012 due primarily to amortization of additional Enterprise Resource Planning (ERP) system costs and additional amortization of intangibles acquired in the Cains, Associated Brands, and Naturally Fresh acquisitions.

Other operating expense increased $2.2 million in 2013 compared to 2012. The increase was primarily due to a full year of costs in 2013 for the soup restructuring and the Seaforth salad dressing plant closure as compared to 2012. Restructuring costs related to accelerated depreciation were recorded in Cost of sales.

Interest Expense Interest expense in 2013 was $49.3 million, a decrease of $2.3 million from 2012 due to a decrease in interest rates and lower average debt levels.

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Interest Income Interest income of $2.2 million in 2013 related to interest earned on the cash held by our Canadian subsidiary and gains on investments as discussed in Note 5 to our Consolidated Financial Statements.

Foreign Currency The impact of changes in foreign currency resulted in a loss of $2.9 million in 2013, versus a loss in 2012 of $0.4 million.

Other expense (income), net Other expense (income) was a loss of $3.2 million in 2013, versus a loss of $1.3 million in 2012, primarily due to the write off of the Company s investment in a small, pepper related company in New Mexico, partially offset by mark to market gains on commodity contracts.

Income Taxes Income tax expense was recorded at an effective rate of 30.4% for 2013 compared to 28.9% for 2012. The increase in the effective tax rate for the year ended December 31, 2013 as compared to 2012 was attributable to an unfavorable mix of pre-tax income between the U.S. and Canada, transaction costs associated with the Associated Brands acquisition that were not deductible for tax purposes, and an increase in state tax expense.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012 Results by Segment

North American Retail Grocery

	Year Ended December 31,			
	2013		**2012**	
	Dollars	**Percent**	**Dollars**	**Percent**
	(Dollars in thousands)			
Net sales	$ 1,642,190	100.0%	$ 1,568,014	100.0%
Cost of sales	1,282,253	78.1	1,219,516	77.8
Gross profit	359,937	21.9	348,498	22.2
Freight out and commissions	65,772	4.0	69,665	4.4
Direct selling and marketing	35,466	2.1	34,097	2.2
Direct operating income	$ 258,699	15.8%	$ 244,736	15.6%

Net sales in the North American Retail Grocery segment increased by $74.2 million, or 4.7%, for the year ended December 31, 2013 compared to the prior year. The change in net sales from 2012 to 2013 was due to the following:

	Dollars	**Percent**
	(Dollars in thousands)	
2012 Net sales	$ 1,568,014	
Volume/mix	11,184	0.7%
Pricing	1,383	0.1
Acquisitions	68,029	4.3
Foreign currency	(6,420)	(0.4)
2013 Net sales	$ 1,642,190	4.7%

The increase in net sales from 2012 to 2013 was due to acquisitions, increased volume/mix, and pricing. Overall North American Retail Grocery volume (in pounds) decreased from 2012, as heavier products like soup, pickles, and dry dinners were offset by lighter products such as single serve hot beverages. This shift in mix resulted in an overall increase in volume/mix of 0.7% in 2013. Losses in the soup category, resulting from the partial loss of business from a customer, were the most significant and accounted for approximately a 3.1% loss in volume/mix. The remaining categories accounted for a 3.8% increase in volume/mix.

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Cost of sales as a percentage of net sales increased from 77.8% in 2012 to 78.1% in 2013 primarily due to higher cost of sales from the Cains and Associated Brands acquisitions. Also contributing to the increase was a year over year increase of acquisition and integration related expenses that are included in cost of goods sold. Before considering the current year acquisitions and the acquisition and integration expenses, cost of goods sold as a percentage of net sales in 2013 was only slightly lower than 2012.

Freight out and commissions paid to independent brokers decreased $3.9 million, or 5.6%, primarily due to efficiencies such as increased utilization of existing shipping capacity and strategic product positioning to reduce distribution expense. Also contributing to the decrease were lower freight costs and volume, as the Company experienced a shift in sales mix to lighter products, that was partially offset by additional costs from the Cains and Associated Brands acquisitions, and a full year of expenses from Naturally Fresh.

Direct selling and marketing increased $1.4 million primarily due to the Cains and Associated Brands acquisitions.

Food Away From Home

	Year Ended December 31,			
	2013		2012	
	Dollars	Percent	Dollars	Percent
	(Dollars in thousands)			
Net sales	$ 360,868	100.0%	$ 338,357	100.0%
Cost of sales	289,366	80.2	274,082	81.0
Gross profit	71,502	19.8	64,275	19.0
Freight out and commissions	12,875	3.6	12,398	