TreeHouse Foods, Inc.
Form 10-K
February 28, 2008

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, 2007

Or

o **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.)

Two Westbrook Corporate Center, Suite 1070	
Westchester, IL	**60154**
(Address of principal executive offices)	(Zip Code)

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

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 o

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 o 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 o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of 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 o

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. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

The aggregate market value of the Registrant s voting and non-voting common stock held by non-affiliates of the Registrant at June 30, 2007, (the last day of our most recent second quarter) based on the $26.61 per share closing price for the Registrant s common stock on the New York Stock Exchange on June 30, 2007, was approximately $783.5 million.

The number of shares of the registrant s common stock outstanding as of February 15, 2008 was 31,204,305.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s definitive Proxy Statement for its Annual Meeting of Stockholders to be held on May 1, 2008 (to be filed) are incorporated by reference into Part III of this Form 10-K.

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Forward-Looking Statements

From time to time, we and our representatives may provide information, whether orally or in writing, including certain statements in this Annual Report on Form 10-K, which are deemed to be forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995 (the Litigation Reform Act). These forward-looking statements and other information are based on our beliefs as well as assumptions made by us using information currently available.

The words anticipate, believe, estimate, expect, intend, should and similar expressions, as they relate to us intended to identify forward-looking statements. 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 do not intend to update these forward-looking statements.

In accordance with the provisions of the Litigation Reform Act, 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 by the forward-looking statements contained in this Annual Report on Form 10-K and other public statements we make. Such factors include, but are not limited to: the outcome of litigation and regulatory proceedings to which we may be a party; actions of competitors; changes and developments affecting our industry; quarterly or cyclical variations in financial results; development of new products and services; our level of indebtedness; interest rates and cost of borrowing; our ability to maintain and improve cost efficiency of operations; changes in foreign currency exchange rates; changes in economic conditions, political conditions, reliance on third parties for manufacturing of products and provision of services; and other risks that are set forth in the Risk Factors section, the Legal Proceedings section, the Management s Discussion and Analysis of Financial Condition and Results of Operations section and other sections of this Annual Report on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

PART I

Item 1. *Business*

Introduction

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

TreeHouse is a Delaware corporation that was formed on January 25, 2005 by Dean Foods Company (Dean Foods) in order to accomplish a spin-off to its shareholders of certain specialty businesses. Dean Foods transferred the assets and liabilities of its former Specialty Foods Group segment, and its *Mocha Mix*®, *Second Nature*® and foodservice salad dressings businesses to TreeHouse. TreeHouse common stock held by Dean Foods was distributed to Dean Foods stockholders on a distribution ratio of one share of TreeHouse common stock for every five shares of Dean Foods common stock outstanding. The transfer of assets and liabilities and the distribution of shares (the Distribution) were completed on June 27, 2005 and TreeHouse commenced operations as an independent public company. Dean Foods has no continuing stock ownership in TreeHouse.

We are a food manufacturer servicing primarily the retail grocery and foodservice distribution channels. Our products include non-dairy powdered coffee creamer; private label soup, salad dressings and sauces; Mexican sauces; jams, jellies and pie fillings; pickles and related products; infant feeding products; and other food products including aseptic sauces, refrigerated salad dressings, and liquid non-dairy creamer. We manufacture and sell the following:

- private label products to retailers, such as supermarkets and mass merchandisers, 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 products to our industrial customer base, including for repackaging in portion control packages and for use as an ingredient by other food manufacturers.

We believe we are the largest manufacturer of pickles, non-dairy powdered creamer and private label salad dressings in the United States based upon total sales volumes. We also are the leading retail supplier of private label pickles, private label non-dairy powdered creamer and private label soup in the United States. In 2007, private label products sold in the retail grocery channel in the United States, which compete with branded products on the basis of equivalent quality at a lower price, represented approximately 35.5% of all pickle products according to Information Resources, Inc. and approximately 53.7% of all non-dairy powdered creamer and approximately 15.7% of all canned soup according to AC Nielsen.

We sell our products primarily to the retail grocery and foodservice channels. For the year ended December 31, 2007, sales to the retail grocery and foodservice channels represented 57.3% and 22.0%, respectively, of our consolidated net sales. The remaining 20.7% represented sales to industrial and other food manufacturers. A majority of our sales are private label products.

Our business has three reportable segments: pickles, non-dairy powdered creamer and soup and infant feeding products. We also manufacture and sell other food products, as described more fully below.

In 2007, 28.5% of our consolidated net sales was in the pickles segment, 25.8% was in the non-dairy powdered creamer segment and 27.8% was in soup and infant feeding products. The remaining 17.9% was attributable to sales of other food products.

Pickles We produce pickles, peppers, relishes and related products at six of our production facilities. Our products include whole pickles, sliced pickles, pickle relish, peppers and other products in a variety of flavor formulations. We supply private label pickles to supermarkets and mass merchandisers across the United States. We also sell pickle products to foodservice customers, including relish and hamburger pickle slices. In addition, we sell pickle products under our own brands, including *Farman* ®, *Nalley* ®, *Peter Piper*® and *Steinfeld*tm, that have a regional following in certain areas of the country. Our pickles segment also sells sauces and syrups to retail grocers in the Eastern, Midwestern and Southeastern United States under our proprietary *Bennett* ®, *Hoffman House*® and *Roddenbery* ® *Northwoods*® brand names. As disclosed in Footnote 24 to the Consolidated Financial Statements, we will close our Portland pickle manufacturing plant in 2008.

Non-Dairy Powdered Creamer We produce non-dairy powdered creamer at three of our production facilities. Non-dairy powdered creamer is primarily used as coffee creamer or whitener. It is also used as an ingredient in baking, beverage and gravy mixes and similar products. We sell non-dairy powdered creamer under private labels and under our proprietary *Cremora*® brand to the retail grocery and foodservice markets. We also sell non-dairy powdered creamer to our industrial customer base for repackaging in portion control packages and for use as an ingredient by other food manufacturers.

Soup and Infant Feeding We produce condensed and ready-to-serve soups, broths and gravies as well as infant cereals, fruits, vegetables, juices, meats, dinners and desserts. We sell our soups and gravies under private labels primarily to supermarkets and mass merchandisers. Infant feeding products are sold under the *Nature s Goodness*® brand and offer a complete product line focused on the four steps of a baby s development. The infant feeding products are sold to customers in grocery, mass merchandising and foodservice channels. We also manufacture broth and baby foods for other food companies under co-pack agreements. We have two production plants that manufacture soup and related products, one of which also manufacturers baby food.

Other Food Products We produce both pourable and spoonable salad dressings at three of our plants. These plants were acquired on October 15, 2007 as part of the purchase of the E.D. Smith Fund. Our salad dressings are sold primarily to supermarkets and mass merchandisers throughout the United States and Canada and encompass many different flavor varieties. We believe we are the largest supplier of private label salad dressings in both the United States and Canada. Jams, pie fillings and sauces are also primarily produced at another Canadian facility.

We also produce aseptic cheese sauces and puddings for the foodservice market. Aseptic cheese sauces and puddings are processed under heat and pressure in a sterile environment, creating a product that does not require refrigeration prior to use. We have one production facility devoted to the manufacture of aseptic products.

Other food products that we manufacture and sell include *Mocha Mix*®, a non-dairy liquid creamer, *Second Nature*®, a liquid egg substitute, and salad dressings sold in foodservice channels. One production facility is devoted to the manufacture of these refrigerated products. *Mocha Mix*® and *Second Nature*® are branded products sold to retail customers.

Our San Antonio plant, which was acquired in May 2007, produces Mexican sauces, including salsa, picante sauce, cheese dip and enchilada and taco sauces, which are sold to retail and foodservice customers.

Most of our products have long shelf lives and are shipped from our production facilities directly to customers or to our distribution centers, where products are consolidated for shipment to customers. See Our Products below for a detailed description of our reportable segments and other food products.

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We operate our business as Bay Valley Foods, LLC (Bay Valley) in the United States and E.D. Smith Foods, LTD (E.D. Smith) in Canada. Bay Valley Foods is a Delaware limited liability company, a wholly owned subsidiary of TreeHouse Foods, Inc. and holds all of the real estate and operating assets related to our business.

History of Our Business

The operations that comprise a significant portion of our business were previously operated by three separate operating divisions within Dean Foods: the Specialty Foods Group, the Branded Products Group and the Dairy Group. In connection with the Distribution, we acquired the following assets from these operating divisions:

Specialty Foods Group: all of the operating (including manufacturing) and intellectual property assets of our current pickle and non-dairy powdered creamer segments, as well as the intellectual property assets associated with the foodservice salad dressings businesses,

Branded Products Group: the operating assets associated with the *Mocha Mix*®, *Second Nature*®, and *Rod*®*s* brand name portion of the foodservice salad dressings businesses, as well as the intellectual property assets associated with the *Mocha Mix*® and *Second Nature*® businesses, and

Dairy Group: the manufacturing assets associated with the *Mocha Mix*®, *Second Nature*®, and foodservice salad dressings businesses, as well as the operating assets associated with the private label portion of the foodservice salad dressings businesses.

On February 22, 2006, the Company acquired the business relationships and inventory of Oxford Foods, Inc., a food processor based in Deerfield, Massachusetts. Oxford Foods is a manufacturer of pickles, peppers and barbecue sauce for the foodservice industry. The Company s Faison, North Carolina plant assumed the production of these items after a four-month transition period.

On April 24, 2006, the Company completed the acquisition of the private label Soup and Infant Feeding Businesses of Del Monte Corporation, a Delaware corporation (the Seller), a wholly-owned subsidiary of Del Monte Foods Company. Pursuant to the terms of the Asset Purchase Agreement (the Agreement) with Seller, TreeHouse acquired the Seller s real estate, equipment, machinery, inventory, raw materials, intellectual property and other assets primarily related to the Seller s (1) private label soup business, (2) infant feeding business conducted under the brand name Nature s Goodness®, and (3) the food service soup business (hereinafter collectively referred to as the Soup and Infant Feeding Business), and assumed certain liabilities to the extent related thereto. The assets of the Soup and Infant Feeding Business acquired by the Company include a manufacturing facility in Pittsburgh, Pennsylvania, manufacturing assets located at the Seller s Mendota, Illinois facility and certain other assets as outlined in the Agreement. In connection with the Company s acquisition of the Soup and Infant Feeding Business, TreeHouse and the Seller entered into transition services, co-pack and other ancillary arrangements pursuant to the Agreement, including a long-term lease and a facilities sharing agreement pursuant to which the Seller will lease to TreeHouse the use of the Mendota facility. On the Closing Date, the Company paid an aggregate cash purchase price of $277.1 million for the Soup and Infant Feeding Business, of which $250 million was financed through borrowings under the Company s credit facility and available cash balances.

On May 4, 2007, the Company acquired substantially all of the assets of DeGraffenreid, LLC, a leading processor and distributor of pickles and related products to the foodservice industry, from Bell-Carter Foods, Inc. for $10.8 million. The company is located in Springfield, Missouri and has annual sales of approximately $23 million. The purchase included all of the company s working capital and production equipment. Concurrent with the acquisition of assets, TreeHouse entered into a lease for the land and buildings used in the operation of the acquired business. The acquisition was accounted for under the purchase method of accounting and results of operations are included in our financial statements from the date of acquisition.

On May 31, 2007, the Company acquired all the partnership interests and other outstanding equity interests in VDW Acquisition, Ltd. (VDW) pursuant to a purchase agreement dated April 20, 2007 with Silver Brands Partners II, LP, VDW Farms, Ltd. and VDW Management, LLC for $89.4 million. VDW is a San Antonio, Texas based manufacturer of Mexican sauces, including salsa, picante sauce, cheese dip, enchilada and taco sauces, which are sold to retail customers primarily under private label arrangements and to food service customers under the San Antonio

Farms label. This acquisition will expand our product offerings, primarily in the private label market. For the twelve months ending December 31, 2007, San Antonio Farms had revenue of $45.3 million.

On October 15, 2007, the Company acquired all of the operating assets of E.D. Smith Income Fund, including all of the outstanding equity interests in E.D. Smith & Sons, GP, Ltd., E.D. Smith & Sons, LP and E.D. Smith & Sons, Limited pursuant to a purchase and sale agreement with E.D. Smith Operating Trust, E.D. Smith Limited Partnership and the Fund dated June 24, 2007. TreeHouse acquired the assets of the Fund for approximately $347 million which includes acquisition related costs of approximately $6 million. The cash transaction was financed through borrowings under the Company s $600 million credit facility.

The acquired business (E.D. Smith) is a leading private label manufacturer of products that range from fruit-based products, which include jams (including jellies, marmalades and spreads), pie fillings, and ketchup, to sauces which include pasta sauces, salsa, barbeque sauces, specialty sauces and syrups, to oil-based products which include pourable and spoonable salad dressings and marinades. E.D. Smith has relationships with key retailers that we believe will open opportunities for our U.S. based business. In the U.S., E.D. Smith is a leading producer of private label salad dressings which we believe will complement the Company s portfolio. Our U.S. foodservice business will open a new distribution channel for E.D. Smith s product portfolio.

For the twelve months ending December 31, 2007, E.D. Smith had revenues of approximately $295 million. E.D. Smith operates three production facilities in Ontario (Winona, Seaforth and Cambridge) and one in North East, Pennsylvania, and employs approximately 800 people. The E.D. Smith headquarters will remain in Winona, Ontario.

Business Strategy

Our strategy is to optimize our current business and grow through acquisitions.

Optimize the Current Business

Improve marketing strategies in an effort to increase sales to national accounts. While we have high private label market share in salad dressing, pickles, non-dairy powdered creamer and soup, we still have significant potential for growth with several key national retailers and foodservice customers that we either do not currently serve, or that we currently serve in a limited manner. We intend to focus on gaining these customers, and expanding our relationships with existing customers, by improving our marketing strategies through more sophisticated account planning and customer targeting. We believe the acquisition of E.D. Smith will open opportunities for our U.S. based business, as well as open new distribution channels for E.D. Smith s product portfolio.

Further expand our cost advantage. Although we are a low cost producer, we believe that there are additional cost savings opportunities that exist in our operations. We intend to pursue these opportunities by improving supply chain efficiency, including manufacturing, sourcing and distribution.

Grow Through Acquisitions

Build on current business core competencies. We believe our core competency is our low cost manufacturing capability and our ability to service our customers efficiently with a single order, invoice and shipment. We expect to focus initially on acquisitions within our current product categories, as well as adjacent categories.

Move up the value chain. Products such as non-dairy powdered creamer and aseptic cheese sauces are key ingredients in value-added products such as drink mixes, sauces, gravies and prepared foods. We intend to pursue acquisitions of product lines and businesses in which these ingredients are critical components of the final product.

Develop new platforms for the private label and foodservice markets. Both the private label and foodservice markets are growing faster than the branded retail grocery markets, yet the manufacturer base is highly fragmented. With the retailer consolidation currently underway, we believe that retailers will place increased emphasis on reducing supply chain complexity and costs. While our platform focus is on shelf stable products, we will also explore new platforms in frozen and refrigerated products for both retail and foodservice.

Our Products

Financial information about our pickles, non-dairy powdered creamer, and soup and infant feeding segments can be found under Management s Discussion and Analysis of Financial Condition and Results of Operations Results of

Operations.

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The following table sets forth our consolidated net sales by product category and distribution channel, for the year ended December 31, 2007:

	Distribution Channel							
	Retailers		Foodservice		Industrial and Other		Total	
Products	Net Sales	% of Product Sales	Net Sales	% of Product Sales	Net Sales	% of Product Sales	Net Sales	% of Product Sales
	(Dollars in thousands)							
Pickles	$ 163,708	49.7%	$ 158,804	48.2%	$ 7,174	2.1%	$ 329,686	100.0%
Non-dairy powdered creamer	137,605	46.0%	5,112	1.7%	156,474	52.3%	299,191	100.0%
Soup and infant feeding	266,408	82.7%			55,815	17.3%	322,223	100.0%
Other	95,785	46.3%	90,664	43.8%	20,353	9.9%	206,802	100.0%
Total	$ 663,506	57.3%	$ 254,580	22.0%	$ 239,816	20.7%	$ 1,157,902	100.0%

Pickles Our pickles are manufactured and sold as either shelf stable, fresh pack or refrigerated products. Shelf stable pickles go through a fermentation process and are pasteurized. Fresh pack pickles are not fermented but are pasteurized and packed. Both shelf stable and fresh pack pickles are sold primarily to the retail grocery and foodservice markets. Refrigerated pickles are packed fresh and are not pasteurized. They are sold primarily to the foodservice market.

Pickles are made from cucumbers, which we source from growers in different regions of the United States where our production facilities are located. We also source cucumbers and pickles in both bulk and packaged form from Mexico and India. Due to the seasonal nature of the cucumber harvest, our pickle processing operations are busiest during the summer months, although we pack pickles year round.

Our pickles are produced and packaged as whole pickles, cut or sliced pickles and as pickle relish. The basic flavor formulations are dill or sweet, with many additional flavor variations depending on customer requirements. Packaging for retail pickles is generally in glass jars. Foodservice pickles are packaged in plastic containers and other packaging formats depending on customer requirements.

We also produce a variety of related products at our pickle production facilities, including peppers and pickled vegetables. These products include jalapeno peppers, pepperoncini peppers, sliced banana peppers and pickled okra.

We also include sauces and syrups in our pickles segment. One of our production facilities produces sauces, including shrimp, tartar, horseradish, chili and sweet and sour sauces under the *Bennett* ® and *Hoffman House*® brand names. These products are sold primarily to supermarkets in the Eastern, Midwestern and Southern United States. Another of our production facilities produces pancake and waffle syrup under the *Roddenbery* ®*Northwoods*® brand, which is a leading value brand in the Southeastern United States based on volume of units sold.

Pickles and related products represented approximately 28.5% of our consolidated net sales, for the year ended December 31, 2007.

Non-Dairy Powdered Creamer Non-dairy powdered creamer is produced from soybean oil, casein (a milk protein) and corn syrup. It is used as coffee creamer or whitener and as an ingredient in baking, beverages and gravy mixes and similar products.

Product offerings in this segment include private label products packaged for retailers, such as supermarkets and mass merchandisers, foodservice products for use in coffee service and other industrial applications, including repackaging in portion control packages and as an ingredient by other food manufacturers. We also manufacture and sell the *Cremora*® brand of non-dairy powdered creamer.

Non-dairy powdered creamer represented approximately 25.8% of our consolidated net sales, for the year ended December 31, 2007.

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Soup and Infant Feeding Soup, broth and gravy are manufactured using vegetables, meats and other ingredients which are sourced from outside suppliers. Our products are packaged in cans of various sizes, from single serve to larger sized cans. TreeHouse also manufactures infant feeding products at the Pittsburgh plant, primarily under the Nature s *Goodness*® brand. The majority of *Nature s Goodness*® products are manufactured by TreeHouse in glass jars, with co-packers producing a variety of cereals and juice products. Infant feeding products are developed and marketed around the different stages of a baby s development. *Nature s Goodness*® products are all natural and are produced under very tight quality control, from sourcing of raw materials through glass handling and finished product processing.

In 2007, the majority of the soup and infant feeding sales are to the retail channel and represented approximately 27.8% of our consolidated net sales.

Other Food Products 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. Our principal aseptic products are cheese sauces and puddings. These products are sold in the foodservice market in cans and flexible packages. We have developed new product formulations and packaging formats in this product line in response to customer needs.

Other food products that we produce include *Mocha Mix*®, a non-dairy liquid creamer, and *Second Nature*®, a liquid egg substitute. *Mocha Mix*® is distributed on a regional basis primarily on the West Coast of the United States. It also is sold as an ingredient to a third-party ice cream processor that produces its own frozen product under the *Mocha Mix*® brand name. *Second Nature*® is distributed primarily in Western and Midwestern states. We also sell refrigerated salad dressings to foodservice distributors and operators.

Our San Antonio plant, which was acquired in May 2007, produces Mexican sauces, including salsa, picante sauce, cheese dip and enchilada and taco sauces, which are sold to retail and foodservice customers.

Other food products also include pourable and spoonable salad dressings, jams, jellies and pie fillings produced by our Canadian subsidiary E.D. Smith acquired on October 15, 2007. E.D. Smith operates three production facilities in Canada and one in North East, Pennsylvania.

Marketing, Sales and Distribution

We sell our products through various distribution channels, including retail grocery, foodservice and industrial, including food manufacturers and repackagers of foodservice products. We have an internal sales force that manages customer relationships and also manages our broker network, which is used 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, including long-standing customers, purchase products from us either by purchase order or pursuant to contracts that generally are terminable at will. We have many customer supply arrangements that are not evidenced by written agreements.

In 2007, sales to retailers, foodservice and industrial customers represented 57.3%, 22.0% and 20.7%, respectively, of our consolidated net sales.

A relatively limited number of customers account for a large percentage of our consolidated net sales. For the year ended December 31, 2007, our largest customer, Wal-Mart Stores, Inc. and its affiliates, accounted for approximately 13.8% of our consolidated net sales. All of the Company s segments sold products to Wal-Mart Stores, Inc. or its affiliates. No other customer accounted for 10% or more of the Company s consolidated net sales.

Our products are generally shipped from inventory upon receipt of a customer order. In certain cases, we produce to order. Sales order backlogs are not material to our business.

Products are shipped from our production facilities directly to customers or to our distribution centers, where products are consolidated for shipment to customers. We believe this consolidation of products enables us to improve customer service by offering our customers a single order, invoice and shipment.

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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Seasonality

Demand for our products does not vary significantly by quarter, except for the sales of soup products which tend to have a higher percentage of sales in the first and fourth quarters.

Raw Materials

The most important raw material used in our pickle operations is cucumbers. We purchase cucumbers under seasonal grower contracts with a variety of growers strategically located to supply our production facilities. We select seeds and advise growers regarding planting techniques. We also monitor agricultural practices and direct harvests. Bad weather or disease in a particular growing area can reduce crop yields in that area, requiring us to purchase cucumbers from foreign sources or ship cucumbers from other growing areas in the United States, which increase production costs. The strategic location of our production facilities relative to cucumber growing areas mitigates this risk. We have long-standing relationships with many of these growers. In addition, we also procure cucumbers and pickles in both bulk and packaged form from Mexico and India.

Other important raw materials used in our operations are processed vegetables and meats, soybean oil, coconut oil, casein, cheese, corn syrup, peppers and fruits. These raw materials generally are purchased under supply contracts, and we occasionally engage in forward buying, when we determine such buying to be to our advantage. We believe these raw materials to be generally available from a number of suppliers.

The most important packaging materials used in our operations are glass, plastic containers, cardboard, metal closures and metal cans. Most packaging materials are purchased under long-term supply contracts. We believe these packaging materials to be generally available from a number of suppliers, with the exception of glass, which we procure through a long-term supply contract that expires in December 2010.

Certain of our raw materials are purchased under long-term contracts in an attempt to guarantee supply and in order to obtain lower costs. The prices of our raw materials increase and decrease based on supply, demand and other factors. We are not always able to adjust our pricing to reflect changes in raw materials costs. Volatility in the cost of our raw materials can adversely affect our performance, as price changes often lag behind changes in costs.

For additional discussion of the risks associated with the raw materials used in our operations, see Known Trends and Uncertainties Prices of Raw Materials.

Working Capital

Components of our working capital generally are stable throughout the year with the exception of pickle and soup inventories. The peak season for pickle production occurs during the spring and summer as cucumbers are harvested and processed. As a result, pickle inventories tend to reach a low point in the second quarter and are at a high point at the end of the third quarter. We also build inventories of soup during the summer months in anticipation of large seasonal shipments that begin late in the third quarter.

Competition

We have several competitors in each of our product markets. 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. For sales of products to foodservice customers, the principal competitive factors are product quality and specifications, reliability of service and price.

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 and price. Most of our branded competitors have significantly greater resources and brand recognition than we do.

The consolidation trend is continuing in the retail grocery and foodservice industries, and mass merchandisers are 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.

Employees

As of December 31, 2007, our work force consisted of approximately 3,400 full-time employees in the United States and Canada.

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For More Information About Us

Filings with the SEC Our fiscal year ends on December 31. We furnish our stockholders with annual reports containing audited financial reports.

As a public company, we regularly file reports and proxy statements with the Securities and Exchange Commission. These reports are required by the Securities Exchange Act of 1934 and include:

- annual reports on Form 10-K,
- quarterly reports on Form 10-Q,
- current reports on Form 8K, and
- proxy statements on Schedule 14A.

Anyone may read and copy any of the materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington DC, 20549; information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site that contains our report, proxy and information statements, and our other SEC filings. The SEC s internet address is http://www.sec.gov.

Also, we make our SEC filings available on our own internet site as soon as reasonably practicable after they have been filed with the SEC. Our internet address is http://www.treehousefoods.com.

The information on our website is not incorporated by reference into this annual report on Form 10-K.

Corporate Governance Our Code of Ethics, which is applicable to all of our employees and directors, is available on our corporate website at http://www.treehousefoods.com, along with the Corporate Governance Guidelines of our Board of Directors and the charters of the Committees of our Board of Directors. Any waivers that we may grant to our executive officers or directors under the Code of Ethics, and any amendments to our Code of Ethics, will be posted on our corporate website. Any of these items or any of our filings with the Securities and Exchange Commission are available in print to any shareowner who requests them. Requests should be sent to Investor Relations, TreeHouse Foods, Inc., Two Westbrook Corporate Center, Suite 1070, Westchester, IL 60154.

We submitted the certification of our chief executive officer required by Section 303A.12 of the NYSE Listed Company Manual, relating to our compliance with the NYSE s corporate governance listing standards, on April 27, 2007 without qualification. In addition, we have included the certifications required of our chief executive officer and our chief financial officer by Section 302 of the Sarbanes-Oxley Act of 2002 and related rules with respect to the quality of our disclosures in our Form 10-K for the year ended December 31, 2007, as Exhibits 31.1 and 31.2, respectively, to this Form 10-K.

Item 1A. *Risk Factors*

In addition to the factors discussed elsewhere in the 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.

Because we are dependent upon a limited number of customers, the loss of a significant customer 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 high. We expect that a significant portion of our net sales will continue to be derived from a small number of customers. 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 are reduced, this reduction may have a material adverse effect on our business, results of operations and financial condition.

Increases in input costs, such as raw materials, packaging materials and fuel costs, could adversely affect us.

The costs of other raw materials as well as 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. Many of the raw materials used in our products rose to unusually high cost levels during 2007 and 2006, including processed vegetables and meats, soybean oil, casein, cheese and packaging materials. In addition, fuel costs, which represent the most significant factor affecting utility costs at our production facilities and our transportation costs have fluctuated widely over the last twenty-four months. Furthermore, certain input requirements, such as glass used in packaging, are available only from a limited number of suppliers.

The most important raw material used in our pickle operations is cucumbers. We purchase cucumbers under seasonal grower contracts with a variety of growers strategically located to supply our production facilities. Bad weather or disease in a particular growing area can damage or destroy the crop in that area, which would impair crop yields. If we are not able to buy cucumbers from local suppliers, we would likely either purchase cucumbers from foreign sources, such as Mexico or India, or ship cucumbers from other growing areas in the United States, thereby increasing our production costs.

Changes in the prices of our products may lag behind changes in the costs of our materials. Competitive pressures also may 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 increased raw material, packaging and fuel costs, our operating profits and margins could be adversely affected.

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 primarily 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 difference between private label products and branded products can become less meaningful.

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 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 marketing expenditures, or increase the use of discounting or promotional programs, each of which would adversely affect our margins and could result in a decrease in our operating results and profitability.

The consolidation trend among our customer base could adversely affect our profitability.

The consolidation trend is continuing in the retail grocery and foodservice industries, and mass merchandisers are gaining market share. As this trend among grocery retailers continues and our retail customers, including mass merchandisers, grow larger and become more sophisticated, these retailers may demand lower pricing and increased promotional programs from product suppliers. If we are not selected by these retailers for most of our products or if we fail to effectively respond to their demands, our sales and profitability could be adversely affected. Furthermore, some of our large customers may seek more favorable terms for their purchases of our products. Sales to our large customers, on terms less favorable than existing terms, could have an adverse effect on our profitability. In addition, we have been subject to a number of competitive bidding situations over the last few years, which have resulted in margin erosion on sales to several customers, including some large customers. In bidding situations, we are subject to the risk of losing customers. Loss of any of our largest customers could have an adverse impact on our financial results.

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 rate depends, in large part, on our acquisition of additional food manufacturing businesses, products or processes. As a result, we intend to engage in acquisition activity. 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.

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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 as a result of, among other things, the incurrence of debt, one-time 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 and eating habits 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.

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

We sell food products for human consumption, which involve 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.

Compliance with recent government regulations relating to bioterrorism could increase our operating costs and adversely affect our profitability.

As a producer and marketer of food items, we are subject to regulation by various federal, state and local governmental agencies. The Bioterrorism Act of 2002 includes regulations relating to the tracking and tracing of food products, including ingredients and raw materials, throughout the process of production. We will need to continue to expend monetary and non-monetary resources to maintain such compliance. In addition, future regulations by these agencies could become more stringent. In each instance, continued compliance with these and any similar requirements could increase our operating costs and adversely affect our profitability in the future.

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Fluctuations in foreign currencies may adversely affect earnings.

The Company is exposed to fluctuations in foreign currency cash flows primarily related to raw material purchases. We are also exposed to fluctuations in the value of our foreign currency investment in our Canadian subsidiary, E.D. Smith, which was purchased October 15, 2007. Additionally, input costs for certain Canadian sales are denominated in U.S. dollars, further impacting the affect foreign currency fluctuations may have on the Company.

E.D. Smith is a manufacturer of private label salad dressings, jams, jellies and pie fillings and other private label products in Canada. The Company s financial statements are presented in U.S. dollars, which require the Canadian assets, liabilities, revenues and expenses to be translated 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.

We have substantial indebtedness, which could restrict our business activities.

As of December 31, 2007, we had $620.5 million of outstanding indebtedness. We are permitted by the terms of our debt instruments to incur substantial additional indebtedness, subject to the restrictions therein. Our 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.

Our substantial indebtedness could:

- make it more difficult for us to satisfy our obligations under our indebtedness;
- limit our ability to borrow money for working capital, capital expenditures, debt service requirements or other corporate purposes;
- require us to dedicate a substantial portion of our cash flow to payments on our indebtedness, which would reduce the amount of cash flow available to fund working capital, capital expenditures, product development and other corporate requirements;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to respond to business opportunities; and
- subject us to financial and other restrictive covenants, which, if we fail to comply with these covenants and our failure is not waived or cured, could result in an event of default under our indebtedness.

We may be unable to raise additional capital to meet capital expenditure needs if our operations do not generate sufficient funds to do so.

Our business is expected to have continuing capital expenditure needs. If our operations do not generate sufficient funds to meet our capital expenditure needs for the foreseeable future, we may not be able to gain access to additional capital, if needed, particularly in view of competitive factors and industry conditions. In addition, recent increases in the cost of raw materials, packaging materials and fuel costs have increased our working capital requirements. If we are unable to obtain additional capital, or unable to obtain additional capital on favorable terms, our liquidity may be diminished and we may be unable to effectively operate our business.

Increases in interest rates may negatively affect earnings.

We had outstanding variable rate debt of $511.5 million as of December 31, 2007 at an average rate of 5.57% as of December 31, 2007, which accounts for approximately 82.3% of our total debt outstanding at December 31, 2007. We do not actively manage interest rate risk through the use of interest rate swaps or other derivative instruments. Accordingly, we may still experience interest rate volatility. Increases in interest rates we pay on our variable rate debt could materially affect our earnings.

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The Company s operations may be impaired as a result of disasters, business interruptions or similar events.

A natural disaster such as an earthquake, fire, flood, or severe storm, or a catastrophic event such as a terrorist attack, an epidemic affecting the Company s operating activities, major facilities, or employees and customers health, or a computer system failure, could cause an interruption or delay in the Company s business and loss of inventory and/or data or render the Company unable to accept and fulfill customer orders in a timely manner, or at all. In addition, some of the Company s inventory and production facilities are located in areas that are susceptible to harsh weather; a major storm, heavy snowfall or other similar events that could prevent the Company from delivering products in a timely manner. The Company cannot provide assurance that its disaster recovery plan will address all of the issues it may encounter in the event of a disaster or other unanticipated issues, and the Company s business interruption insurance may not adequately compensate it for losses that may occur from any of the aforementioned factors. In the event that an earthquake, natural disaster, terrorist attack or other catastrophic event were to destroy any part of the Company s facilities or interrupt its operations for any extended period of time, or if harsh weather or health conditions prevent the Company from delivering products in a timely manner, the Company s business, financial condition and operating results could be seriously harmed.

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

Currently, approximately 69% of our full time distribution, production and maintenance employees are covered by collective bargaining agreements with the International Brotherhood of Teamsters, United Food and Commercial Workers Union, or Retail, Wholesale and Department Store Union Central States Council. In addition, 16% of the labor force is covered by agreements that expire within one year. If a dispute with one of these unions or the employees they represent were to arise, production interruptions caused by work stoppages could occur. If a strike or work stoppage were to occur, our business, financial condition and results of operations could be adversely affected.

We could incur significant tax liabilities if the Distribution becomes a taxable event.

Dean Foods received a private letter ruling from the Internal Revenue Service (IRS) substantially to the effect that, for U.S. federal income tax purposes, the Distribution of our common stock held by Dean Foods to its stockholders will qualify as a tax-free transaction under Section 355 of the Internal Revenue Code of 1986, as amended (the Code). Although a private letter ruling from the IRS generally is binding on the IRS, if the facts presented or representations made in the letter ruling request are untrue or incomplete in any material respect, the letter ruling could be retroactively revoked or modified by the IRS.

Furthermore, the IRS does not rule on whether a distribution satisfies certain requirements for a Section 355 distribution. Therefore, in addition to obtaining the letter ruling from the IRS, Dean Foods and TreeHouse obtained an opinion from the law firm of Wilmer Cutler Pickering Hale and Dorr, LLP that the Distribution qualified as a transaction under Section 355 of the Code. The opinion relies on the IRS letter ruling as to matters covered by the ruling. In addition, the opinion is based on, among other things, certain assumptions and representations as to factual matters made by Dean Foods and us, which if incorrect or inaccurate in any material respect would jeopardize the conclusions reached by counsel in its opinion. The opinion is not binding on the IRS or the courts, and the IRS or the courts may not agree with the opinion.

Notwithstanding receipt by Dean Foods of the private letter ruling and opinion of counsel, the IRS could assert that the Distribution should be treated as a taxable event. If the IRS were successful in taking this position, our initial public stockholders and Dean Foods could be subject to significant U.S. federal income tax liability. In addition, even if the Distribution otherwise were to qualify under Section 355 of the Code, it may be taxable to Dean Foods (but not to Dean Foods stockholders) under Section 355(e) of the Code, if the Distribution were later deemed to be part of a plan (or series of related transactions) pursuant to which one or more persons acquire directly or indirectly stock representing a 50 percent or greater interest in Dean Foods or us.

Although the taxes resulting from a taxable distribution generally would be imposed on Dean Foods and its stockholders, we would in certain circumstances be liable under the tax sharing agreement for all or a portion of Dean Foods taxes resulting from the Distribution being taxable. If we were to become liable for such taxes, it would have a material adverse effect on our financial condition, results of operations and cash flows.

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

Not applicable.

Item 2. ***Properties***

We currently operate eighteen principal production facilities, the majority of which are owned except for the facility in City of Industry, California, which is leased under an agreement that expires in September 2016; the Mendota, Illinois facility, which is leased from Del Monte Corporation under an agreement that expires in March, 2009; the Springfield, Missouri facility, which is leased from Bell Carter under an agreement that expires in May 2009 and the Cambridge, Ontario facility, which is leased under an agreement that expires in December 2009. We believe that these facilities are suitable for our operations and provide sufficient capacity to meet our requirements for the foreseeable future. On February 13, 2008 the Company announced plans to close the Portland, Oregon production facility and distribution center. See Note 24 regarding subsequent events. The following chart lists the location and principal products produced at our production facilities:

Facility Location	Principal Products
City of Industry, California	*Mocha Mix*®, *Second Nature*® and salad dressings
Chicago, Illinois	Refrigerated foodservice pickles
Dixon, Illinois	Aseptic cheese sauces, puddings and gravies
Mendota, Illinois	Soups, broth, and gravies
Pecatonica, Illinois	Powders used for non-dairy creamers
Plymouth, Indiana	Pickles, peppers and relish
New Hampton, Iowa	Powders used for non-dairy creamers and other powdered products
Wayland, Michigan	Powders used for non-dairy creamers and other powdered products
Springfield, Missouri	Foodservice pickles
Faison, North Carolina	Pickles, peppers and relish; syrup
Portland, Oregon	Pickles, peppers and relish
North East, Pennsylvania	Salad dressing
Pittsburgh, Pennsylvania	Soups, broth, and gravies; infant baby food
San Antonio, Texas	Mexican sauces
Green Bay, Wisconsin	Pickles, peppers, relish and sauces
Cambridge, Ontario, Canada	Salad dressing
Seaforth, Ontario, Canada	Salad dressings, mayonnaise
Winona, Ontario, Canada	Jams, jellies, pie fillings and specialty sauces

Research and Development

Our research facilities include a Research and Development Center in Pecatonica, Illinois. The Center focuses on the development of aseptic and powdered creamer products. Product development work for aseptic products is also carried out at our production facility in Dixon, Illinois. Research and development for our pickles segment is carried out at our production facility in Green Bay, Wisconsin. We conduct research and development activities for our soup and infant feeding products at our production facility in Pittsburgh, Pennsylvania. New formulations for salad dressings are created at our Seaforth, Canada location and new sauces and fruit based products are developed at our Winona, Canada facility. In addition, sample preparation, plant trials, ingredient approval and other quality control procedures are conducted at all our manufacturing facilities. Research and development expense totaled $4.8 million, $2.7 million, and $0.8 million in 2007, 2006, and 2005, respectively, and is included in the General and Administrative line of the Consolidated Statements of Income.

Item 3. ***Legal Proceedings***

We are party to a variety of legal proceedings arising in the normal course of 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 adverse effect on the Consolidated Financial Statements, annual results of operations or cash flows.

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Item 4. ***Submission of Matters to a Vote of Security Holders***

No matter was submitted by us during the fourth quarter of 2007 to a vote of security holders, through the solicitation of proxies or otherwise.

Item 4A. ***Executive Officers of the Registrant***

Sam K. Reed	61	Chairman of the Board of Directors. Mr. Reed has served as the Chief Executive Officer since January 2005.
David F. Vermylen	57	President and Chief Operating Officer and has served in that position since January 2005.
Dennis F. Riordan	50	Senior Vice President and Chief Financial Officer since January 2006.
Thomas E. O Neill	52	General Counsel, Chief Administrative Officer and a Senior Vice President and has served in that position since January 2005.
Harry J. Walsh	52	Senior Vice President of Operations and has served in that position since January 2005.

PART II

Item 5. ***Market for Our Common Stock and Related Matters***

Our common stock began trading on the New York Stock Exchange on June 28, 2005 under the symbol THS. The high and low sales prices of our common stock as quoted on the New York Stock Exchange for 2007 and 2006 are provided in Note 21 of the Consolidated Financial Statements. There were approximately 4,324 record holders of our common stock as of February 18, 2008. The Company did not purchase any shares of its stock in either 2007 or 2006.

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 June 28, 2005 through December 31, 2007. The graph and accompanying table compare the cumulative total stockholders return on our common stock with the cumulative total return of the S&P Small Cap 600 Index, Russell 2000 Index and a Peer Group Index consisting of the following group of companies selected based on the similar nature of their business: Kraft Foods Inc., Sara Lee Corp., General Mills, Inc., Kellogg Co., ConAgra Foods Inc., Archer Daniels Midland Co., H.J. Heinz Company, Campbell Soup Co., McCormick & Co. Inc., The JM Smucker Co., Del Monte Foods Co., Corn Products Int l., Lancaster Colony Corp., Flowers Foods, Inc., Ralcorp Holdings Inc., The Hain Celestial Group, Inc., Lance, Inc., J&J Snack Foods Corp., B&G Foods, Inc., American Italian Pasta Co., Farmer Bros. Inc. and Peet s Coffee and Tea. The graph assumes an investment of $100 on June 28, 2005, in each of TreeHouse Foods common stock, the stocks comprising the S&P Small Cap 600 Index, Russell 2000 Index and the Peer Group Index.

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COMPARISON OF CUMULATIVE TOTAL RETURN OF $100 AMONG TREEHOUSE FOODS, INC., S&P SMALL CAP 600 INDEX, RUSSELL 2000 INDEX AND THE PEER GROUP INDEX

	Base Period	INDEXED RETURNS For Year Ended		
Company Name / Index	**6/28/05**	**12/31/05**	**12/31/06**	**12/31/07**
TreeHouse Foods, Inc.	**100**	63.14	105.23	77.54
S&P SmallCap 600 Index	**100**	105.96	121.98	121.62
Russell 2000 Index	**100**	105.59	124.98	123.03
Peer Group	**100**	97.65	122.37	130.22

We have never declared or paid a cash dividend on our common stock. Our current intention is to retain all earnings to fund working capital fluctuations, capital expenditures, scheduled debt repayments, expansion of our business and we do not anticipate paying cash dividends on our common stock in the foreseeable future. Moreover, our revolving credit facility contains certain restrictions on our ability to pay cash dividends. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Current Debt Obligations and Note 10 to the Consolidated Financial Statements for further information regarding the terms of our revolving credit facility and senior notes.

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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, 2007:

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(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))
Equity compensation plans approved by security holders:			
2005 Long-Term Stock Incentive Plan	2,558,178	$ 26.26	1,838,001
Equity compensation plans not approved by security holders:			
None			
Total	2,558,178	$ 26.26	1,838,001

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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, 2007 has been derived from the Consolidated Financial Statements. The selected financial data do not purport to indicate results of operations as of any future date or for any future period. The selected financial data should be read in conjunction with the Consolidated Financial Statements and related Notes. For periods prior to June 27, 2005, all of the historical assets, liabilities, sales, expenses, income, cash flows, products, businesses and activities of our business that we describe in this report as ours are in fact the historical assets, liabilities, sales, expenses, income, cash flows, products, businesses and activities of the businesses transferred to TreeHouse by Dean Foods.

	Year Ended December 31,				
	2007	**2006**	**2005**	**2004**	**2003**
	(Dollars in thousands, except per share data)				
Operating data:					
Net sales	$ 1,157,902	$ 939,396	$ 707,731	$ 694,619	$ 696,134
Cost of sales	917,611	738,818	560,094	537,970	517,896
Gross profit	240,291	200,578	147,637	156,649	178,238
Operating costs and expenses:					
Selling and distribution	94,636	74,884	60,976	61,484	57,136
General and administrative	53,931	57,914	31,977	11,020	11,719
Management fee paid to Dean Foods			2,940	11,100	5,400
Amortization of intangibles	7,195	3,268	1,732	1,477	1,344
Other operating (income) expense, net	(415)	(19,842)	21,423		
Total operating costs and expenses	155,347	116,224	119,048	85,081	75,599
Operating income	84,944	84,354	28,589	71,568	102,639
Other (income) expense:					
Interest expense	22,036	12,985	1,223	710	750
Interest income	(112)	(665)	(7)		
Foreign currency hedge income	(3,469)				
Other (income) expense, net	(36)		(66)	116	
Total other expense	18,419	12,320	1,150	826	750
Income from continuing operations, before income taxes	66,525	72,034	27,439	70,742	101,889
Income taxes	24,873	27,333	15,174	26,071	38,025
Income from continuing operations	41,652	44,701	12,265	44,671	63,864
Income (loss) on sale of discontinued operations, net of tax	(30)	155	(689)	(9,595)	3,894
Net income	$ 41,622	$ 44,856	$ 11,576	$ 35,076	$ 67,758
Basic earnings per common share:					
Income from continuing operations	$ 1.33	$ 1.43	$ .40	$ 1.45	$ 2.07
Income (loss) from discontinued operations		.01	(.02)	(.31)	.13

Net income	$ 1.33	$ 1.44	$ .38	$ 1.14	$ 2.20
Diluted earnings per common share:					
Income from continuing operations	$ 1.33	$ 1.42	$ .39	$ 1.44	$ 2.06
Income (loss) from discontinued operations		.01	(.02)	(.31)	.12
Net income	$ 1.33	$ 1.43	$ .37	$ 1.13	$ 2.18
Average common shares:					
Basic	31,203	31,158	30,905	30,801	30,801
Diluted	31,351	31,396	31,108	31,060	31,060
Other data:					
Balance sheet data (at end of period):					
Total assets	$ 1,455,958	$ 935,623	$ 609,697	$ 632,922	$ 660,572
Long-term debt	620,452	239,115	6,144	28,296	21,170
Other long-term liabilities	33,913	26,520	18,906	20,538	23,509
Total stockholders equity	629,309	576,249	513,355	494,755	529,193

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

(The following discussion and analysis presents the factors that had a material effect on our results of operations for the years ended December 31, 2007, 2006 and 2005. Also discussed is our financial position, as of the end of those periods. You should read this discussion 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 Forward-Looking Statements for a discussion of the uncertainties, risks and assumptions associated with these statements.)

Results of Operations

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

	Year Ended December 31,					
	2007		2006		2005	
	Dollars	Percent	Dollars	Percent	Dollars	Percent
	(Dollars in thousands)					
Net sales	$ 1,157,902	100.0%	$ 939,396	100.0%	$ 707,731	100.0%
Cost of sales	917,611	79.2	738,818	78.7	560,094	79.1
Gross profit	240,291	20.8	200,578	21.3	147,637	20.9
Operating costs and expenses:						
Selling and distribution	94,636	8.2	74,884	8.0	60,976	8.6
General and administrative:						
Stock-based compensation	13,580	1.2	18,794	2.0	9,618	1.4
Other general and administrative	40,351	3.5	39,120	4.2	22,359	3.2
Total general and administrative	53,931	4.7	57,914	6.2	31,977	4.6
Amortization expense	7,195	0.6	3,268	0.3	1,732	0.2
Management fee paid to Dean Foods					2,940	0.4
Other operating (income) expense, net	(415)		(19,842)	(2.2)	21,423	3.0
Total operating costs and expenses	155,347	13.5	116,224	12.3	119,048	16.8
Total operating income	$ 84,944	7.3%	$ 84,354	9.0%	$ 28,589	4.1%

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Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Net Sales Net sales increased 23.3 % to $1,157.9 million for the year ended December 31, 2007, compared to $939.4 million, for the year ended December 31, 2006. Net sales by segment are shown in the following table:

	Consolidated Net Sales Year Ended December 31,			
	2007	**2006**	**$ Increase/ (Decrease)**	**% Increase/ Decrease**
		(Dollars in thousands)		
Pickles	$ 329,686	$ 326,313	$ 3,373	1.0%
Non-dairy powdered creamer	299,191	267,385	31,806	11.9
Soup and infant feeding	322,223	224,189	98,034	43.7
Other	206,802	121,509	85,293	70.2
Total	$ 1,157,902	$ 939,396	$ 218,506	23.3%

The increase in net sales was primarily driven by the acquisition of the Soup and Infant Feeding Business in the second quarter of 2006 and the full year impact in 2007 and the acquisition of E.D. Smith in October, 2007. Sales increases were realized in all product lines in 2007 as we increased prices to pass along the effect of the increase in input costs to our customers. Sales in the pickle segment increased 1.0% as a result of the acquisition of the DeGraffenreid pickle business in the second quarter of 2007. Net sales in the non-dairy powdered creamer segment increased 11.9% to $299.2 million for 2007 from $267.4 million in the prior year, primarily due to price increases throughout the year to offset rising commodity costs. Net sales of other products increased 70.2% to $206.8 million in 2007 from $121.5 million in the prior year, primarily due to the acquisition of the Mexican sauce business in May, 2007 and E.D. Smith in October, 2007.

Cost of Sales All expenses incurred to bring a product to completion are included in cost of sales, such as raw material, ingredient and packaging costs, labor costs, facility and equipment costs, including costs to operate and maintain our warehouses, and costs associated with transporting our finished products from our manufacturing facilities to our own distribution centers. Cost of sales as a percentage of consolidated net sales increased to 79.2% in 2007 from 78.7% in the prior year. We continued to experience increased raw material and packaging costs that we were able to partially offset with increased operating efficiencies and increases in the prices of our products. See Results by Segment.

Operating Costs and Expenses Operating expenses increased to $155.3 million in 2007 compared to $116.2 million in 2006. The increase in 2007 resulted from the following:

Selling and distribution expenses increased $19.8 million, primarily due to the acquisition of the Soup and Infant Feeding Business in the second quarter of 2006 and the full year impact in 2007, the acquisition of the Mexican sauce business in May, 2007 and E.D. Smith in October, 2007. Selling and distribution expenses as a percent of revenue increased from 8.0% in 2006 to 8.2% in 2007, primarily as a result of higher average fuel costs.

General and administrative expenses decreased $4.0 million in 2007 compared to 2006, primarily for the following reasons: (1) the reduction of stock-based compensation expense of $5.2 million due to graded vesting which front loads the expense in earlier years related to equity grants to Senior Management at the time of the distribution and (2) the reduction of professional fees associated with Sarbanes-Oxley compliance of $1.4 million and (3) the reduction of pension administrative expenses of $0.7 million. The previous year incurred higher expenses, due to the initial compliance effort required for TreeHouse as a public company. These reductions were partially offset by additional costs related to the acquisitions made during the year.

Amortization expenses increased to $7.2 million in 2007 from $3.3 million in 2006, due to the acquisition of the Soup and Infant Feeding Business in the second quarter of 2006 and the full year impact in 2007, the acquisition of the Mexican sauce business in the second quarter of 2007, and the acquisition of E.D. Smith in the fourth quarter of 2007.

Other operating income in 2007 decreased $19.4 million due to several non-recurring items which occurred in 2006. In 2007, we recognized a gain on the sale of certain assets related to the La Junta, Colorado facility of $0.3 million.

Other operating expense in 2006 includes a $29.4 million curtailment gain generated as a result of transferring the postretirement medical benefits of certain union employees from a company funded plan to a multiemployer union sponsored plan. In 2006, we also recorded an $8.2 million charge to write down the *Mocha Mix*® trademark to reflect a reduction in its realizable value. Also included in 2006 is the income from the sale of the La Junta, Colorado distribution center of $1.3 million, offset by $2.6 million of costs associated with the closing of the La Junta, Colorado facilities.

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Operating Income Operating income in 2007 was $84.9 million, an increase of $0.6 million, or 0.7 % from operating income of $84.4 million in 2006, largely as a result of solid operating results and the effect of the acquisitions in 2006 and 2007, which offset the $29.4 million curtailment gain of postretirement benefits recorded in 2006. Our operating margin was 7.3% in 2007 as compared to 9.0% in the prior year.

Income Taxes Income tax expense was recorded at an effective rate of 37.4% for 2007 compared to 37.9% for 2006. The decrease is primarily due to the lower tax rate on the Canadian operations of E.D. Smith.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006 Results by Segment

Pickles

	Year Ended December 31,			
	2007		2006	
	Dollars	Percent	Dollars	Percent
	(Dollars in thousands)			
Net sales	$ 329,686	100.0%	$ 326,313	100.0%
Cost of sales	268,575	81.5	262,016	80.3
Gross profit	61,111	18.5	64,297	19.7
Freight out and commissions	20,648	6.2	21,423	6.6
Adjusted gross margin	$ 40,463	12.3%	$ 42,874	13.1%

Net sales in the pickles segment increased by $3.4 million, or 1.0%, for the year ended December 31, 2007 compared to the prior year. The change in net sales from 2006 to 2007 was due to the following:

	Dollars	Percent
	(Dollars in thousands)	
2006 Net sales	$ 326,313	
Volume	(10,608)	(3.3)%
Mix/other	(3,958)	(1.2)
Acquisitions	13,173	4.0
Pricing	4,766	1.5
2007 Net sales	$ 329,686	1.0%

The increase in net sales from 2006 to 2007 resulted primarily from the acquisition of the DeGraffenreid pickle business in the second quarter of 2007. Price increases were taken in all distribution channels during the second half of 2007, due to rising raw material, packaging and natural gas costs. Sales volumes before the acquisition of the DeGraffenreid pickle business declined 3.3% in the twelve months of 2007, compared to a year ago with lower volumes in both the retail and foodservice pickle categories. According to Information Resources, Inc., sales volumes of pickles by retail grocers were down 3.4% in 2007, compared to the prior year.

Cost of sales as a percentage of net sales increased from 80.3% in 2006 to 81.5% in 2007 primarily as a result of input cost increases throughout 2007, which were not fully offset by price increases until the second half of 2007. Significant cost increases in 2007 include a 10% increase in corrugated containers, a 29% increase in sweeteners, a 23% increase in vinegar and a 7% increase in cucumber crop costs.

Freight out and commissions paid to independent brokers decreased $0.8 million or 3.6%, to $20.6 million in 2007 compared to $21.4 million in 2006 as a result of better management of shipments.

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Non-dairy powdered creamer

	Year Ended December 31, 2007 Dollars	Percent	2006 Dollars	Percent
	(Dollars in thousands)			
Net sales	$ 299,191	100.0%	$ 267,385	100.0%
Cost of sales	227,554	76.1	203,782	76.2
Gross profit	71,637	23.9	63,603	23.8
Freight out and commissions	13,984	4.6	12,780	4.8
Adjusted gross margin	$ 57,653	19.3%	$ 50,823	19.0%

Net sales in the non-dairy powdered creamer segment increased by $31.8 million, or 11.9%, for the year ended December 31, 2007 compared to the prior year. The change in net sales from 2006 to 2007 was due to the following:

	Dollars	Percent
	(Dollars in thousands)	
2006 Net sales	$ 267,385	
Volume	6,477	2.4%
Pricing	24,125	9.0
Mix/other	1,204	0.5
2007 Net sales	$ 299,191	11.9%

In the first quarter of 2007, we increased our prices in response to significant increases in raw material costs such as corn syrup, casein and packaging. The case sales volumes also increased by approximately 2.4%, despite a decrease in overall industry sales, due to an increase in export sales and sales to our existing retail customers. According to AC Nielson, retail sales of shelf stable creamer decreased 3.1% in 2007 versus the prior year.

Cost of sales as a percentage of net sales decreased from 76.2% in 2006 to 76.1% in 2007, as price increases to our customers offset increases in raw material, packaging, and energy costs, combined with improvements in operating efficiencies. Significant increases in raw materials in 2007 include a 32% increase in sweeteners, a 27% increase in oils, an 11% increase in casein and a 4% increase in corrugated offset by a 6% decrease in plastic containers.

Freight out and commissions paid to independent brokers increased $1.2 million to $14.0 million in 2007 compared to $12.8 million in 2006, primarily as a result of the increase in net sales volume. Freight out and commissions as a percentage of net sales decreased from 4.8% in 2006 compared to 4.6% in 2007, as a result of the relatively smaller increase in freight out and commission dollars compared to the increase in sales dollars.

Soup and infant feeding

	Year Ended December 31, 2007 Dollars	Percent	Eight Months Ended December 31, 2006 Dollars	Percent
	(Dollars in thousands)			
Net sales	$ 322,223	100.0%	$ 224,189	100.0%
Cost of sales	256,404	79.6	180,594	80.6
Gross profit	65,819	20.4	43,595	19.4
Freight out and commissions	17,712	5.5	13,220	5.9

Adjusted gross margin	$	48,107	14.9%	$	30,375	13.5%

Net sales in the soup and infant feeding segment increased by $98.0 million, or 43.7%, for the year ended December 31, 2007 compared to the prior year. The change in net sales from 2006 to 2007 was due to the following:

	Dollars	Percent
	(Dollars in thousands)	
2006 Net sales	$ 224,189	
Volume	93,899	41.9%
Pricing	5,000	2.2
Mix/other	(865)	(0.4)
2007 Net sales	$ 322,223	43.7%

Net sales for the eight month period ending December 31, 2006 for soup and infant feeding includes the period from April 24, 2006, the date of acquisition, through December 31, 2006. The increase in net sales from 2006 to 2007 resulted primarily from owning the Soup and Infant Feeding Business for the whole year in 2007 compared to only eight months in 2006.

Cost of sales as a percentage of net sales decreased from 80.6% in 2006 to 79.6% in 2007 as price increases to our customers offset increases in raw materials and packaging costs.

Freight out and commissions paid to independent brokers increased by $4.5 million to $17.7 million as a result of the full year of volume. However, these costs decreased as a percent of revenue from 5.9% in 2006 to 5.5% in 2007 due to combining shipments and leveraging freight rates with the other product lines.

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

Net Sales Net sales increased approximately 32.7% to $939.4 million for the year ended December 31, 2006, compared to $707.7 million for the year ended December 31, 2005. Net sales by segment are shown in the following table:

	Consolidated Net Sales			
	Year Ended December 31,			
	2006	2005	$ Increase/ (Decrease)	% Increase/ Decrease
	(Dollars in thousands)			
Pickles	$ 326,313	$ 320,143	$ 6,170	1.9%
Non-dairy powdered creamer	267,385	263,769	3,616	1.4
Soup and infant feeding	224,189		224,189	
Other	121,509	123,819	(2,310)	(1.9)
Total	$ 939,396	$ 707,731	$ 231,665	32.7%