SunOpta Inc.
Form 10-K
March 11, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended **December 31, 2008**

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

Commission File No. **0-9989**

SUNOPTA INC.

(Exact name of registrant as specified in its charter)

CANADA
(Jurisdiction of Incorporation)

Not Applicable
(I.R.S. Employer Identification No.)

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

(905) 455-1990
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant Section to 12(g) of the Act:
Common Shares, no par value
(Title of Class)

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

Yes [ ] No [X]

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

Yes [ ] No [X]

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 [X] No [ ]

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

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 definition of accelerated filer , large accelerated filer , and smaller reporting company) in Rule 12b-2 of the Act). Check one:

Large accelerated filer [ ] Accelerated filer [X] Filer Non-accelerated filer [ ] Smaller Reporting Company [ ]

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

Yes [ ] No [X]

Aggregate market value of the common shares held by non-affiliates of the registrant, computed using the closing price of the NASDAQ Global Select Market for the registrant s common stock on March 5, 2009 was $50,441,881. The registrant s common shares trade on the NASDAQ Global Select Market under the symbol STKL and on the Toronto Stock Exchange under the symbol SOY.

The number of shares of the registrant s common stock outstanding as of March 5, 2009 was 64,493,320.

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Currency Presentation

All dollar amounts herein are expressed in United States dollars. Amounts expressed in Canadian dollars are preceded by the symbol Cdn$. On March 5, 2009, the noon buying rate in New York City for cable transfers in Canadian dollars for customs purposes by the Federal Reserve Bank of New York was $0.7765 for Cdn $1.00. In 2008 (1) The rate of exchange for the Canadian dollar, expressed in U.S. dollars, in effect at the end of the year was $0.8210 , (2) the average of exchange rates in effect on the last day of each month during the year was $0.9381, and (3) the high and low exchange rates during the year was $1.0298 and $0.7688.

Forward-Looking Statements

This report contains forward-looking statements based on current expectations that involve risks and uncertainties. Generally, forward-looking statements do not relate strictly to historical or current facts and include words or phrases such as management anticipates, we believe, we anticipate, we expect, we plan, we will, and words and p similar impact and include, but are not limited to references to business strategies, competitive strengths, goals, capital expenditure plans, business, operational and rationalization plans and references to the future growth of the business. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on assumptions and analyses made by management in light of its experience and its interpretation of current conditions, historical trends and expected future developments and other factors management believes are appropriate in the circumstance.

Whether actual results and developments will agree with expectations and predictions is subject to many risks and uncertainties, including those we describe in Item 1A, Risk Factors. Many of these risks are beyond our control and, if some or all of the risks materialize it will likely cause the actual results to differ, potentially in a material fashion, from the forward-looking statements contained in this report. All forward-looking statements made in this report are qualified by these cautionary statements and there can be no assurance that the anticipated results or developments will be realized.

PART I

Item 1. Business

Overview

SunOpta Inc., incorporated in 1973, has three business groups:

- SunOpta Food Group (the Food Group), which accounted for approximately 91% of 2008 consolidated revenues.
- Opta Minerals Inc. (Opta Minerals), which is owned 66.2% by SunOpta and which represented 9% of consolidated 2008 revenues.
- SunOpta BioProcess Group (SBI or SunOpta BioProcess), which represented less than 0.5% of 2008 consolidated revenues.

The Food Group operates in the natural, organic and specialty foods and natural health product sectors, which we believe offer above average growth opportunities compared to other segments of the food industry. The Food Group is comprised of five operating groups:

- the SunOpta Grains and Foods Group (the Grains and Food Group),
- the SunOpta Ingredients Group (the Ingredients Group),
- the SunOpta Fruit Group (the Fruit Group),
- the SunOpta International Sourcing and Trading Group (the International Sourcing and Trading Group), and
- the SunOpta Distribution Group (the Distribution Group).

These groups use a combination of specific and vertically integrated seed to table capabilities and preferred sourcing contracts to serve the fast growing natural, organic and specialty foods and natural health product sectors.

Opta Minerals processes, sells and distributes silica-free loose abrasives and other specialty industrial minerals to the foundry, steel, roofing shingle and marine/bridge cleaning industries; sources specialty sands and garnets for the water filtration industry; and recycles inorganic materials under special permits from government authorities at both its Waterdown, Ontario and Norfolk, Virginia sites. In February 2005, approximately 29% of Opta Minerals was sold as part of an initial public offering on the Toronto Stock Exchange (TSX), trading under the symbol OPM. As part of the acquisition of Newco a.s. in 2007, Opta Minerals issued 1,000,000 Common Shares which when combined with the issue of employee option grants has diluted SunOpta s equity ownership in Opta Minerals to approximately 66.2% .

SunOpta BioProcess operates from facilities in Brampton, Ontario and pilot plant facilities in Waterdown, Ontario. SunOpta BioProcess provides equipment and process solutions for the biomass conversion industry, from process development and design through the sale of proprietary biomass processing technology with a current focus on applications in the production of cellulosic ethanol. SunOpta BioProcess offers extensive scientific and engineering capabilities in the design and development of biomass conversion solutions, and holds a number of patents on its proprietary steam explosion technology and related processes. This technology has wide potential in cellulosic ethanol, pulp, and food ingredients processing and offers licensing and applications potential. The proprietary steam explosion technology uses high temperature and pressure rather than chemicals to process biomass which can then be used to produce various products for further processing.

Segment Information

Each of our groups - the Food Group, Opta Minerals and SBI - reports as a separate segment. Our assets, operations and employees are principally located in North America, and, more recently, in Europe as a result of our 2007 acquisition of Newco a.s. (Newco) and our acquisitions in 2008 of The Organics Corporation (TOC) and MCP Mg-Serbien SAS (MCP). Financial information for each segment describing revenues from external customers, a measure of profit or loss, and total assets for the last three fiscal years as well as financial information about geographic areas for the last three fiscal years is set forth in note 17 to the Consolidated Financial Statements.

Major Developments in 2008 and 2009

In 2008, we wrote down inventories in the SunOpta Fruit Group s Fruit Specialties (formerly, Berry Operations) to net realizable value and made other adjustments. These adjustments delayed the filing of our annual report on Form 10-K for 2007, in which we reported material weaknesses in our internal control over financial reporting, and required that we restate quarterly financial results for 2007. We conducted an in-depth review of internal controls and accounting practices at the SunOpta Fruit Group s Fruit Specialties, and our Audit Committee engaged independent counsel and independent accountants to help it investigate and assess the Fruit Specialties accounting practices and internal controls. The Audit Committee completed its investigation and the Board of Directors accepted recommendations to remediate internal controls and related processes. The remediation of internal control weaknesses, including variations from the Audit Committee s original recommendations, is discussed in Item 9A, Controls and Procedures.

In connection with our restatement, we received letters from the Securities and Exchange Commission (SEC) and from the Ontario Securities Commission (OSC) requesting additional information, and we received an additional request from the Ontario Securities Commission for information regarding our stock option granting process. While the OSC has completed its formal investigation of the write-down and restatements without any enforcement action; the SEC has requested additional information and interviews with certain current and past employees, and we continue to cooperate with the requests from the SEC. We have also provided the information requested by the OSC regarding our stock option granting process and continue to cooperate with further requests as received.

After we announced our inventory write-down, we and certain of our officers (one of whom is a director) and a former director were named as defendants in several proposed class action lawsuits filed in the United States District Court for the Southern District of New York on behalf of shareholders who acquired securities of SunOpta between May 8, 2007 and January 25, 2008. The lawsuits allege, among other things, violations of United States federal securities laws. These lawsuits have been consolidated into one class action with a lead plaintiff. Similarly, one proposed class action lawsuit has also been filed in Canada in the Ontario Superior Court of Justice on behalf of shareholders who acquired securities of SunOpta between May 8, 2007 and January 25, 2008 against SunOpta and certain officers, one of whom is also a director, alleging misrepresentation, and proposing to seek leave from the Ontario court to bring statutory misrepresentation civil liability claims under Ontario s Securities Act. Motions for class certification of the Ontario action, and leave to pursue statutory claims under Ontario s Securities Act, are scheduled to be heard in May 2009. We intend to vigorously defend these actions.

On April 2, 2008, we acquired the outstanding shares of The Organics Corporation, a global supplier of a wide variety of globally sourced organic food ingredients including frozen and fresh fruits and vegetables, dried fruits, coffee, cocoa, cereals, rice, soy, beans, pulses, seeds, nuts, oils, dairy products, seasonings, and sweeteners. TOC s organic foods sourcing and processing expertise complements ours, and we expect the integration of TOC into our operations will result in efficiencies and cost savings, and will expand our sourcing and processing opportunities around the globe.

We appointed Mr. Tony Tavares as Vice President and Chief Operating Officer effective June 2, 2008. Mr. Tavares has operational and strategic responsibility for the SunOpta Food Group operations and global supply chain initiatives. He brings over 20 years of food industry experience to this role.

On July 9, 2008, Opta Minerals Inc. expanded its business capabilities in Europe by acquiring 67% of the outstanding common shares of MCP Mg-Serbien SAS ("MCP"), a French company. The transaction included an option to acquire the remaining 33% minority interest on similar terms. For fiscal 2007, MCP recorded revenues of approximately $6.3 million from the sale of ground magnesium products. The acquisition complements existing operations which supply a wide range of magnesium based desulphurization products in the United States, Canada and Europe from operations in Indiana, Ontario and Slovakia.

We amended our credit facility on July 11, 2008, primarily to adjust certain covenant ratio calculations and ratio targets. In connection with the amendment, we received a waiver from our lending syndicate for failure to achieve certain ratios for the three month period ended March 31, 2008 and the year ended December 31, 2007. We received a prior waiver from our lenders with respect to covenant ratios on April 30, 2008.

On September 25, 2008, at the Annual Meeting of Shareholders, Mr. Douglas Greene and Mr. Victor Hepburn were appointed to the Board of Directors. Mr. Steven Townsend, Mr. James Rifenbergh and Mr. Joe Riz did not stand for re-election as directors of SunOpta and thus were relieved of their duties the day of the Annual Meeting. Mr. Greene brings over 25 years experience in the natural and organics food industry to the board and Mr. Hepburn brings over 30 years of diverse financial and general business experience to the Board.

On October 7, 2008, we adopted a shareholder rights plan (the Rights Plan), the purpose of which is to provide sufficient time to develop and implement alternatives to maximize value for all shareholders if we receive an unsolicited bid for control of SunOpta and to enhance our ability to prevent unfair acquisition tactics. The Rights Plan is not intended to prevent take-over bids, but is designed to ensure offers are fair. It allows persons seeking control of SunOpta to make bids which provide, among other things, that (1) all shareholders are entitled to participate, (2) the bid remains open for an initial period of 60 days, and (3) more than 50% of the shares held by independent shareholders must be tendered and not withdrawn during this period. Unless the Board of Directors determines otherwise, if a bid does not meet the permitted bid provisions and an unsolicited bidder acquires more than 20% of our outstanding shares, each independent shareholders would have a right to receive, upon exercise his or her right, that number of shares having a value equal to two times the Exercise Price (as defined in the Rights Plan). The Rights Plan is subject to the approval of our shareholders on or before April 2, 2009. If the Rights Plan is not approved by shareholders, it will terminate.

On November 17, 2008, our Audit Committee appointed Deloitte & Touche LLP as our independent registered public accounting firm immediately following the resignation of PricewaterhouseCoopers LLP. This decision was taken after a careful and thorough assessment of engagement proposals received from independent registered international public accounting firms.

On November 25, 2008, Mr. Jay Amato was appointed to the Board of Directors. Mr. Amato has a strong business and information technology background and has served as an executive at a number of media and information technology businesses. Also on November 25, 2008 Mr. Robert Fetherstonaugh resigned from the Board due to personal commitments.

On December 23, 2008, we announced that the arbitrator rendered his decision in the arbitration proceedings between the SunOpta BioProcess Group and Abener Energia S.A. ("Abener") regarding the Equipment Supply and Engineering Services Agreement related to a bioethanol plant being constructed in Salamanca, Spain. The ruling of the arbitrator partially allowed Abener's claim and ordered payment be made to Abener in the amount of EUR 1,329,898. The arbitrator's decision resolved certain disputes related to the interpretation of contractual business terms and did not reflect on the effectiveness of SBI s products and technologies or the value of its intellectual property. SBI s claim for damages against Abengoa BioEnergy New Technologies, Inc., a related party to Abener, continues in arbitration and a decision is expected in mid-2009.

We have implemented a number of cost-saving measures as a result of general economic conditions. Beginning in the fourth quarter of 2008 and continuing to the end of February 2009, we have reduced employment by 36 salaried positions and 66 hourly workers. We temporarily closed our Salinas, California and Rosarito, Mexico fruit processing facilities and permanently closed a sales office within the Fruit Group operations in South Carolina and an International Sourcing and Trading Group sales office in Austria. We intend to maintain 2009 salaries at 2008 levels and continue to explore additional measures to improve our ability to adapt during the economic downturn.

We appointed Mr. Eric Davis Vice President and Chief Financial Officer effective March 16, 2009. Mr. Davis is a Chartered Accountant and brings over 25 years of diverse global finance and accounting experience to this position. In this role, Mr. Davis will assume responsibility for financial reporting, tax, banking and treasury, investor relations and special projects.

SUNOPTA FOOD GROUP

The SunOpta Food Group has been built through the acquisition of thirty-one business operations and through significant internal growth. The Food Group is a vertically integrated natural, organic and specialty foods and natural health products company, with global operations, serving domestic and international markets and representing approximately 91% of SunOpta s consolidated revenues. Below is a summary listing of acquisitions and significant facilities acquired since inception of the SunOpta Food Group. See note 2 of the Consolidated Financial Statements for further details of acquisitions during 2008 and 2007.

Date of Acquisition	Business Operations and Significant Facilities Acquired
August 3, 1999	Sunrich Inc (Grains and Foods Group)
August 15, 2000	Certain assets of Hoffman Aseptic (Grains and Foods Group)
September 18, 2000	Northern Food and Dairy, Inc. (Grains and Foods Group and Ingredients Group)
March 14, 2001	First Light Foods Inc. (Grains and Foods Group)
July 18, 2002	Certain assets of Organic Kitchen Inc. (Distribution Group)
November 1, 2002	Wild West Organic Harvest Co-operative (Distribution Group)
December 1, 2002	Simply Organic Co. Ltd. (Distribution Group)
December 4, 2002	Opta Food Ingredients, Inc. (Ingredients Group)
May 8, 2003	Kettle Valley Dried Fruit Ltd. (Fruit Group)
October 17, 2003	Pro Organics Marketing, Inc. (Distribution Group)
November 1, 2003	SIGCO Sun Products, Inc (Grains and Foods Group)
December 1, 2003	Sonne Labs, Inc. (Grains and Foods Group)
March 1, 2004	Distribue-Vie Fruits & Legumes Biologiques Inc. (Distribution Group)
April 19, 2004	Purchase of the assets of General Mills Bakeries & Foodservice oat fiber processing facility (Ingredients Group)
May 1, 2004	Supreme Foods Limited (Distribution Group)
May 31, 2004	Assets of Snapdragon Natural Foods Inc. (Distribution Group)
September 1, 2004	Kofman-Barenholtz Foods Limited (Distribution Group)
September 13, 2004	51% of the outstanding shares of Organic Ingredients, Inc (The remaining 49% of the outstanding shares were acquired on April 5, 2005) (International Sourcing and Trading Group)
June 2, 2005	Earthwise Processors, LLC (Grains and Foods Group)
June 20, 2005	Cleugh s Frozen Foods, Inc. (Fruit Group)
July 13, 2005	Pacific Fruit Processors, Inc (Fruit Group)
December 22, 2005	Les Importations Cacheres Hahamovitch Inc. (Distribution Group)
September 21, 2006	Purity Life Health Products Limited (Distribution Group)
November 7, 2006	Hess Food Group LLC (Fruit Group)
November 9, 2006	Quest Vitamins Brand of vitamins (Distribution Group)
	Aux Milles et une Saisons Inc. (Distribution Group)

December 18, 2006	
May 4, 2007	Certain assets of Baja California Congelados, S.A. de C.V. (Fruit Group)
May 14, 2007	Net operating assets of Congeladora del Rio, S.A. de C.V. and all of the outstanding shares of Global Trading Inc. (Fruit Group)
August 7, 2007	Operating assets of a soymilk manufacturing facility in Heuvelton, New York (Grains and Foods Group)
December 6, 2007	Neo-Nutritionals, Inc. (Distribution Group)
April 2, 2008	The Organic Corporation (International Sourcing and Trading Group)

The Food Group s long-term strategy is to leverage the platform it has developed and to continue to pursue selective acquisitions that align with its vertically integrated model. Although the pace of rapid growth in these sectors of the food industry have slowed due to the economic environment, we believe these sectors are growing approximately 5 to 15% per year and that they remain fragmented with numerous players in North America and internationally.

Specific strategies of the Food Group in the last several years have included the following.

- Diversify the range of organic and non-genetically modified (non-GMO) grains-based and fruit-based products that SunOpta markets, including via the acquisition of businesses that are vertically integrated through ingredients and packaged products.

- Develop value-added natural and organic food ingredient solutions to meet demands of food manufacturers wanting to improve the healthfulness of their products or expand into the natural and organic markets.

- Expand the Canadian natural and organic produce, grocery and natural health products distribution businesses to maintain its position as the leading coast to coast distributor in Canada. With respect to this strategy, we believe the Distribution Group is important beyond its contribution to earnings because it provides insights into the trends for natural and organic products; provides a service to our ingredient and finished packaged goods customers, providing a one-stop outlet for their products into Canada; and allows identification of potentially new ingredients supply customers and acquisition opportunities that would allow expansion of our vertically integrated model.

- Expand our ability to source and supply natural and organic products worldwide.

- Invest in healthy convenience food businesses, which we believe will continue to be a strong area of growth for natural and organic food products.

- Expand the number of customer private label programs including the soy and rice beverage categories, frozen fruit and fruit beverages, and healthy convenience foods.

- Develop and expand our operations outside of North America.

Major Developments in 2008 and 2009 in the SunOpta Food Group

We continue to increase our strength in the natural, organic and specialty foods and natural health products sectors through internal growth and selective acquisitions. Achievements through March 5, 2009 include the following.

- On March 11, 2008, we entered into an agreement with Colorado Mills LLC (Colorado Mills) of Lamar, Colorado, to build and operate an organic and natural vegetable oil refining facility. The venture operates as Colorado Sun Oil Processing LLC and is owned 50% by SunOpta and 50% by Colorado Mills. The processing facility will be located in Lamar, Colorado, adjacent to Colorado Mills existing crude oil processing facility, and will be capable of refining approximately 35 million pounds annually of natural and organic sunflower, soybean and canola oils. The refining facility is under development and is expected to be operational in late 2009.

- On April 2, 2008, we acquired the outstanding shares of The Organics Corporation, a global supplier of a wide variety of globally sourced organic food ingredients including frozen and fresh fruits and vegetables, dried fruits, coffee, cocoa, cereals, rice, soy, beans, pulses, seeds, nuts, oils, dairy products, seasonings, and sweeteners. TOC s organic foods sourcing and processing expertise complements ours, and we expect the integration of TOC into our operations will result in efficiencies and cost savings, and will expand our sourcing and processing opportunities around the globe. For TOC, we paid €6,000,000 (U.S. $9,371,000) in cash and currently received €3,000,000 (U.S. - $4,685,000) by way of subordinated debt payable to the former shareholders on March 31, 2010 and issued a promissory note for €1,000,000 (U.S. $1,562,000) bearing interest at 7% and payable March 31, 2010. Additional consideration is payable on March 31, 2010 in the amount of the greater of €8,000,000 (U.S. $12,494,000) or 2.5 multiplied by earnings before interest, taxes, depreciation and amortization. At our option, €2,000,000 (U.S. $3,124,000) of this additional payment can be paid in the equivalent value of SunOpta common stock. The common shares of TOC were pledged to the former shareholders as security pending payment of the promissory note and additional consideration.

- On August 26, 2008, our International Sourcing and Trading Group entered into a series of agreements to expand its global organic supply capabilities, primarily in Central America, and to expand its supply of private label and branded frozen food products. Under the agreements, the International Sourcing and Trading Group acquired a number of existing supplier and customer relationships, and the rights to the Pure Nature Organics(tm) frozen fruit and vegetable registered trademark, and entered into an ongoing brokerage and consulting services agreement.

- On October 14, 2008, our International Sourcing and Trading Group finalized a joint venture agreement with an Ethiopian-based partner to create Selet Hulling to source and produce organic sesame seeds for international distribution. The International Sourcing and Trading Group has a 35% ownership position in this venture and also has the exclusive rights for international distribution of the finished product.

- On October 14, 2008, our International Sourcing and Trading Group entered into an agreement to assume control of the organic coffee sourcing and processing assets from Alanheri Produkten BV, expanding its existing organic coffee platform. It is estimated that these assets will further position the Group as a supplier of choice for certified organic fair trade Ethiopian origin coffee.

- On February 25, 2009, our Grains and Foods Group announced that it expects to commence commissioning of a new soy processing and aseptic packaging operation located in Modesto, California in March 2009 with the facility on schedule for commercial production late in the second quarter of 2009. The Modesto, California facility will produce and package organic aseptic soymilk and other beverages, plus expand the Company s product offering into other alternative beverage and aseptically packaged product categories. The new Modesto facility, when combined with the Company s aseptic packaging facility located in Alexandria, Minnesota, is expected to bring total annual production capacity to approximately 250 to 300 million quarts of soymilk and other beverages per year once fully operational. Additionally, the Grains and Foods Group announced that it has commenced production of an innovative and proprietary organic aseptic soymilk for an international food service restaurant company utilizing the capabilities of the Group s vertically integrated soymilk model. Based on a recently finalized supply agreement, SunOpta will supply organic soymilk for this customer s stores in the United States and Canada with full product implementation expected over the first half of 2009.

GRAINS AND FOODS GROUP

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

The Grains and Foods Group s products include:

1) A wide variety of IP, non-GMO and organic whole grains including soy, corn and sunflower for food applications offering premium varieties with superior food quality. The vertically integrated model results in control at every stage of production, from seed selection and growing to storage, processing and transportation.

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

- Raw material sourcing and processing of soy ingredients, dehulling and processing in liquid- base and spray-dried form, and roasted products.

- Grain-based ingredients which utilize non-GMO and organic soy, corn, sunflower and rice; specialty organic functional ingredients, including maltodextrins, tack blends, fiber products, flavor enhancing products include snack coatings and flavor systems; and an innovative line of organic dairy ingredients, including milk, whey, non-GMO and organic soy and sunflower oils and cheese powders.

3) A variety of packaged food products for retail and foodservice use including:

- A wide variety of private label packaged products for a large number of retailers and consumer food companies, including aseptic and refrigerated soymilk; rice, almond and other alternate beverages; aseptic soups; frozen edamame and vegetable blends; and roasted grain based snacks.

- Branded food products including:

  - SoyUm Soymilk - This product is currently sold to foodservice operators, health food stores and supermarkets in the U.S. and Caribbean.

  - Dakota Gourmet - Dakota Gourmet Snacks specialize in providing healthy, natural and organic snacks to schools, daycare centers, retailers and healthcare facilities throughout North America, including military facilities. Products include sunflower kernels, roasted corn and soy nut snacks.

  - Sunrich Naturals - This brand offers a variety of frozen edamame and vegetable blends to health food stores and supermarkets in the U.S. and Canada.

4) A full range of bulk grain-based animal feed and pet food products. The premium feed products originate from select organic and non-GMO soy, corn, sunflower and other grains.

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

- Grain conditioning services for soy, corn and sunflower. The Grains and Foods Group s advanced equipment and state-of-the-art technology for scalping and foreign matter removal is engineered to meet USDA Grain Standards for premium food grade seed and grain conditioning.

- Grain milling for corn, oat and grain processing, with various granulations and batch sizing.

- Ingredient processing expertise and equipment needed for extraction, separation and concentration of a wide variety of grain and dairy ingredients as well as custom seasoning, dry and oil roasting.

- Packaging through its aseptic packaging facility specializing in Tetra Pak equipment in one liter and ½ gallon sizing, with a variety of opening types and extended shelf life options. The Grains and Foods group also partners with third party fillers to provide Extended Shelf Life (ESL) refrigerated packaging formats to its customers.

- Roasting through a facility offering nitrogen-flushed pillow packs, pouches and bulk packaging.

Competition Grains and Foods Group

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

Distribution, Marketing, and Sales Grains and Foods Group

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

Suppliers Grains and Foods Group

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

INGREDIENTS GROUP

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

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

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

1) Fibers and Brans, which include *Canadian Harvest* ® *, Oat Fibers* and Stabilized Bran products as well as *SunOpta Soy Fibers*. Canadian Harvest Oat Fibers and SunOpta Soy Fibers are a family of insoluble fiber products derived from oat and soy hulls. They are used commercially to increase yield and enhance texture in ground meat products, to add strength and reduce breakage in products such as taco shells and ice cream cones, and to enhance texture and increase the fiber content of cereals, breads, cookies and crackers. We also offer Canadian Harvest Stabilized Brans derived from oat, wheat and corn, as well as wheat germ. The Stabilized Brans are heat-treated to extend shelf life and ground to meet customer needs for appropriate particle size. The Ingredients Group has increased its fiber offerings over the past few years to include organic and conventional soy fibers. One of the Ingredients Group s unique soy fibers is a protein and fiber rich by-product of soy concentrate manufacturing. This fiber is used to enrich protein and fiber for a variety of foods for human consumption plus animal feed and pet foods.

2) SunOpta[tm] *Ingredient Systems*, which include *OptaGrade*®*, OptaMist*®*,* Blanver s microcrystalline cellulose and a growing portfolio of value added ingredient systems for the bakery, dairy, and meat industries, proprietary stabilizer and dairy powder blends. SunOpta Ingredient Systems are proprietary blends of texturizing agents and other ingredients that are primarily developed and sold for use in bakery, meat, dairy and soy-based product categories. Several of the ingredient systems contain one of the Ingredients Group s unique and proprietary starch-based texturizers.

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

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

The Ingredients Group food ingredients are used by approximately 300 customers worldwide, including some of the largest U.S. consumer packaged food companies and quick service restaurant chains. In 2008, the Ingredients Group continued to enhance its international sales capabilities by adding distributors and currently has approximately 25 distributors around the world.

Many of the Ingredients Group starch-based texturizers and ingredient blends were originally developed for and are used in reduced fat versions of a variety of dairy products such as low fat or fat-free cottage cheese, sour cream, cream cheese, or processed cheeses. As discussed in Taking the Fat Out of Food, a publication of the United States Food and Drug Administration (FDA), reducing fat intake by consuming reduced fat versions of these products is an element of a healthier diet. With the increased demand for foods containing soy, the Ingredients Group has developed several ingredient blends for use in organic and conventional soy-based dairy alternatives such as soy yogurt, cream cheese, beverages, and frozen desserts.

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

Recently, the Ingredients Group expanded its portfolio of functional fibers by entering into a distribution agreement with Polycell Technologies to market and sell Barley Balance beta-glucan concentrate. Barley Balance is the most concentrated source of barley beta-glucan soluble fiber produced by a natural and sustainable process. Barley Balance contains a minimum of 25% beta-glucan and over 35% dietary fiber adding excellent nutritional benefits and functional performance to food and beverage products.

SunOpta Ingredients Group launched a line of new products under the Multifiber brand name. This family of products consists of different combinations of soluble and insoluble fiber. Each blend provides the nutritional and functional benefits of both insoluble and soluble dietary fiber while being natural and non-GMO. The primary applications for Multifiber will be baked goods, breads, cereals, nutritional bars, pasta and nutritional supplements.

In addition the Ingredients Group launched four new oat fiber products. Canadian Harvest® oat fiber 211 is used for fiber enrichment of whole grain products, primarily breads. Canadian Harvest® oat fiber 320 is used specifically for the fiber enrichment of crunchy cookies and crackers, Canadian Harvest® oat fiber 680 helps reduce breakage in crunchy snacks, and Canadian Harvest® oat fiber 240 is for use in a variety of low moisture baked goods which require high levels of fiber fortification.

Competition Ingredients Group

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

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

Distribution, Marketing, and Sales Ingredients Group

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

Suppliers Ingredients Group

The Ingredients Group s raw materials and packaging are sourced from approximately 1,000 suppliers with availability subject to world market conditions. There are a number of alternative sources of supply for all raw materials with critical supply relationships highlighted below. Dairy ingredients are purchased primarily from dairy producer cooperatives. Products are purchased in the spot market with certain ingredients purchased under short-term supply contracts. Oat and soy hulls are primarily sourced from major food companies or their brokers and there is ample supply to meet production requirements. The supply for these ingredients is sufficient to meet current demand. Supply shortfalls would have an effect on availability and price and would be reflected in finished product pricing for the Ingredients Group. Certain other raw materials are supplied by processing customers and are not sourced directly from Food Group suppliers.

FRUIT GROUP

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

1. Fruit Specialties (comprised of Cleugh s Frozen Foods Inc., Pacific Fruit Processors Inc., Hess Food Group LLC, Baja California Congelados S.A. de C.V., and Congeladora del Rio S.A. de C.V.), and

2. Healthy Fruit Snacks (comprised of Kettle Valley Dried Fruit, Ltd.).

Prior to 2008, the Fruit Group included SunOpta Global Organic Ingredients; however, this operation is now reported in the SunOpta International Sourcing and Trading Group along with recently acquired TOC.

We believe the Fruit Group is well positioned to capitalize on the rapid growth of the natural and organic fruit and vegetable market, and to adjust to market pressures resulting from a continued economic downturn due to flexible operations. The Fruit Group s global sourcing and production capabilities, coupled with extensive product development expertise, provide a solid platform for continued future growth.

Based on management estimates, the Fruit Group is one of the largest suppliers of organic individually quick-frozen fruit to the private label retail market in the United States. The Fruit Group provides customers with a wide range of products including bulk raw materials and value-added ingredients and quick-service products to casual dining restaurant and retail solutions.

The Fruit Group services over 500 customers, including food manufactures, food service distributors, quick-service and casual dining restaurants and retail companies located principally in North America and Asia. The Fruit Group is headquartered in Buena Park, California.

The Fruit Group s two divisions operate as follows:

1. **Fruit Specialties:** This division consists of both berry processing and fruit base operations. The berry processing operations consist of fruit and berry processing facilities with value added processing capabilities, as well as sourcing and trading capabilities within the Hess Food Group, a member of the Fruit Specialties division of the Fruit Group. This division processes strawberries, peaches, mangos and other fruits and vegetables, and packs natural and organic frozen fruits and vegetables for the private label retail, food service, and industrial ingredient markets. The division sources fresh fruits, berries, and vegetables from various growing regions throughout California and Mexico, and processes the fruit into individually quick- frozen, block frozen, strawberry sugar packs and purees to meet the customer s technical specifications. The division supplies frozen fruit products to the private label retail, food service and industrial markets, including food manufacturers and quick service and casual dining restaurants. The division s poly-bag packaging operations in Buena Park, California and Irapuato, Mexico, provide retail customers with a wide range of private label natural and organic frozen fruits and vegetables, including strawberries, blueberries, raspberries, blackberries, peaches, mangos, tropical fruit and many other items. The division operates four berry processing facilities located in Buena Park and Salinas, California, and Rosarito and Irapuato, Mexico. As a result of the general economic environment, the division has temporarily closed its Salinas, California and Rosarito, Mexico facilities.

   The division s Pacific Fruit Processors is a member of the Fruit Specialties division of the Fruit Group, and produces a range of value-added fruit bases in aseptic and other packaging for sale to manufacturers and food service operations and restaurants. Fruit Specialties also has sourcing and trading capabilities within the Hess Food Group.

   Raw materials consist primarily of fresh strawberries sourced from growers in California and Mexico, and fresh peaches, pineapple, mangos, honeydew melons, cantaloupes, and other fruits from growers in Mexico. The operations face competition in securing the grower base required to meet its needs; however, due to the location of its processing facilities, the operations are able to source raw materials from a number of growing regions by securing exclusive supply arrangements and in some cases providing short term crop advances to growers to finance harvesting of upcoming crops. The operations also source other frozen fruits and vegetables from a number of domestic and worldwide growers, processors and traders, including the internal SunOpta International Sourcing and Trading Group.

2. **Healthy Fruit Snacks:** This division produces natural and organic fruit snacks. The division operates processing facilities in Summerland, British Columbia and in Omak, Washington. During 2007 and 2008, the division significantly expanded its operations at Omak by adding capacity for an additional 140 million units per year, doubling through-put. The division s primary raw material, apple, is sourced from both local growers and internationally through the SunOpta International Sourcing and Trading Group. The division s production capabilities include a variety of bar, twist, rope and bite sizes and shapes, as well as the ability to add a variety of ingredients including fiber. The division has internal research and development capabilities to introduce innovative products to the marketplace.

Competition Fruit Group

The fruit and berry processing operations compete with strawberry processors in California and Mexico and frozen fruit imports from Mexico, South America, Europe and Asia. The competitive landscape includes divisions of companies with financial resources larger than ours. In many cases, Mexican, South American, European and Asian competitors are able to achieve greater cost efficiencies due to lower relative cost of living in these regions. The processing operations in Mexico and California provide a counter seasonal supply for SunOpta customers and opportunity address this competitive factor.

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

The healthy fruit snack operations faces competition from a small number of competitors, some of whom have production and technical capabilities and financial resources greater than ours. These competitors include independent fruit snack manufacturers and fruit snack divisions of larger food manufacturers.

Distribution, Marketing and Sales Fruit Group

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

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

The healthy fruit snack operation focuses on supplying natural and organic fruit snacks to the private label Canadian and U.S. retail markets.

Suppliers Fruit Group

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

The fruit base operations primary raw materials are sourced from processors and traders of frozen fruits and vegetables, including SunOpta s International Sourcing and Trading Group and fruit and berry processing operations, major sweetener producers, and a number of regional and national flavor companies. Availability of supplies is subject to world market conditions, including quantity and quality of supply.

The healthy fruit snack operation s raw material suppliers include growers and traders of apples and flavor companies as well as processors and traders of frozen fruits including SunOpta s International Sourcing and Trading Group. This division is subject to the availability of apples based on conditions beyond its control.

INTERNATIONAL SOURCING AND TRADING GROUP

The International Sourcing and Trading Group is headquartered in Aptos, California, and Amsterdam, the Netherlands. Our International Sourcing and Trading Group is comprised of SunOpta Global Organic Ingredients (SGOI), previously part of the SunOpta Fruit Group, and TOC, which was acquired in April 2008. The group sources raw material ingredients from approximately 60 countries around the world, and, in management s estimation, is the largest supplier of a wide range of organic commodities to the food industry in the European Union, North American and Asian markets.

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

Competition International Sourcing and Trading Group

The organic food industry is intensively competitive due primarily to the limited worldwide supply of organic raw materials. Our competitors in the supply of industrial ingredients include domestic and worldwide brokers, traders and food processors. In the private label retail market, competitors include major food manufacturing companies, some of which have production and technical capabilities more extensive ours.

Distribution, Marketing and Sales International Sourcing and Trading Group

The International Sourcing and Trading Group operates administrative, research and development offices in Aptos, California and Amsterdam, The Netherlands, and sales and sourcing offices in Germany, France, Thailand, Ethiopia and the United States. The group also operates a factory in Dalian, China that supplies food grade organic soybeans and feed, organic sunflower kernels and other grains. In addition, the group has a sourcing and processing operation for organic coffee and organic sesame seeds in Ethiopia. The group also provides procurement support for other SunOpta divisions particularly, the Fruit Group.

Sales and marketing is done through technically oriented sales teams strategically located close to specific geographic sourcing and sale regions. The group maintains one of the largest global sourcing and supply networks in the world, working closely to manage global organic supply and link these supplies with diverse customer needs.

Suppliers International Sourcing and Trading Group

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

DISTRIBUTION GROUP

The Distribution Group is headquartered in Richmond, British Columbia. The Distribution Group represents the final layer of our vertically integrated organic, natural and specialty food and natural health products business model. We started to build a Canadian national organic, natural, kosher and specialty food distribution system in late 2002 and since then have built what we believe is the largest distribution platform in Canada, serving natural, organic and specialty foods and natural health products and handling approximately 22,000 natural, organic, kosher and specialty food products; and fresh organic produce, vitamins, supplements and other natural health products. The broad range of products includes our branded and private label packaged products.

The Distribution Group plans to continue expansion through internal growth and through additional strategic acquisitions. According to *The Organic Trade Association s 2007 Manufacturer Survey*, the market for Canadian natural food distribution grew by approximately 10 15% in 2007 and this growth trend continued for most of 2008 but is expected to slow somewhat in 2009 as a result of weak economic conditions in Canada and around the world. In addition, according to the same survey, the market segment growth, in dollars, continues to be significantly higher than conventional foods and organic penetration continues to increase as consumers continue to recognize the benefits of a healthier lifestyle and environment through a diet that includes natural, organic and quality specialty foods as well as natural vitamins, supplements and health and beauty aids. The Distribution Group is also strategically important to other parts of our food business.

The Distribution Group s major products are as follows:

- **Fresh Organic Produce** a full line of certified organic fruits, vegetables and bulk foods.
- **Fresh Organic Dairy and Dairy Alternatives** numerous regional and national brands of organic liquid milk, butter, cheese, yogurt, tofu, soy cheese, soy beverages and other dairy alternatives.
- **Bulk Foods** a full range of organic bulk foods including grains, nuts, seeds, dried fruits, legumes, flours and healthy snacks.
- **Natural and Organic Grocery** approximately 8,000 natural and organic grocery items including dry, refrigerated and frozen categories from a broad range of North American and international suppliers.
- **Kosher and Specialty Foods Grocery** approximately 6,000 kosher and specialty groceries including dry and refrigerated product offerings.
- **Natural Health Products** approximately 7,000 branded and/or distributed SKUs of natural vitamins, supplements and health and beauty aids, many of which are formulated, processed and packaged within the Group s vertically integrated manufacturing operations and sold under company brands such as Herbon, Vivitas, Nature s Harmony and Quest.

Competition Distribution Group

The Distribution Group competes against much larger conventional distributors; however, management believes that SunOpta is the largest national natural and organic foods and natural health products distributor in Canada. Competition in organic and natural grocery products is represented by a number of regional natural and organic food distributors that vary greatly in size. Management believes that Purity Life, a member of the Distribution Group, is Canada s largest distributor of natural health products. Purity Life competes with a handful of national distributors and a diverse group of much smaller regional distributors.

Distribution, Marketing and Sales Distribution Group

The Distribution Group s primary direct-to-store distribution coverage includes central, eastern and western Canada. We primarily service independent natural and organic food retailers and supermarket chains. The customer mix also includes a growing component of large mass merchandisers and major drugstore chains. The Distribution Group s core competencies include direct-to-store service, the breadth of its product line, and organic market and natural health product knowledge.

Suppliers Distribution Group

The Distribution Group sources products from over 900 suppliers around the world. Overall supply is sufficient; however, quality, price and availability of fresh produce can be affected by harsh weather conditions in growing regions. With respect to fresh produce items, supply is controlled through spot pricing, with changes in supply reflected in prices to end customers.

Regulation SunOpta Food Group

The SunOpta Food Group is affected by a wide range of governmental regulations and policies in various countries and regions where it operates, including the United States, Canada, the Netherlands, and the European Union. These laws, regulations and policies are implemented, as applicable in each jurisdiction, on the national, federal, state, provincial and local levels. Examples of laws and regulations that affect the Food Group include laws and regulations applicable to the use of seed, fertilizer and pesticides; the purchasing, harvesting, transportation and warehousing of grain and other products; the processing and sale of food, including wholesale operations; and the labelling and marketing of food and food products. Additionally, government-sponsored price supports and acreage set aside programs are two examples of policies that may also have an impact on the Food Group. In addition, the Food Group s business activities are subject to a number of environmental regulations.

The Food Group is involved in the sourcing, manufacturing, supplying, processing, marketing, selling and distribution of organic seed and food products and, as such, is subject to certain organic quality assurance standards. The Food Group is currently in compliance with all state and federal fertilizer, pesticide, food processing, grain buying and warehousing, and wholesale food-handling regulations. Regulatory agencies include the USDA, which monitors both the organic process and agricultural grain business; the FDA, which oversees the safety, security and efficacy of the food supply in the United States; the Canadian Food Inspection Agency (CFIA) which monitors food processing and safety in Canada; and SKAL, an organization that certifies organic products in the Netherlands.

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

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

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

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

Countries other than the U.S. also regulate the sale of food ingredients or characterize food ingredients differently. Vitamin and minerals supplements in the U.S. are regulated pursuant to the Dietary Supplement Health and Education Act, which regulates these products as foods. In Canada these products are presently regulated as drugs. Regulations vary substantially from country to country, and we take appropriate steps to comply with such regulations. In Canada, we have sales of Natural Health Products (NHPs"), drugs, cosmetic, devices and pest control products. These may be regulated by various federal, provincial and municipal laws, but are principally regulated by the Canadian federal government pursuant to Canada s Food and Drugs Act and supporting regulations, the Pest Control Products Act and supporting regulations and the Canada Environmental Protection Act, 1999, (CEPA) and supporting regulations. A substantial portion of these products, are classed in Canada as NHPs and are regulated pursuant to the provisions of the Food and Drugs Act and the Natural Health Product Regulations (NHP Regulations), enacted under Canada s Food and Drugs Act.

As this regulatory framework is still considered to be relatively new, (it became effective January 1, 2004), Health Canada has published a compliance policy and guide which have the practical effect of relaxing enforcement of the NHP Regulations, assisting regulated parties in complying with the NHP Regulations. Prior to the adoption of the NHP Regulations, many of the NHPs now regulated under the NHP Regulations were regulated as drugs pursuant to the Food and Drug Regulations. These products will continue to be classed as drugs pending their transition to the NHP regulatory framework, which for those products which bear a DIN is not required until December 31, 2009.

Full compliance with the NHP Regulations including those presently marketed as drugs will likely be required by April 1, 2010 based on verbal representations made by the NHP Directorate to industry representatives. This extension of the compliance policy and guide is and likely will be dependent on the ability of the Natural Health Products Directorate s ability to reduce the existing backlog to workload, i.e. reducing the time frame from submission to review of a pre-market application from the existing time frame to a time frame considered to be representative of performance criteria to be established for future operations of the NHPD. As such, our compliance with the NHP Regulations will at that point become mandatory, and any NHPs for which a market authorization has not been granted will have to be removed from the marketplace until the market authorization is issued. Failure to do so could see enforcement action taken by the Health Products and Food Branch Inspectorate, which could include the removal of non-compliant NHPs from the market place and possibly result in charges against us.

In addition to the NHPs and drugs which we sell, we also import and sell cosmetic products for which we file with Health Canada, cosmetic notification forms, a post-marketing requirement for those cosmetics manufactured in Canada and a pre-market requirement for those products imported into Canada. In light of the changes to the Cosmetic Regulations requiring ingredient disclosure on the cosmetic product labeling, we continue to work with its vendors to bring cosmetic labeling into compliance.

In addition, there is an ongoing review of ingredients used in regulated products, including those we sell, for compliance with CEPA. The Canadian Federal Government has undertaken a review of ingredients used in commerce for these regulated products with a view of determining whether the use of certain ingredients in these products represent a risk to the environment. This could eventually lead to the removal of the use of these ingredients in Canada. This would require a re-formulation of product affected by such a determination.

On April 8, 2008, the Federal Government introduced two proposed pieces of legislation intended to overhaul the Food and Product Safety Laws in Canada. Bill C-51, legislation to amend the Food and Drugs Act, and Bill C-52, the Canada Consumer Product Safety Act,

Bill C-51 and C-52 propose amendments to the Food and Drugs Act as well as a new Canada Consumer Product Safety Act. The changes include:

Greater oversight of manufacturers, importers and retailers, including requiring holders of market authorizations to provide information and/or conduct tests to establish the benefits and risks associated with the sale of the product, lead to:

- Increased public access to risk and benefits associated with products.
- Ability to disclose personal and confidential business information.

- A general prohibition against the manufacture, importation, advertisement or sale of consumer products that are a danger to human health or safety.
- A requirement of mandatory reporting by suppliers of serious product-related incidents including near- misses and defects, allowing for more targeted oversight.
- Substantially increased fines for violations, including imposing on directors and officers liability for the breaches committed by the corporate bodies.
- The power to order recalls of unsafe products, increased powers for inspectors, direct persons in control of consumer products to take actions or refrain from taking certain actions.

These two pieces of proposed legislation are not yet law in Canada; it is expected that there will be amendments proposed to be made to the bills once a committee of the Federal Parliament reviews the proposed bills and hears comments from stakeholders affected by these bills.

The Food Group endeavours to comply in all material respects with applicable environmental regulations. Some of the key regulations in the U.S. include:

- **Air Quality** air quality is regulated by the United States Environmental Protection Agency (EPA) and certain city/state air pollution control groups. Emission reports are filed annually.
- **Waste Treatment/Disposal** solid waste is either disposed of by a third-party or, in some cases, we have a permit to haul and land apply. Agreements exist with local city sewer districts to treat waste at specified levels of Biological Oxygen Demand (BOD), Total Suspended Solids (TSS) and other constituents. This can require weekly/monthly reporting as well as annual inspection.
- **Sewer** agreements with the local city sewer districts to treat waste at specified limits of BOD and TSS. This requires weekly/monthly reporting as well as annual inspection.
- **Hazardous Chemicals** various reports are filed with local city/state emergency response agencies to identify potential hazardous chemicals being used in our facilities.
- **Storm Water** all facilities are inspected annually and must comply with an approved storm water plan to protect water supplies.
- **Bioterrorism Compliance** we are currently complying with the four recognized and approved sections of the Bioterrorism Preparedness and Response Act of 2002.

In Canada, the key regulatory framework is found in the regulations to the CEPA. Prior to the importation and use in products, the importer must ensure that all ingredients are found on the Domestic Substances List (DSL) maintained by Environment Canada. In the event that an ingredient is not found on the DSL, then subject to the amount of the substance imported into Canada and used in products sold in Canada, a filing may become necessary under the New Substances Notification Regulations.

All of the Food Group s Canadian manufacturing facilities and warehouses are registered with the CFIA and/or Health Canada. All imported materials are shipped in compliance with the notification systems that alert FDA, Health Canada, the CFIA and customs before the materials enter the country. We have the necessary processes and controls in place that provide for an additional level of traceability of all raw materials from the supplier to the immediate subsequent recipient of the finished products. We also recognize and have the necessary programs that allow the applicable regulatory body the right to seize, voluntarily retain and or recall any regulated product if required by law and if the regulatory body has credible evidence that the sale of the product and its use may be a threat to the health and well-being of the intended recipient.

As a result of the 2008 acquisition of TOC with its headquarters in the Netherlands, we are now subject to Dutch and European Commission (EC) regulations and policies. TOC is involved in the sourcing, supplying, marketing, selling and distribution of organic food products and, as such, is subject to standards for production, labeling and inspection of organic products contained in EC Regulation 2092/91 (and its subsequent amendments). TOC is certified by SKAL, the inspection body for the production of organic products in the Netherlands. Products certified as organic by a European Union (EU) recognized inspection body, such as SKAL, can be marketed within the entire EU.

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

Research and Development SunOpta Food Group

The Food Group maintains extensive applications and research and development expertise via resources which are organized around four key product categories:

- Grains and grain-based ingredients through finished packaged products;
- Value-added ingredients focused on fiber and starch-based applications;
- Fruits and fruit-based ingredients through finished packaged products; and
- Natural health products sold via certain owned brands within Purity Life and other units within the Distribution Group

These groups maintain staffs of highly trained and experienced food scientists and engineers dedicated to resolving customer formulation, processing and packaging challenges. Applications and technical support provided by each of the groups to its customers include all aspects of product development from concept to commercial launch as well as ongoing manufacturing and processing support.

Ongoing research and development is a key priority of the Food Group. Research and development initiatives are intended to continually improve existing product portfolios in addition to bringing new and innovative products to the market, a key requirement in the fast growing natural and organic foods and health categories.

The Food Group has continued to develop a number of new soy and other grain-based ingredients and alternatives to accommodate new product adaptation of these ingredients into various food items. The expanding interest to incorporate soy and grain-based foods in consumers diets creates numerous opportunities to develop ingredients that can be incorporated into food developer s menu items.

In addition, the Food Group continues to expand its product portfolio via the addition of new fiber offerings and other texturizing agents that can be used along with its oat-derived ingredients to improve the nutritional content of a variety of foods. Many of these ingredients can be used in products that help address the industry s need to respond to the growing epidemic of obesity in North America and elsewhere by replacing fat, sugars and other calorie-dense components of food. These ingredients can also be used in products which qualify for a whole grain claim by augmenting the insoluble and soluble fiber content of foods.

In hand with continued focus on increasing consumption of fruit-based products in North America, the Food Group has developed a number of new fruit-based beverage, fruit snack and other packaged goods applications and continues in the development of innovative fruit ingredient systems for the dairy, food service and beverage industries.

Intellectual Property SunOpta Food Group

The nature of a number of the Food Group s products and processes requires that we create and maintain patents and trade secrets. The Food Group s policy is to protect its technology by, among other things, filing patent applications for technology relating to the development of its business in the U.S. and in selected foreign jurisdictions.

The Food Group s success will depend, in part, on its ability to protect its products and technology under U.S. and international patent laws and other intellectual property laws. We believe that we own or have the right to use all proprietary technology necessary to manufacture and market our products; however, there is always a risk that patent applications relating to our products or technologies will not result in patents being issued or that current or additional patents will not afford protection against competitors with similar technology.

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

Employees   SunOpta Food Group

The Food Group has approximately 2,126 full-time employees as of December 31, 2008. Aside from unions at the Fruit Group s Mexican facilities and the International Sourcing and Trading Group s China facility, there are no other unions within the Food Group.

Properties   SunOpta Food Group

The Food Group operates from 26 processing facilities (16 owned, 10 leased) in eleven U.S. states, two Canadian provinces, Mexico, China and Ethiopia. The Food Group also owns and leases a number of office and distribution locations and also leases and utilizes public warehouses to satisfy its storage needs. For more details see Item 2, Properties.

OPTA MINERALS

Opta Minerals (currently owned approximately 66.2% by SunOpta) is a vertically integrated provider of custom process solutions and industrial minerals products for use primarily in the steel, foundry, loose abrasive cleaning, roof shingle granules and municipal water filtration industries. Opta Minerals has experienced solid growth since 1996 and has become, in management s estimation, one of the leading suppliers of industrial minerals and silica-free loose abrasives in a number of select markets in North America and Eastern Europe.

Opta Minerals has grown steadily through a combination of internal growth and strategic acquisitions in eastern and central Canada; eastern, central and southeastern United States; France and Slovakia. Opta Minerals has completed a number of acquisitions over the past eight years and opened operating facilities in Louisiana, South Carolina, Maryland, western New York, Texas and Quebec. Opta Minerals has been able to successfully integrate these new businesses into existing operations and financial management systems, creating synergies that have increased revenues and profit margins. We have invested in improving plant equipment and infrastructure and have been able to reduce costs while growing production capabilities. As a result, SunOpta believes that Opta Minerals is currently well-positioned to expand current operations with modest capital expenditures.

Opta Minerals started with the initial acquisition of Barnes Environmental and Industrial in 1995. In 2000, George F. Pettinos (Canada) Limited (PECAL) and Temisca, Inc. were acquired followed by the acquisitions of Virginia Materials Inc. and 51% of International Materials & Supplies Inc. in 2001. In late 2002, the remaining 49% minority interest in International Materials & Supplies was also acquired. In 2004, Opta Minerals purchased Distribution A&L, and in 2005 it completed the acquisition of certain assets of the abrasive division of Hillcrest Industries Inc. In February 2006, Opta Minerals acquired Magnesium Technologies Corporation followed by the acquisition of Bimac Inc. in October 2006. In 2007, the Group acquired Newco, a Slovakian company that produces desulphurization products for the steel industry and in July 2008 acquired 67% of MCP of France, a company selling ground magnesium products to the European steel industry. In early 2009, Opta Minerals finalized agreements to establish abrasive processing operations in Texas in order to cost-effectively supply southern regions of the United States.

Industry Overview

Opta Minerals competes primarily in the industrial minerals and silica free abrasives markets, focusing to date on select markets in the eastern, southern and central areas of North America, plus Europe. Opta Minerals   principal product lines include the following: (i) blends of industrial minerals used primarily in heavy industrial applications; (ii) silica-free abrasives; and (iii) specialty sands, filtration media and other products and services.

Acquisition of MCP Mg-Serbien SAS

In July 2008, Opta Minerals acquired 67% of MCP of France. The transaction included an option to acquire the remaining 33% minority interest on similar terms. For fiscal 2007 MCP recorded revenues of approximately $6,300,000 selling ground magnesium products to a variety of industries in Europe including integrated steel mills. This acquisition expands business capabilities in Europe and complements existing operations in the U.S., Canada and Eastern Europe.

Products

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

- **Industrial Minerals -** Opta Minerals sells industrial mineral products primarily to the foundry and steel industries. Significant industrial minerals products produced by Opta Minerals include chromites, magnesium blends, lime, nozzle sands, clays, coated sands and a wide range of foundry pre-mixes.

- **Silica-Free Abrasives -** Opta Minerals abrasive products are primarily sold into shipbuilding, ship repair, bridge cleaning and roofing granule markets. The abrasives produced are free of silica, making them a clean, efficient and recyclable alternative to traditional abrasives. Recycling operations are conducted at Waterdown, Ontario and Norfolk, Virginia. This is an important service that Opta Minerals provides to its customers which results in the reuse of materials that would otherwise be sent directly to landfills. Significant silica-free abrasive products produced by Opta Minerals include BlackBlast, Ultra Blast, EconoBlast, EbonyGrit, Powerblast, Garnet and other specialty abrasives.

- **Specialty Sands and Other Products and Services -** Opta Minerals also generates revenues from the sale of specialty sands, filtration media and other products and technical services. Opta Minerals specialty sands include silica products which are sourced, processed and packaged from their quarries located in St. Bruno de Guigues, Québec. The silica sands produced are not sold for use as an abrasive material. Significant specialty sands and other products and services of Opta Minerals include filtration and industrial sands, garnets for filtration and waterjet cutting, construction sands, golf bunker sand, silica (not sold for loose abrasive applications), colored sand and technical services.

Properties

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

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

The Temisca specialty sand operation located in St. Bruno de Guigues, Québec provides Opta Minerals with an economic, high-quality source of specialty sands for non-abrasive applications including water filtration applications, golf course bunkers and other commercial applications. Due to an unusual natural deposit of silica sand (in St. Bruno de Guigues), strong quality control, extensive research and development and marketing efforts, SunOpta believes Opta Minerals has effectively positioned itself in the markets it serves as a high-quality producer of specialty silica sand products.

For more details, see Item 2, Properties.

Competition

Industrial Minerals

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

Silica-Free Abrasives

The industry is characterized by a number of small, regionally-based niche companies with limited product lines tending to focus on geographically adjacent markets. Our competition varies by product line, customer classification and geographic market. Opta Minerals conducts business throughout North America with a focus on key regions including the Québec-Detroit corridor, New York, Virginia, Georgia, Florida and the Gulf of Mexico region, all of which are areas of high volume ship repairs and bridge cleaning activities. Opta Minerals is competitive in abrasive and value-added products in other areas such as Michigan, New Jersey, Ohio and Indiana.

Specialty Sands and Other Products and Services

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

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

Distribution, Marketing and Sales

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

Suppliers

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

- In 2007, Opta Minerals introduced a high quality nickel slag from Greece into the North American market based on a three year supply agreement. This is an important product offering to Opta Minerals customers given the high demand and scarce supply for slag-based abrasives in North America. Initial uses of the product by customers have proven that this is an excellent loose abrasive and roofing granule media. The product is supplied to Opta Minerals on an exclusive basis for sale in North America. The agreement is not considered material to SunOpta.

- In April 2008, Opta Minerals announced that it had entered into a three year exclusive supply arrangement for staurolite with a large multinational mining company who recently expanded operations in the United States. *Powerblast*, a staurolite-based abrasive used in new steel applications, shipbuilding, ship repair and bridge maintenance to remove rust, mill scale, and weathered coatings, became broadly available to customers in Canada and the United States beginning in May 2008. The agreement is not considered material to SunOpta.

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

Regulation

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

Since the formation of the business in 1995, Opta Minerals has been in material compliance with all applicable environmental legislation and has not been subject to any actions by regulatory authorities. Based on known existing conditions, all facilities are currently in material compliance with all environmental permitting requirements of the local authorities and are reviewed on an annual basis. These permits generally cover air and ground water at those facilities where applicable. Absent any currently unforeseen changes to applicable legislation, Opta Minerals anticipates that future costs relating to environmental compliance will not have a material adverse effect on its financial position.

Employees

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

As of December 31, 2008, Opta Minerals had 207 active employees including 18 employees in sales and marketing, 25 in corporate administration and finance, 27 in customer service, 23 in engineering and plant management, 6 in research and development and quality control, 3 in purchasing and the remainder in production.

SUNOPTA BIOPROCESS

SunOpta BioProcess is focused on the commercialization of its internally developed steam explosion technology and related processes known as the SunOpta BioProcess System (formerly known as the StakeTech System), including process engineering and manufacturing equipment. In addition, SBI has taken several steps over the past couple of years towards active participation in the production of biomass-derived specialty products with a focus on cellulosic ethanol.

The patented SunOpta BioProcess System provides a method for the rapid and continuous auto hydrolysis pre-treatment of biomass under high temperatures and pressure. The SunOpta BioProcess System can also serve as a platform for other pre-treatment processes such as Dilute Acid Hydrolysis and Ammonia Fiber Explosion (AFEX). Raw materials can include wood chips, sugarcane bagasse, cereal straws and waste paper, and potentially all other agriculture residues and energy crops. In their natural state, these materials are not easily separated into their component parts. By continuous processing with the addition of high-temperature steam, the SunOpta BioProcess System breaks the chemical and physical bonds that exist between the components of these materials allowing their subsequent separation and processing into products and components that may have wide and diverse applications. SBI has demonstrated its equipment and technology on a commercial scale in several applications.

This technology has been proven via application around the world and is currently focused by management on the treatment of biomass for cellulosic ethanol, food and pulping applications, with the primary focus being on the application of SBI s technology in the cellulosic ethanol market. The market opportunity in this sector has increased significantly due to the high cost of energy, the increased demand and cost for commodity foods such as corn for use as biofuel feedstocks, energy security issues, and environmental issues related to competing technologies. SBI is executing a two-pronged strategy to pursue this opportunity: (1) sales of manufacturing equipment with associated license fees, and (2) direct investment by SunOpta BioProcess in cellulosic ethanol production capacity.

SBI s business is not affected by seasonality.

Major Developments in 2008 in SunOpta BioProcess Group

In late 2007, SunOpta BioProcess entered into a Letter of Intent with Central Minnesota Ethanol Co-op (CMEC) of Little Falls, MN to complete feasibility and engineering studies for a joint venture to build, own, and operate a 10 million gallon per year cellulosic ethanol plant. The proposed operation is to be located adjacent to CMEC s existing 21.5 million gallon per year corn starch-to-ethanol plant and will utilize readily available wood chips. CMEC and SunOpta BioProcess, along with Bell Independent Power Corporation of Rochester, NY, formalized the joint venture in April 2008 to further study the feasibility for the cellulosic ethanol plant. The joint venture operates under the name Central Minnesota Cellulosic Ethanol Partners (CMCEP). The feasibility study was divided into two phases. The first phase was supported by a $100,000 grant from the Agricultural Utilization Research Institute (AURI) in Minnesota and was completed in late 2008 The second and final feasibility phase which involves detailed engineering, refinement of capital and operating cost estimates, determination of raw material availability, and evaluation of other parameters is underway. CMCEP was awarded a $910,000 NextGen grant from the Minnesota Department of Agriculture to support the completion of the feasibility study. Receipt of NextGen progress payments is contingent upon completion of a detailed work plan appended to the CMCEP contract with the NextGen Board. Under the work plan, deliverables are invoiced quarterly to the NextGen grant administrator. NextGen funding is also contingent upon matching in-kind and cash contributions from SBI and its partners. A failure to complete work as scheduled or as required could result in an inability to claim the full NextGen funding. The second phase is scheduled to be completed in the third quarter of 2009.

China continues to be a major focus for cellulosic ethanol commercialization efforts due to its high demand for energy and its lack of food-based alternatives for feedstock. In 2006, SunOpta BioProcess sold proprietary biomass conversion equipment to a customer in China which has been successfully installed, commissioned, and operated. Discussions continue between SBI and this customer on the potential supply of equipment and technology license for a significantly scaled-up system. Negotiations with a second major supplier of ethanol in China are ongoing and may result in additional equipment sales in China. The requirement for numerous government and company approvals as well as the economic crisis in China has resulted in delays to the signing of further Chinese contracts.

A proprietary steam explosion system has also been installed in the first US-based cellulosic ethanol demonstration facility and is in final start-up and commissioning tests. The plant in which the SBI equipment was installed is anticipated to come on-line in early 2009. The U.S. and Chinese operating facilities are important as they are the first commercial cellulosic ethanol demonstration plants in the world and are expected to form the basis for potential future orders and the scale up to larger commercial facilities.

In March, 2008, we entered into a joint venture agreement with a distributor of certain specialty sweetener products. The purpose of the joint venture was to perform research and development on novel methods to produce the specialty sweetener from biomass treated with the SunOpta BioProcess System. The joint venture took a phased approach starting with an initial feasibility study. SunOpta BioProcess performed the research and development which was funded by its partner. The initial feasibility study was successfully completed and the joint venture partners are currently in negotiation regarding pilot plant studies and ultimate commercialization of the process.

SBI is well along the way to expanding its pilot plant capabilities at a site in Ontario, Canada. The new pilot plant facility is scheduled to be up and running in the first quarter of 2009. The pilot plant will enhance SBI s ability to keep its technological programs moving forward, to test new equipment designs and processes, to serve as a demonstration and training site for its commercialization efforts, and to drive revenue by providing pilot-scale services to external parties.

On December 23, 2008, we announced that the arbitrator rendered his decision in the arbitration proceedings between the SunOpta BioProcess Group and Abener Energia S.A. ("Abener") regarding the Equipment Supply and Engineering Services Agreement related to a bioethanol plant being constructed in Salamanca, Spain. The ruling of the arbitrator partially allowed Abener's claim and ordered payment be made to Abener in the amount of the 1,329,898. The arbitrator's decision resolved certain disputes related to the interpretation of contractual business terms and did not reflect on the effectiveness of SBI's products and technologies or the value of its intellectual property. SBI s claim for damages against Abengoa BioEnergy New Technologies, Inc., a related party to Abener, continues in arbitration and a decision is expected in mid-2009.

Competition

We believe the ability of the SunOpta BioProcess System to operate continuously at high pressure presents advantages in terms of reducing chemical requirements, handling a wide variety of feedstocks, improving biomass conversion to fermentable sugars and value-added components and providing significant cost and environmental advantages within the industry that the technology is being marketed.

SBI s success in marketing to the industry will depend on the extent to which the SunOpta BioProcess System can be shown to have advantages over the technology of competing suppliers. These competing suppliers include Ahlstrom, Kvaerner, Metso, Iogen and Andritz. We are aware of other groups that are attempting to develop and market new biomass conversion systems.

It is anticipated that competition from suppliers of alternative systems and equipment in targeted markets will be strong and that the potential advantages for the SunOpta BioProcess System will have to be continually demonstrated and improved upon through further research and development.

Distribution, Marketing and Sales

SunOpta BioProcess has several commercial personnel dedicated to the sales, marketing and licensing of its proprietary solutions and process equipment. The commercial personnel are supported by SunOpta BioProcess research and engineering teams. SBI participates in and sponsors select trade events to promote its products and services. SunOpta BioProcess also maintains a website through which numerous inquiries are generated from the major target markets of Europe, North America, and Asia. Commercial personnel work with clients during every step of the development process including the initial concept, proposal development, contract negotiation, and project execution. At the current state of technology development, each proposal and solution is typically custom in nature. Optimal execution requires a significant level of sales, engineering, and project management resources and interaction with customers. Given the highly specialized and custom nature of the equipment, SBI manages all aspects of fabrication, packing and delivery of SunOpta BioProcess products to its customers utilizing common carriers and other vendors.

Suppliers

Waste biomass such as straw and fast-growing tree species such as poplar and aspen is currently available in abundant supply in many parts of the world. If other economic uses for waste biomass increase, we may find that the supply of such raw materials is reduced and this could have a material adverse effect on the business of SunOpta BioProcess. The wide variety of raw materials that can be used as feedstocks in the SunOpta BioProcess System helps to mitigate this risk.

In respect to the manufacturing of the customized SunOpta BioProcess System, SBI provides equipment fabricators with detailed drawings and equipment specifications. All major equipment components have at least two alternate suppliers.

Regulation

SunOpta BioProcess technology may use chemicals in addition to steam to treat fibrous material. This technology does not generally produce appreciable pollutants and we believe our existing facilities are in compliance with applicable laws concerning the environment. To date, we have not found it necessary to spend significant amounts to comply with applicable environmental laws. It is anticipated that future sales or licenses of SBI s technology will be made where the SunOpta BioProcess System is but one part of a larger process, as for example in the manufacture of cellulosic ethanol or pulp. In these instances, the overall project may be subject to federal, state or local provisions regulating the discharge of materials into the environment and these will be the responsibility of the company utilizing the system. Compliance with such provisions may result in significant increases in the costs associated with the overall project.

Proprietary Technology

We recognize that others may attempt to copy SBI s proprietary SunOpta BioProcess System or misappropriate the technology. To mitigate this risk, we require, as a normal business practice, the signing of confidentiality agreements with all parties to whom confidential information is supplied, including all customers and licensees. We hold several patents on equipment and process technology and in 2007 and 2008 filed several additional patent applications pertaining to a number of advanced process technologies. Further patent applications are being prepared for filing.

Financial Exposure Related to Bonding and Guarantees

To enter industrial markets, we expect we will have to provide substantial performance guarantees in the form of process guarantees and equipment guarantees. These guarantees will need to be backed by bank guarantees or surety bonds. We endeavour to reduce the risks associated with these commitments; however, there will always be a possibility that guarantees or bonds could be called, rightfully or wrongfully and that the equipment supplied fails to meet the guarantees and warranties provided, resulting in potential financial losses.

Research and Development

During 2008, research and development activities were focused on the production of cellulosic ethanol and food applications, development of process improvements and novel processes, and enhancement of SBI s intellectual property including technical know-how, trade secrets and patentable inventions.

Employees

SunOpta BioProcess has thirteen full time employees, engaged in engineering, technical support, systems design, and research and development, as well as sales and marketing. SBI utilizes external resources, such as certain contract employees and consulting engineers, to meet its manpower needs while effectively managing operating costs. SBI expects to hire additional employees in 2009 as the SunOpta BioProcess System becomes more widely accepted and as demand for commercial-scale facilities ramps up.

In conjunction with the private placement of SBI convertible preferred shares in 2007, 800,000 Restricted Stock Units (RSUs) and 800,000 stock options (with an exercise price of $20 per share) were granted to certain employees of SBI. The RSUs allow for a cash payment or the grant of shares to the certain employees equal to the issuance price in a future initial public offering (to a maximum of $20 per share). The RSUs and the stock options granted only vest if a change of control of SBI occurs or SBI completes a qualified initial public offering. Unless terminated earlier in accordance with SBI stock option plan, the stock options shall expire on the seventh anniversary of the closing date (i.e. June 7, 2014). If SBI complete a qualified initial public offering (defined in the preferred share agreement as greater than $50,000,000), the RSUs would automatically be converted into common shares of SBI upon closing of the transaction.

CORPORATE SERVICES GROUP

The corporate office of SunOpta is located on owned premises in Brampton, Ontario. Centralized information technology and financial shared services groups are located in Minnesota. 58 staff are employed in a variety of management, financial, information technology and administration roles.

Environmental Hazards

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

Employees

As of December 31, 2008, we had 2,404 employees broken out by division below:

Divisions	**Number of Employees**
Food Group	2,126
Opta Minerals	207
SunOpta BioProcess	13
Corporate Services Group	58
Total	**2,404**

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

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act), are available free of charge on our website at *www.sunopta.com* as soon as reasonably practicable after we file such information electronically with the SEC. The information found on our website is not part of this or any other report we file or furnish to the SEC. The public may read and copy any materials that we file with the SEC at the SEC s Public Reference Room at 100 F Street, Room 1580, NW, Washington D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at *www.sec.gov*.

Item 1A. Risk Factors

The following risk factors, as well as the other information contained in this report, should be considered carefully. These risk factors could materially and adversely affect our future operating results and could cause actual events to differ materially from those described in forward-looking statements in this report.

The recent disruption in the overall economy and the financial markets will impact our business

The industries in which we operate are being affected by current economic factors, including the significant deterioration of global economic conditions, credit availability, declines in employment levels, and shifts in consumer spending patterns. Although the food industry will likely be more resilient to the impact compared to other industries, natural, organic and specialty foods and natural health products may be negatively impacted should consumers convert to lower priced alternatives. If these conditions continue or worsen, deteriorating financial performance could affect the financial ratios and covenants under our credit agreement, which, in turn, could affect our ability to borrow, increase our cost of borrowing or result in accelerated payment of outstanding loans.

We face risks related to the restatement of our 2007 quarterly financial statements

We restated our consolidated statements of earnings, balance sheets, statements of cash flows and statements of equity for each of the quarterly periods ended March 31, 2007, June 30, 2007, and September 30, 2007. Class action lawsuits have been filed against us in the United States and Canada, and we may face proceedings from regulatory authorities in the United States relating to the restatements. We could face monetary judgments, penalties or other sanctions which could adversely affect our financial condition and could cause our stock price to decline. In addition, we received letters from the SEC and the Ontario Securities Commission (OSC) requesting information related to the write-down of inventory and the restatement of our 2007 quarterly financial results, and we received a request from the OSC requesting information regarding our stock opting granting process. While the OSC completed its formal investigation without enforcement action against us or any of our officers, we continue to cooperate with the SEC in connection with its formal investigation. An enforcement action by the SEC could result in expense to us and may divert the efforts and attention of our management team from normal business operations.

SunOpta and certain officers (one of whom is a director) and a former director are subject to claims under U.S. and Canadian securities laws

SunOpta and some of its officers (one of whom is a director) and a former director are defendants in securities class action claims that have been filed in the United States and Canada that allege, among other things, violations of United States federal securities laws. These actions could result in the award of substantial monetary damages against SunOpta. There is risk that our insurance coverage may not be sufficient to cover damages awarded as a result of these actions. The outcome of these actions could negatively impact the market price of our securities. In addition, we expect to continue to incur expenses associated with the defense of these actions, regardless of the outcome, and these pending actions may divert the efforts and attention of our management team from normal business operations.

Our credit agreements restrict how we may operate our business, and our business may be materially and adversely affected if we are unable to comply with covenants in our credit agreements

We have various credit facilities including a primary facility with a syndicate of lenders. All of the credit facilities contain covenants that limit the discretion of our management with respect to certain business matters. These covenants place restrictions on, among other things, our ability to incur additional indebtedness, to create other security interests, to complete a liquidation, dissolution, merger, amalgamation or reorganization, to make certain distributions or make certain payments, investments, loans and guarantees and to sell or otherwise dispose of certain assets. These restrictions may hinder our ability to execute on our growth strategy.

The credit facilities also include covenants that require that we satisfy certain financial ratios and tests. A failure to comply with these covenants could result in an event of default which, if not cured or waived, could permit the acceleration of the relevant indebtedness. Due to the large inventory write-down and related professional fees, the restatement of our quarterly financial statements in 2007 and the delay in filing our financial statements for fiscal year 2007 and the first fiscal quarter of 2008, we requested and received various amendments and waivers to its primary credit facility. New amended financial ratio covenants have been set to March 31, 2009. Compliance with these covenants depends on our achieving forecasts and non-compliance could result in the acceleration of amounts owing under the credit facilities. There can be no assurance that, if any indebtedness under the credit facilities were to be accelerated, our assets would be sufficient to repay in full the indebtedness. Furthermore, prior to the expiry of any of the credit facilities, we may need to refinance its short-term debt. If we are required to replace the credit facilities with new debt on less favourable terms, or if we are unable to refinance on favorable terms or at all, our business would be adversely impacted.

Our business may be materially and adversely affected by our ability to renew our operating lines when they come due in 2009

Our operating lines of credit are subject to annual extensions at the end of June. Due to the turmoil in the financial markets and the restatement and related matters that have affected SunOpta, we may not be able to renew our operating lines to the same level, or at as favourable of terms as in previous years. Reduced lines may impact our ability to finance its operations, requiring us to scale back our operations and our use of working capital. Alternatively, obtaining credit on less favourable terms would have a direct impact on our profitability and operating flexibility.

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

Over the last nine years, we had a compounded annual revenue growth rate of 40.8% . Our ability to raise capital, through equity or debt financing, is directly related to our ability to continue to grow and improve returns from operations. An equity financing would dilute our current shareholders and may result in a decrease in our share price if we are unable to realize returns equal to or above our current rate of return. Debt financing may not be available to us on favourable terms or at all. We will not be able to maintain our growth rate and our strategy as a consolidator within the natural and organic food industries without continued access to capital.

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

Approximately 91% of our 2008 revenues were derived from the SunOpta Food Group. Our success depends, in part, on our ability to offer products that anticipate the tastes and dietary habits of consumers and appeal to their preferences on a timely and affordable basis. A significant shift in consumer demand away from our products or products that utilize our integrated grains, ingredients, fruits and packaged products, or our failure to maintain our current market position, could reduce our sales and harm our business. Consumer trends change based on a number of possible factors, including nutritional values, a change in consumer preferences or general economic conditions. These changes could lead to, among other things, reduced demand and price decreases, which could have a material adverse effect on our business.

We operate in a highly competitive industry

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

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

We own, manage and operate a number of manufacturing, processing and packaging facilities located throughout the United States, Canada, Mexico, Europe, China and Ethiopia. As of December 31, 2008, the SunOpta Food Group operates from 26 processing facilities (16 owned and 10 leased). Opta Minerals operates from 17 locations (six owned and eleven leased) located in the United States, Canada and Eastern Europe. SunOpta BioProcess operates its facilities at our corporate location in Brampton, Ontario and its pilot plant in Waterdown, Ontario.

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

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

Our prospects depend to a significant extent on the continued service of our key executives, and our continued growth depends on our ability to identify, recruit and retain key management personnel. The competition for such employees is intense. We are also dependent on our ability to continue to attract, retain and motivate our sourcing, production, distribution, sales, marketing and other personnel. We do not carry key person life insurance on any of our executive officers.

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

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

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

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

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

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

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

As of December 31, 2008, there were 1,833,375 stock options outstanding to purchase Common Shares, with exercise prices ranging from $4.06 to $13.75 per common share. The exercise of these stock options could result in dilution in the value of our Common Shares and the voting power represented thereby. Furthermore, to the extent the holders of our stock options exercise such securities and then sell the Common Shares they receive upon exercise or upon the sale of Common Shares received as part of the employee stock purchase plan or the issuance of additional securities, our share price may decrease due to the additional amount of Common Shares available in the market. The subsequent sales of these shares could encourage short sales by our shareholders and others which could place further downward pressure on our share price. Moreover, the holders of our stock options may hedge their positions in our Common Shares by short selling our Common Shares, which could further adversely affect our stock price.

Technological innovation by our competitors could make our products less competitive

Competitors include major food ingredient and consumer food companies that also engage in the development and sale of food and food ingredients. Many of these companies are engaged in the development of food ingredients and other food products and continually introduce a number of products into the market. Existing products or products under development by our competitors could prove to be more effective or less costly than any products which have been or are being developed by us.

We rely on protection of our intellectual property and proprietary rights

Our success, and in particular, the success of the SunOpta Food Group and SunOpta BioProcess, depends in part on our ability to protect intellectual property rights. We rely primarily on patent, copyright, trademark and trade secret laws to protect our proprietary technologies. The failure of any patents or other intellectual property rights to provide protection to our technologies would make it easier for our competitors to offer similar products, which could result in lower sales or gross margins.

The SunOpta Food Group has developed a number of new ingredients and alternatives to accommodate new product adaptations of these and other ingredients into various food items. A number of the SunOpta Food Group s products and processes require us to create and maintain a number of patents and trade secrets. The SunOpta Food Group s policy is to protect its technology by, among other things, filing patent applications for technology relating to the development of its business in the United States and in selected foreign jurisdictions.

Our trademarks and brand names are registered in the United States, Canada and other jurisdictions and we intend to keep these filings current and seek protection for new trademarks to the extent consistent with business needs. We rely on trade secrets and proprietary know-how and confidentiality agreements to protect certain of the technologies and processes used by the SunOpta Food Group.

In addition, SunOpta BioProcess holds a number of existing patents and recently filed patent applications on its proprietary steam explosion technology and related processes. We recognize that there exists a threat of others attempting to copy our proprietary steam explosion technology. To mitigate this risk, the normal business practice of SBI includes the signing of confidentiality agreements with all parties to which confidential information is supplied including all customers and licensees. We also hold several patents on our equipment and process technologies and alleviate risk by developing new patents.

The SunOpta Food Group also has certain key patents which are expiring in the near term. The expiry of these patents puts us risk from competitors that can duplicate our products without infringement.

We are subject to substantial environmental regulation and policies

We are, and expect to continue to be, subject to substantial federal, state, provincial and local environmental regulation. There are specific regulations governing the recycling of solid waste material regulated by the Ontario Ministry of Environment and Energy and the Commonwealth of Virginia, Department of Environment Quality.

Some of the key regulations include:

- Air Quality is regulated by the EPA and certain city/state air pollution control groups. Emission reports are filed annually;

- Waste Treatment/Disposal solid waste is either disposed of by a third-party or in some cases we have a permit to haul and apply the sludge to land. Agreements exist with local city sewer districts to treat waste at specified levels of BOD and TSS;

- Sewer agreements with the local city sewer districts to treat waste as specified limits of BOD and TSS, which requires weekly/monthly reporting as well as annual inspection; and

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

Permits are required from various state, provincial and local authorities related to air quality, storm water discharge, solid waste, land spreading and hazardous waste.

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

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

Our food group is subject to significant food and health regulations

The SunOpta Food Group is affected by a wide range of governmental regulations in Canada, the United States, as well as several countries in Europe, among others. These laws and regulations are implemented at the national level (including, among others, federal laws and regulation in Canada and United States) and by local subdivisions (including, among others, state laws in the United States and provincial laws in Canada). We are also subject to regulations of the European Union. Examples of laws and regulations that affect the Food Group include laws and regulations applicable to:

- the use of seed, fertilizer and pesticides;

- the purchasing, harvesting, transportation and warehousing of grain and other products;

- the processing and sale of food, including wholesale operations; and

- the labeling and marketing of food and food products.

We are also subject to the regulatory authority of regulatory agencies in several different countries. Examples of regulatory agencies influencing our operations include: the USDA, the FDA, the EPA, the CFIA and SKAL (an European agency based in The Netherlands responsible for the certification of organic products) among others.

Changes in government laws and regulations applicable to our operations could adversely affect our results of operations. While we believe that the SunOpta Food Group is in compliance with all laws and regulations applicable to our operations, we cannot assure you that we have been, or will at all times be, in compliance with all food production and health requirements, or that we will not incur material costs or liabilities in connection with these requirements. Our failure to comply with such regulations could adversely affect our business and our results of operations.

Certain food ingredient products manufactured by our Food Group are regulated under the 1958 Food Additive Amendments of FDCA, as administered by the FDA. Under the FDCA, pre-marketing approval by the FDA is required for the sale of a food ingredient which is a food additive unless the substance is GRAS under the conditions of its intended use by qualified experts in food safety. We believe that most products for which the Food Group has retained commercial rights are GRAS. However, such status cannot be determined until actual formulations and uses are finalized. As a result, the Food Group may be adversely impacted if the FDA determines that our food ingredient products do not meet the criteria for GRAS.

Because the Food Group is involved in the manufacture, supply, processing and marketing of organic seed and food products, it is voluntarily subject to certain organic quality assurance standards. In December 2000, the USDA adopted regulations with respect to a national organic labeling and certification program which became fully effective in October 2002. These regulations, among other things, set forth the minimum standards producers must meet in order to have their products labeled as certified organic. We currently manufacture and distribute a number of organic products that are covered by these new regulations. Additionally, our organic products may be subject to U.S. state regulation. While we believe our products and our supply chain are in compliance with these regulations, changes to food regulations may increase our costs to remain in compliance. We could lose our organic certification if a facility becomes contaminated with non-organic materials or if we do not use raw materials that are certified organic. The loss of our organic certifications could materially harm our business, results of operations and financial condition.

Amendments to Canada s Organic Products regulations as administered by the Canada Organic Office of the Canadian Food Inspection Agency became effective in December 2008. Future developments in the regulation of labeling of organic foods could require us to further modify the labeling of our products, which could affect the sales of our products and thus harm our business.

Certain Purity Life Products are also subject to further regulations under certain federal Canadian legislation, including the Food and Drug Act (Canada), the Pest Control Products Act (Canada), Natural Health Products Regulation (Canada) and the regulations made thereunder and the Environmental Protection Act (Canada). While we believe we are in material compliance with all statutes and regulations governing these businesses, any breach of these statutes and regulations could result in fines, penalties or a loss in the ability to sell certain products which could have an adverse affect on our business.

Our operations are influenced by agricultural policies

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

Product liability suits, if brought, could have a material adverse effect on our business

As a manufacturer and marketer of natural and organic food products, environmental mineral products and bioprocess conversion technology, we are subject to the risk of claims for product liability. If a product liability claim exceeding our insurance coverage were to be successfully asserted against us, it could materially harm our business.

The commercial scale viability of SunOpta BioProcess steam explosion technology may not be realized

SunOpta BioProcess proprietary steam explosion technology has yet to gain wide-spread acceptance within a number of industries and, consequently, earnings can fluctuate from quarter to quarter. Its patented steam technology, while proven, has yet to develop a broad customer base. The success of SunOpta BioProcess will depend upon its ability to promote commercial acceptance of its proprietary steam explosion technology and related biomass process solutions.

Construction or operational delays within SunOpta BioProcess could materially and adversely affect our revenues

Projects in construction under announced and anticipated collaborative agreements may experience delays in regulatory, engineering and construction phases, which may consequently affect delays in expected project revenue. The projects could also be subject to unanticipated interruptions in operations which could have a material adverse effect on our financial condition. Such delays or interruptions could be caused by, among other factors: construction and other cost overruns; weather conditions affecting the construction process; delays in the regulatory approval process; contractor delays or errors; breakdown or failure of equipment or processes; disruption or difficulty in procuring the supply of raw materials; energy and other inputs; or catastrophic events such as fire or storms.

The repeal or modification of government programs could materially and adversely affect the sales and profitability of SunOpta BioProcess

SunOpta BioProcess ability to realize projected cash flows and deploy processes and projects is significantly impacted by governmental regulations and subsidies. The repeal or modification of various fiscal incentives favouring the use of cellulosic ethanol could reduce demand and cause SunOpta BioProcess sales and profitability to decline. Examples of such changes could include the elimination of the federal ethanol tax incentives, ethanol tariffs, or changes in the renewable fuel standards (minimum levels of renewable fuels in gasoline).

Failure of future growth in ethanol demand could have a material adverse effect on our SunOpta BioProcess business

The Energy Independence and Security Act of 2007 (EISA) was signed into law December 19, 2007 and amends the Renewable Fuels Standard (RFS) originally created by the Energy Policy Act of 2005. EISA mandates 36 Billion gallons of annual renewable biofuel production by 2022 including 21 billion gallons per year in Advanced Biofuels which is inclusive of at least 16 billion gallons per year of Cellulosic Biofuel . Corn starch ethanol, currently produced at approximately 10 billion gallons per year according to the Renewable Fuels Association, is capped by the RFS at a maximum 15 billion gallons per year. Cellulosic ethanol, currently not being produced commercially, is mandated at 100 million gallons per year by 2010, with increasing mandated production levels each year to 2022. Because demand for cellulosic ethanol is mandated by law a reversal or waiver of government-mandated cellulosic ethanol requirements would have a materially adverse effect on SunOpta BioProcess business. Failure of continued growth of worldwide ethanol demand, changes in renewable fuel mandates worldwide or the failure to be able to produce commercially reasonable quantities of ethanol from cellulose-based materials would have a material adverse effect on SunOpta BioProcess business.

We are subject to financial exposure related to bonding and guarantees

For SunOpta BioProcess to enter certain markets, we have to provide substantial performance guarantees in the form of process guarantees and equipment guarantees. These guarantees need to be backed by bank guarantees or surety bonds. We endeavor to reduce the associated risks, however there will always remain a possibility that our guarantees or bonds could be called, rightfully or wrongfully and/or that the equipment supplied fails to meet the guarantees and warranties provided, resulting in potential financial losses.

Loss of a key customer could materially reduce revenues and earnings

We had no customers that represented over 10% of revenues for the year ended December 31, 2008. However, the loss or cancellation of business with any of our larger customers could materially and adversely affect our business, financial condition or results of operations.

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

We are exposed to foreign exchange rate fluctuations as our Canadian subsidiaries and our European operations are translated into United States dollars for financial reporting purposes. We are exposed to changes in interest rates as a portion of our debt bears interest at variable rates. We are exposed to price fluctuations on grain commodities as we hold inventory and enter into transactions to buy and sell product in the grains market. Additional qualitative and quantitative disclosures about these risks can be found in Item 7A of this Form 10-K.

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

Our growth strategy inherently assumes that we will be able to identify suitable acquisition candidates on terms acceptable to us and that these acquisitions, if pursued and completed, will be integrated successfully. Our ability to effectively integrate current and future acquisitions, including our ability to realize potentially available marketing opportunities and cost savings in a timely and efficient manner will have a direct impact on our future results. We may encounter problems in connection with the integration of any new businesses, such as:

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

Adverse weather conditions could impose costs on our business

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

Our operating results and share price are subject to significant volatility

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

- changes in our operating expenses;
- management s ability to execute our business and growth strategies;
- personnel changes;
- supply shortages;
- general economic conditions;

In addition, our share price is more volatile than other larger public companies. Announcements regarding:

- fluctuations in financial performance from period to period;

- mergers and acquisitions;
- changes in key personnel;

- strategic partnerships or arrangements;
- litigation and governmental inquiries;
- changes in governmental regulation and policy;
- patents or proprietary rights;
- changes in consumer preferences and demand;
- new financings; and
- general market conditions,

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

Item 1B. Unresolved Staff Comments None.

Item 2. Properties

As of December 31, 2008, SunOpta (excluding Opta Minerals) operates from the following locations which are owned unless otherwise noted.

Location	State/Province	Group/Sub Group	Facility Description
Brampton	Ontario	Corporate Head Office/BioProcess	Corporate head office and BioProcess facilities
Minnetonka (2 Leases) (1)	Minnesota	Corporate Services	IT Corporate and Grains Sales Office
Hope	Minnesota	SunOpta Grains and Foods	Grains head office and grain processing
Alexandria	Minnesota	SunOpta Grains and Foods	Aseptic packaging facility
Alexandria	Minnesota	SunOpta Grains and Foods	Ingredient processing
Afton	Wyoming	SunOpta Grains and Foods	Soymilk processing
Wahpeton	North Dakota	SunOpta Grains and Foods	Processing, warehouse and distribution
Wahpeton	North Dakota	SunOpta Grains and Foods	Grain storage
Huevelton	New York	SunOpta Grains and Foods	Soymilk processing plant

Blooming Prairie	Minnesota	SunOpta Grains and Foods	Grain storage
Ellendale	Minnesota	SunOpta Grains and Foods	Grain storage
Snover (Monthly Rent)	Michigan	SunOpta Grains and Foods	Sales office
Cresco	Iowa	SunOpta Grains and Foods	Milling facility
Breckenridge	Minnesota	SunOpta Grains and Foods	Grain processing and distribution
Breckenridge (Lease) (2)	Minnesota	SunOpta Grains and Foods	Sales Office
Goodland	Kansas	SunOpta Grains and Foods	Grain processing and distribution
Edson (Land Lease) (3)	Kansas	SunOpta Grains and Foods	Grain processing and distribution
Moorehead	Minnesota	SunOpta Grains and Foods	Grain processing and distribution
Chelmsford (Lease) (4)	Massachusetts	SunOpta Ingredients	Ingredients head office and development centre
Louisville (Lease) (5)	Kentucky	SunOpta Ingredients	Fiber processing facility
Cedar Rapids	Iowa	SunOpta Ingredients	Fiber processing facility
Cambridge	Minnesota	SunOpta Ingredients	Fiber processing facility
Bertha	Minnesota	SunOpta Ingredients	Warehousing
Fosston	Minnesota	SunOpta Ingredients	Processing and drying
Galesburg	Illinois	SunOpta Ingredients	Starch based production and ingredients blending

Buena Park (2 Leases) (6)	California	SunOpta Fruit Group Fruit Specialties	Processing, warehouse and distribution and Fruit Group head office
South Gate (Lease) (7)	California	SunOpta Fruit Group Fruit Specialties	Processing, warehouse and distribution
Salinas (Lease) (8)	California	SunOpta Fruit Group Fruit Specialties	Processing, warehouse and distribution
Libertyville (Lease) (9)	Illinois	SunOpta Fruit Group Fruit Specialties	Hess Food Group office
Rosarito	Mexico	SunOpta Fruit Group Fruit Specialties	Frozen fruit processing facility
Guanajuato	Mexico	SunOpta Fruit Group Fruit Specialties	Frozen fruit processing facility
Greenville (10)	South Carolina	SunOpta Fruit Group Fruit Specialties	Sales, administration office (office closed in the first quarter of 2009)
Summerland (2 Leases) (11)	British Columbia	SunOpta Fruit Group Healthy Fruit Snacks Operations	Processing facilities
Omak (Lease) (12)	Washington	SunOpta Fruit Group Healthy Fruit Snacks Operations	Processing, warehouse and distribution
Brampton (Lease) (13)	Brampton	SunOpta Fruit Group Healthy Fruit Snacks Operations	Sales office
Aptos (Lease) (14)	California	SunOpta International Sourcing & Trading	Organic Ingredients office
Dalian (Lease) (15)	China	SunOpta International Sourcing & Trading	Sales office, processing facilities
Amsterdam (Lease) (16)	The Netherlands	SunOpta International Sourcing & Trading	Sales office
Syke (Lease) (17)	Germany	SunOpta International Sourcing & Trading	Sales office
Shelton (Lease) (18)	Connecticut	SunOpta International Sourcing & Trading	Sales office
Addis Ababa (19)	Ethiopia	SunOpta International Sourcing & Trading	Processing facility and warehouse
Richmond (Lease) (20)	British Columbia	SunOpta Distribution Group	Distribution Group head office, distribution and warehousing
Toronto (Lease) (21)	Ontario	SunOpta Distribution Group	Office, distribution and warehousing
Toronto (Lease) (22)	Ontario	SunOpta Distribution Group	Office, distribution and warehousing

Burnaby (Lease) (23)	British Columbia	SunOpta Distribution Group	Office, distribution and warehousing
St. Laurent (Lease) (24)	Quebec	SunOpta Distribution Group	Office, distribution and warehousing
Acton (4 Leases) (25)	Ontario	SunOpta Distribution Group	Office, distribution and warehousing
Vancouver (Lease) (26)	British Columbia	SunOpta Distribution Group	Office, distribution and warehousing
Scotstown	Quebec	SunOpta Distribution Group	Office, distribution and warehousing
Brantford (Lease) (27)	Ontario	SunOpta Distribution Group	Processing, warehouse and distribution

(1) Leases have an expiry date of May 2009 and April 2009 respectively.
(2) Lease has an expiry date of October 2009.
(3) Lease has an expiry date of November 2009.
(4) Lease has an expiry date of September 2013.
(5) Lease has an expiry date of July 2011.
(6) Leases have an expiry date of December 2009 and May 2010 respectively.
(7) Lease has an expiry date of December 2016.
(8) Lease has an expiry date of December 2009.
(9) Lease has an expiry date of March 2014.
(10) Lease is month to month.
(11) One lease has an expiry date of December 2016 and one lease is month to month.
(12) Lease has an expiry date of May 2017.
(13) Lease has an expiry date of November 2012.
(14) Lease has an expiry date of December 2009.
(15) Lease has an expiry date of September 2011.
(16) Lease has an expiry date of April 2013.
(17) Lease is month to month.
(18) Lease has an expiry date of April 2012.
(19) Lease is month to month.
(20) Lease has an expiry date of August 2022.

(21) Lease has an expiry date of January 2010.
(22) Lease has an expiry date of December 2014
(23) Lease has an expiry date of August 2009.
(24) Lease has an expiry date of June 2009.
(25) All leases have an expiry date of December 2011.
(26) Lease has an expiry date of August 2011.
(27) Lease has an expiry date of November 2010.

Opta Minerals operates from the following major locations which are owned unless otherwise noted.

Location	State/Province	Group	Description
Waterdown	Ontario	Opta Minerals	Group head office, processing and distribution
Brantford (1)	Ontario	Opta Minerals	Distribution and packing center
Lachine	Quebec	Opta Minerals	Distribution center
Bruno de Guigues	Quebec	Opta Minerals	Specialty sands
New Orleans (Lease) (2)	Louisiana	Opta Minerals	Abrasives processing
Norfolk (Lease) (3)	Virginia	Opta Minerals	Processing and distribution
Keeseville (Lease) (4)	New York	Opta Minerals	Garnet processing and distribution
Baltimore (Lease) (5)	Maryland	Opta Minerals	Abrasives processing
Hardeeville	South Carolina	Opta Minerals	Processing facility
Attica (6)	New York	Opta Minerals	Abrasives processing
Richfield (Lease) (7)	Ohio	Opta Minerals	Sales office
Laval (8)	Quebec	Opta Minerals	Processing facility
St-Germain de Grantham (9)	Quebec	Opta Minerals	Distribution and packaging center
Walkerton	Indiana	Opta Minerals	Abrasives processing
Kosice (10)	Slovakia	Opta Minerals	Processing facility
Milan	Michigan	Opta Minerals	Abrasives processing
Freeport (11)	Texas	Opta Minerals	Abrasives processing

(1) Lease has an expiry date of April 2010.
(2) Lease has an expiry date of December 2009.
(3) Lease has an expiry date of October 2010 and an option to purchase up to expiry.
(4) Lease has an expiry date of November 2011.
(5) Lease has an expiry date of December 2013.
(6) Lease has an expiry date of May 2015.
(7) Lease is month to month.
(8) Lease has an expiry date of February 2012.
(9) Lease has an expiry date of March 2009 and an option to purchase up to expiry.
(10) Lease has an expiry date of December 31, 2009.
(11) Lease has an expiry date of March 2014.

SunOpta BioProcess and Executive Offices

Our executive head office and SunOpta BioProcess Group office are located at 2838 Bovaird Drive West, Brampton, Ontario, a property we own. The SunOpta BioProcess Group has also entered into a lease to expand pilot plant facilities in Waterdown, Ontario.

Item 3. Legal Proceedings

After we downgraded previously issued earnings expectations and announced the restatement of prior quarterly financial statements due to a significant write-down and other adjustments, SunOpta and certain officers (one of whom is a director) and a former director were named as defendants in several proposed class action lawsuits filed in the United States District Court for the Southern District of New York on behalf of shareholders who acquired securities of SunOpta between May 8, 2007 and January 25, 2008. We are alleged to have violated Section 10(b) of the 1934 Securities Exchange Act and Rule 10b-5 promulgated by the United States Securities and Exchange Commission. Additionally, the named officers and directors (one of whom is a former director) were alleged to have violated Section 20(a) of the 1934 Securities Exchange Act. The complaints alleged different proposed class periods and have now been consolidated into one class action with a lead plaintiff. On January 28, 2009, the Court appointed Western Washington Laborers-Employers Pension Trust and Operating Engineers Construction Industry and Miscellaneous Pension Fund (the Pension Funds) as the lead plaintiff in one consolidated class action aggregating the various class action lawsuits. Similarly, one proposed class action lawsuit has also been filed in Canada in the Ontario Superior Court of Justice on behalf of shareholders who acquired securities of SunOpta between May 8, 2007 and January 25, 2008 against SunOpta and certain officers (one of whom is a director) alleging misrepresentation and proposing to seek leave from the Ontario court to bring statutory misrepresentation civil liability claims under the Ontario Securities Act. On August 29, 2008, the plaintiff filed a motion to amend the claims against us to include additional allegations. The Canadian plaintiffs claim compensatory damages of Cdn $100,000,000 and punitive damages of Cdn $10,000,000 and other monetary relief. Motions for class certification of the Ontario action, and leave to pursue statutory claims under Ontario s Securities Act, are currently scheduled to be heard in May 2009. Management intends to vigorously defend these actions.

We have received letters from the Securities and Exchange Commission (SEC) and from the Ontario Securities Commission (OSC) requesting information related to the write-down and restatements described in its January 24, 2008 press release. We also received an additional request from the OSC for information regarding our stock option granting process a comprehensive response to which was provided in September 2008. The OSC has indicated it has no further comments on our write-down and restatement. We continue to cooperate with the SEC s investigation, which includes cooperation with requests for additional information and interviews with certain current and past employees, and we continue to cooperate with the OSC s investigation regarding stock option processes and certain disclosure matters.

We commenced a suit on January 17, 2008, against Abengoa New Technologies Inc. (Abengoa) and a former employee of SunOpta Inc. alleging theft of trade secrets, breach of contract, tortious interference with contract and civil conspiracy, and filed motions for expedited discovery and a preliminary injunction. Abengoa has filed a counterclaim alleging breach of contract, misappropriation of trade secrets and other contractual violations. The United States District Court, Eastern District of Missouri, recently referred the core claims to arbitration and stayed the other claims pending the outcome of the arbitration scheduled for the end of July 2009. While management is confident in its position, the outcome of this matter cannot be predicted at this time.

In January 2008, a customer of ours, Abener Energia S.A. (an affiliate of Abengoa), terminated a contract valued at approximately $7,000,000 for the delivery of equipment and related services, forcing the matter into arbitration under its provisions. In December, the arbitrator rendered his final decision partially allowing Abener s claim and awarded Abener approximately $1,850,000 (1,329,828) in damages. We intend to resist the enforcement of the award pending the outcome of the Abengoa arbitration referenced above.

In addition, various claims and potential claims arising in the normal course of business are pending against us, and by us with third parties. Management believes the final determination of these claims or potential claims will not materially affect our financial position or results.

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

None

PART II

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

Our common shares trade in U.S. dollars on The NASDAQ Global Select Market under the symbol STKL, and in Canadian dollars on the Toronto Stock Exchange (TSX) under the symbol SOY. The following table indicates the high and low bid prices for SunOpta s common shares for each quarterly period during the past two years as reported by NASDAQ. The prices shown are representative inter-dealer prices, do not include retail mark ups, markdowns or commissions and do not necessarily reflect actual transactions.

Trade Prices on NASDAQ (U.S. Dollars)

2008	**HIGH**	**LOW**
First Quarter	$13.25	$4.56
Second Quarter	$7.72	$4.73
Third Quarter	$7.15	$4.87
Fourth Quarter	$6.61	$1.15
2007	**HIGH**	**LOW**
First Quarter	$12.70	$8.35
Second Quarter	$13.11	$10.75
Third Quarter	$14.81	$10.75
Fourth Quarter	$15.50	$11.11

The following table indicates the high and low bid prices for SunOpta s common shares for each quarterly period during the past two years as reported by the Toronto Stock Exchange.

Trade Prices on TSX (Canadian Dollars)

2008	**HIGH**	**LOW**
First Quarter	Cdn$13.14	Cdn$4.57
Second Quarter	Cdn$7.92	Cdn$4.79
Third Quarter	Cdn$7.63	Cdn$4.96
Fourth Quarter	Cdn$7.00	Cdn$1.46
2007	**HIGH**	**LOW**
First Quarter	Cdn$14.68	Cdn$9.75
Second Quarter	Cdn$14.60	Cdn$11.42
Third Quarter	Cdn$15.01	Cdn$11.46
Fourth Quarter	Cdn$15.25	Cdn$11.13

At December 31, 2008, we had approximately 748 shareholders of record. SunOpta has never paid cash dividends on its common stock and does not anticipate paying dividends for the foreseeable future. The receipt of cash dividends by United States shareholders from a Canadian corporation, such as SunOpta, may be subject to Canadian withholding tax.

Equity Compensation Plan Information

Securities authorized for issuance under equity compensation plans are described in the table below.

Plan category	Number of securities to be issued upon exercise of outstanding options, (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders			
Stock option plan	1,833,375	7.12	1,653,835
Employee stock purchase plan	n/a	n/a	360,143
Equity compensation plans not approved by security holders	-	-	-
Total	1,833,375	7.12	2,013,978

Shareholder return performance graph

The following graph compares the five year cumulative shareholder return on the common shares of the Company to the cumulative total return of the S&P/TSX Composite and the NASDAQ Industrial Indices for the period which commenced December 31, 2004.

	2004	2005	2006	2007	2008
SunOpta Inc.	$ 100.00	$ 73.26	$ 122.56	$ 185.93	$ 21.87
Nasdaq Industrial Index	$ 100.00	$ 100.12	$ 112.52	$ 117.27	$ 64.06
S&P/TSX Composite	$ 100.00	$ 121.91	$ 139.60	$ 149.60	$ 97.20

Assumes that $100.00 was invested in common shares of the Company and in each Index on December 31, 2004.

Issuance of securities and use of proceeds

Equity Offering in 2007 / 2008

On February 13, 2007, SunOpta completed a public offering and raised gross proceeds of approximately $53,820,000, including an over-allotment option, and before deducting underwriters commissions and other expenses. The offering, including the over-allotment, was for 5,175,000 common shares at a price of $10.40 per share. We incurred share issuance costs of $1,938,000, net of a $920,000 tax benefit, for net proceeds of $51,882,000.

The offering was completed through a syndicate of underwriters led by Canaccord Adams Inc. in the United States and Canaccord Capital Corporation in Canada and including in Canada, BMO Nesbitt Burns Inc., National Bank Financial Inc., Desjardins Securities Inc. and Octagon Capital Corporation.

Options and warrants exercised during the year

During the year ended December 31, 2008, employees and directors exercised 65,580 (2007 570,455) common share options and an equal number of common shares were issued for net proceeds of $559,000 (2007 - $3,201,000).

In conjunction with the issuance of preferred shares in SunOpta BioProcess to a group of private investors that was announced on June 11, 2007, SunOpta issued warrants to purchase 648,300 common shares of SunOpta at an exercise price of $11.57 per share. As of December 31, 2007, all 648,300 warrants were exercised for proceeds of $7,501,000.

Use of Proceeds

The funds raised as a result of the equity offering and through the exercise of warrants and employee stock were used for general business purposes including the reduction of bank indebtedness, working capital requirements, internal expansion projects and for acquisitions.

Item 6. Selected Financial Data

We have completed a number of acquisitions over the five fiscal periods presented. For a listing of the acquisitions completed by the SunOpta Food Group and Opta Minerals, refer to Part I, Item 1 of this Form 10-K entitled Business . In addition, the pro-forma revenue, pro forma earnings, and pro-forma basic and diluted earnings per share are presented in note 2(d) of the Consolidated Financial Statements contained in Part IV of this Form 10-K.

The following information has been summarized from our 2008 Consolidated Financial Statements.

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

	2008	**2007**	**2006**	**2005**	**2004**
Revenues	1,055,173	802,494	598,026	426,101	306,251
Net (loss) earnings	(10,936)	407	10,959	13,558	11,016
Total assets	581,047	569,440	404,730	302,863	220,172
Long-term debt (including current portion)	111,527	98,714	77,827	59,056	35,822
Other long-term liabilities (including current portion)	6,379	4,611	5,343	1,195	2,780
Basic (loss) earnings per share	($0.17)	$ 0.01	$ 0.19	$ 0.24	$ 0.20
Diluted (loss) earnings per share	($0.17)	$ 0.01	$ 0.19	$ 0.24	$ 0.20
Cash dividends	-	-	-	-	-

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

Period end	1.2180	0.9913	1.1654	1.1630	1.2020
Average rate	1.0660	1.0740	1.1344	1.2114	1.3013

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

Forward-looking Financial Information

The Management Discussion and Analysis (MD&A) detailed below provides additional analysis of the operations and financial position for the fiscal period ended December 31, 2008 for the Company and includes information available to March 5, 2009. It is supplementary information and should be read in conjunction with the consolidated financial statements, including the accompanying notes, management s report and the auditor s report available on the Company s website at www.sunopta.com.

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

To the extent any forward-looking statements contain future-oriented financial information or financial outlooks, such information is being provided to enable a reader to assess the Company s financial condition, material changes in the Company s financial condition and its results of operations including liquidity and capital resources for the fiscal period ended December 31, 2008, compared with the fiscal period ended December 31, 2007. Readers are cautioned that this information may be not appropriate for any other purpose, including investment decisions.

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

Forward-looking statements are also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what the Company currently expects. These factors are more fully described in the Risk Factors section of this Form 10-K.

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

Overview

Our 2008 Consolidated Financial Statements include the results of the organization s three principal operating groups:

- the SunOpta Food Group, which accounts for approximately 91% of 2008 revenues, sources, produces, packages, markets and distributes a wide range of natural, organic and specialty foods and natural health products with a focus on soy, corn, sunflower, fruit, fiber and other natural and organic food and natural health products;

- Opta Minerals, which accounts for approximately 9% of 2008 revenues, is a vertically integrated provider of custom process solutions and industrial minerals products for use primarily in the steel, loose abrasive cleaning, roof shingle granules and municipal water filtration industries; and

- SunOpta BioProcess, which accounts for less than 0.5% of 2008 revenues, markets proprietary processing technology with significant licensing and applications potential in the bio fuel, food processing and pulping industries.

All operating groups are growth oriented, ethical businesses, focused on environmental responsibility and the health and well being of the communities they serve.

Within the SunOpta Food Group, the Grains and Foods Group specializes in bringing a number of identity preserved, non-genetically modified (non-GMO) and organic grains, grains based ingredients and related agronomic services to market with a core focus in soy, corn and sunflower. The Grains and Food Group also includes an aseptic and refrigerated packaging products business focused on the production of soymilk and other alternative beverage products and a healthy convenience foods business focused on the roasting and packaging of soy, corn and sunflower products. The SunOpta Ingredients Group specializes in the processing of specialty oat and soy fibers and a number of technical and functional food ingredients, with a focus on non-GMO, natural, functional and organic offerings. The SunOpta Fruit Group specializes in the supply of frozen organic and natural fruit-based ingredients and packaged products to the private label, food service and industrial markets and a healthy convenience foods business specializing in private label and branded dried apple based fruit products. The International Sourcing and Trading Group focuses on the sourcing and supply of a variety of organic foods and ingredients including organic fruits and vegetables, coffee, cocoa and others sourced from worldwide growers. Finally, the SunOpta Distribution Group specializes in the distribution of natural, organic, kosher, and specialty foods and natural health products, primarily in Canada.

The MD&A detailed below, is presented in five parts, Critical Accounting Estimates, Results of Operations for 2008 versus 2007 and 2007 versus 2006, Recent Accounting Developments, Liquidity and Capital Resources, Business and Financial Outlook and Risks and Uncertainties. This MD&A should be read in conjunction with the December 31, 2008 Consolidated Financial Statements and accompanying notes.

Critical Accounting Estimates

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

Revenue recognition

We recognize revenue at the time of delivery of the product or service and when all of the following have occurred: a sales agreement is in place, price is fixed or determinable, and collection is reasonably assured. In the SunOpta BioProcess segment, the percentage of completion method is used to account for significant contracts. Consideration given to customers such as value incentives, rebates, early payment discounts and other discounts are recorded as reductions to revenues at the time of sale. The amounts of revenue and profit recognized each year are based on the ratio of hours incurred to the total expected hours. Costs incurred on long-term contracts include labor, material, other direct costs and overheads. Losses, if any, on long-term contracts are recognized during the period they are determined. Total expected hours on a project are based on management s estimates during the progression of a project, including meeting specific criteria under the contract, testing during certain phases, and ensuring overall functionality. We update the total expected hours to be incurred as new information becomes known. Significant differences between actual and the estimated hours to complete a project could result in changes in the amount of revenues recorded and their related costs being realized, which could also impact gross margins in a particular period.

Accounts receivable

Our accounts receivable primarily includes amounts due from its customers. The carrying value of each account is carefully monitored with a view to assessing the likelihood of collection. An allowance for doubtful accounts is provided for as an estimate of losses that could result from customers defaulting on their obligation to us. In assessing the amount of reserve required, a number of factors are considered including the age of the account, the credit worthiness of the customer, payment terms, the customer s historical payment history and general economic conditions. Because the amount of the reserve is an estimate, the actual amount collected could differ from the carrying value of the amount receivable. Note 3 of the 2008 Consolidated Financial Statements provides an analysis of the changes in the allowance for doubtful accounts.

Inventory

Inventory is our largest current asset. Our inventory consists primarily of raw materials and finished goods held for sale. Inventories are valued at the lower of cost, valued on a weighted average cost basis, or estimated net realizable value except certain grain inventories that are carried at market value. Depending on market conditions, the actual amount received on sale could differ from management s estimated value of inventory when provisions to record inventory at market are necessary. In order to determine the value of inventory at the balance sheet date, management evaluates a number of factors to determine the adequacy of provisions for inventory. The factors include the age of inventory, the amount of inventory held by type, future demand for products and the expected future selling price management expects to realize by selling the inventory. These estimates made by management are judgmental in nature and are made at a point in time, using available information, expected business plans and expected market conditions. We perform a review of its inventory by reporting unit and product line on a quarterly basis. In fiscal 2007, we recorded a significant inventory provision to adjust the carrying value of inventory in Fruit Specialties to market as a result of increased raw material, processing and input prices that resulted in anticipated selling prices being lower than the cost of our inventories. The total provision required in 2007 amounted to $10,328,000 based on management s action plan to reduce its inventory levels in this group. Refer to Results of Operations in the Management Discussion and Analysis for further information on inventory valuation issues that occurred in 2007. Note 4 of the 2008 Consolidated Financial Statements provides an analysis of the movements in inventory reserve.

Prepaid and other current assets

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

Management judgment is required to assess whether allowances against growers advances are necessary including assessing the relationships with the growers and expected crop. At the end of the growing season, management re-evaluates any existing advances and provides fully for any advances relating to the previous season. Due to assumptions relating to the quality of the grower and expected crop additional provisions may be necessary compared to initial estimates.

Impairment testing of goodwill

With the implementation of Statement of Financial Accounting Standard (SFAS) No. 142 in 2002, goodwill and intangible assets with an indefinite life are no longer amortized, but instead are tested at least annually for impairment. Any impairment loss is recognized in income.

In accordance with SFAS No. 142, we evaluate goodwill for impairment on a reporting unit basis. Reporting units are operating segments or components of operating segments for which discrete financial information is available. To evaluate goodwill, the fair value of each reporting unit is compared to its carrying value. Where the carrying value is greater than the fair value, the implied fair value of the reporting unit goodwill is determined by allocating the fair value of the reporting unit to all the assets and liabilities of the reporting unit with any remainder being allocated to goodwill. The implied fair value of the reporting unit goodwill is then compared to the carrying value of that goodwill to determine whether an impairment loss exists.

We measure the fair value of reporting units using discounted cash flows. Because the business is assumed to continue in perpetuity, the discounted future cash flow includes a terminal value. The first year or base year in the calculation of the discounted cash flow model is based on actual results in each component, adjusted for unusual and non-recurring items. Future years cash flows to perpetuity are forecasted based on projected revenue growth, and management s planned business strategies in future periods that would impact actual cash flows reported in the base year. Examples of planned strategies would include a plant or line expansion at an existing facility, a reduction of working capital at a specific location, and price increases or cost reductions within business units. The revenue growth and planned business strategies for future periods incorporated into the discounted cash flow model reflect our long-term view of the market. The discount rate is based on the Group s targeted weighted average cost of capital, which is not necessarily the same as our weighted average cost of capital. These assumptions are subject to change and are also impacted by our ability to achieve its forecasts and by economic conditions which may impact future results and result in projections not being attained. Each year we re-evaluate the assumptions used to reflect changes in the business environment. For the year ended December 31, 2008, we determined that the carrying value of goodwill in the Fruit Group and part of International Sourcing and Trading Group exceeded its fair value and, as a result, we recorded an impairment charge of $10,154,000 to the consolidated statements of operations and comprehensive (loss) income. For the year ended December 31, 2007, we determined that the carrying value of goodwill in the Fruit Group exceeded its fair value and, as a result, we recorded an impairment charge of $996,000. Note 6 of the 2008 Consolidated Financial Statements provides a summary of the critical assumptions used in the 2008 annual impairment test.

Purchase price allocation

Business acquisitions are accounted for by the purchase method of accounting. Under this method, the purchase price is allocated to the assets acquired and the liabilities assumed based on the fair value at the time of the acquisition. Any excess purchase price over the fair value of identifiable assets and liabilities acquired is recorded as goodwill. The assumptions and estimates with respect to determining the fair value of intangible assets acquired generally requires the most judgment, and include estimates of future profitability, and/or customer and supplier based attrition, income tax rates and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of the acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill in the purchase price allocation. Future net earnings can be affected as a result of changes in these estimates resulting in an asset or goodwill impairment. Further, amortization periods are subjective based on expected useful lives and chosen rates. Note 2 of the consolidated financial statements provide information with respect to businesses acquired in fiscal 2008 and 2007, and note 6 outlines annual amortization expense relating to these intangibles.

Accrued expenses and other assets

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

Income taxes

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

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

Stock compensation

We maintain several stock option plans under which incentive stock options may be granted to employees and non-employee directors. Prior to 2006, we had adopted the fair value measurement provisions of SFAS No. 123 which required the note disclosure of our earnings as if stock compensation was recorded. Effective January 1, 2006, we adopted SFAS No. 123(R), Stock Based Compensation , using the modified perspective transition method which requires that we record stock based compensation expenses within the consolidated statements of operations and comprehensive (loss) income.

At each grant date, management is required to estimate a number of inputs, such as the estimated life of the option and the forfeiture rate used in the Black-Scholes model to determine a fair value for the options granted to employees or non-employee directors. Once determined at the grant date, fair value of the stock award is recorded over the vesting period of the options granted. Refer to Note 11 of the 2008 consolidated financial statements for disclosure of the inputs used to determine the fair value of stock based compensation granted in 2008, 2007 and 2006.

Results of Operations

2008 Operations Compared With 2007 Operations

Consolidated

	Dec 31, 2008 $	Dec 31, 2007 $	Change $	Change %
Revenue				
SunOpta Food Group	960,316,000	725,290,000	235,026,000	32.4%
Opta Minerals	93,422,000	75,365,000	18,057,000	24.0%
SunOpta Bio Process	1,435,000	1,839,000	(404,000)	(22.0%)
Total Revenue	**1,055,173,000**	**802,494,000**	**252,679,000**	**31.5%**
Operating Income[1]				
SunOpta Food Group	22,833,000	12,348,000	10,485,000	84.9%
Opta Minerals	5,531,000	6,668,000	(1,137,000)	(17.1%)
SunOpta Bio Process	(3,286,000)	(5,985,000)	2,699,000	(45.1%)
Corporate Services	(8,875,000)	(7,369,000)	(1,506,000)	20.4%
Total Operating Income	**16,203,000**	**5,662,000**	**10,541,000**	**186.2%**
Other Expense, net	1,003,000	1,187,000	(184,000)	(15.5%)
Dilution Gain	-	693,000	(693,000)	(100.0%)
Goodwill Impairment	10,154,000	996,000	9,158,000	919.5%
Interest Expense	14,281,000	8,823,000	5,458,000	61.9%
Income Tax Provision	790,000	(6,101,000)	6,891,000	(112.9%)
Minority Interest	911,000	1,043,000	(132,000)	(12.7%)
Net earnings	**(10,936,000)**	**407,000**	**(11,343,000)**	**(2,787.0%)**

[1](Segment Operating Income is defined as Earnings before the following excluding the impact of Other expenses, net and Goodwill impairment)

Revenues for the year increased by 31.5% to $1,055,173,000 based on consolidated internal growth of 15.5% and acquisition revenues of $111,035,000. Internal growth includes growth on the base business plus growth on acquisitions from the date of acquisition over the previous year in addition to the impact of foreign exchange movements and its effects on translations to U.S dollars. Without the movements in foreign exchange, internal growth was 14.5% . Revenue growth continues to be led by the SunOpta Food Group as revenues increased $235,026,000 mainly due to the acquisition of The Organic Corporation (TOC), which contributed incremental revenues of $106,698,000, and strong internal growth from the SunOpta Grains and Foods and Distribution Groups.

Gross margins increased $29,961,000, or 23.8%, in 2008 to $156,095,000 from $126,134,000. As a percentage of revenues, consolidated gross margins decreased 0.9% . Higher raw material and freight costs beyond what could be passed along to customers, plant inefficiencies from expansion projects and inventory management initiatives, pre-opening costs for our Modesto facility and the acquisition of TOC, which operates at lower margins, have all unfavourably impacted the Food Group's margin rate. This was slightly offset by the favourable turnaround in the Fruit Group s Fruit Specialties division. Also contributing to the lower gross margin rate are the inventory reserves to mark-to-market the raw magnesium inventory, and a decline in steel and foundry market which impacted Opta Minerals in the fourth quarter.

Warehouse and Distribution (W&D) costs for the year ended December 31, 2008 were $21,040,000, an increase of $141,000 compared to the same period in 2007. These costs are solely related to the Distribution Group as warehousing and distribution costs for other groups are considered part of Cost of Goods Sold. W&D costs as a percentage of Distribution Group revenues decreased 1.4% to 8.1% in 2008 due to leveraging existing warehouse infrastructure while increasing volume. For further details see the Distribution Group analysis included within.

Selling, General and Administrative costs (SG&A) including intangible asset amortization increased $23,575,000 to $123,687,000 for the year ended December 31, 2008 compared to the same period in 2007. Of this increase, $7,772,000 is related to one-time professional fees incurred as a result of the 2007 financial restatement and investigation process. The acquisitions of TOC, Newco as, MCP, the Mexican Berry Operations and Neo-Nutritionals increased SG&A by $11,028,000. Higher compensation costs associated with increased headcount to support expanded business operations combined with increased variable costs due to the increase in revenue are the main drivers behind the remaining SG&A increase of $4,775,000. SG&A as a percentage of sales was 11.7% in 2008 compared to 12.5% in 2007. The rate difference is primarily due to the impact of a weaker Canadian dollar on Canadian denominated costs, in addition to the acquisition of TOC which operated with an SG&A rate of 7.9% of revenues.

Foreign Exchange gains increased to $4,835,000 in 2008 compared to a gain of $539,000. The increase is mainly due to favourable movements from the Canadian dollar and the Euro to the U.S dollar in the second and third quarter of 2008. We entered into a number of Canadian dollar and Euro forward contracts that, due to the volatility of exchange rates in these currencies, were closed prior to reaching their maturity. Gains of this magnitude cannot be expected to recur.

Operating income increased by $10,541,000, or 186.2%, over the twelve months ended December 31, 2007 due to the factors noted above. Further details on revenue, gross margins corporate cost allocations and operating income are provided below by operating group.

Other expenses decreased $184,000 to $1,003,000 in 2008. Other expenses in 2008 mainly relate to the legal judgment in favour of one of SBI s customers offset by gains from certain insurance proceeds. In 2007, other expenses mainly related to legal fees and restructuring costs related to the consolidation of warehouses within the Distribution Group.

Based on our annual test for impairment, we determined that the carrying value of goodwill in the Fruit Group and International Sourcing and Trading Group, excluding TOC, exceeded its fair value, and, as a result, we recorded an impairment charge of $10,154,000 (2007 - $996,000).

Compared to the twelve months ended December 31, 2007, interest expense increased by $5,458,000 due to increased long-term debt and operating lines net of cash on hand. The increase in debt is primarily related to acquisitions completed over the past twelve months and higher working capital levels throughout the year due to internal growth. In addition, we experienced increased premiums over LIBOR due to certain financial ratios increasing.

The income tax expense in 2008 was $790,000 compared to a recovery of $6,101,000 in 2007. The expense in the current year, in comparison to a recovery in 2007 reflects of higher earnings before income tax and an allowance related to income tax valuation.

Minority interest in 2008 was $911,000 compared to $1,043,000 in 2007, mainly reflecting the minority interest component of Opta Minerals as the Company owned approximately 66.2% at the end of 2008.

Net losses for the year were $10,936,000 as compared to net income of $407,000, a difference of $11,343,000 due in most part to the reasons described in the preceding paragraphs. Basic and diluted loss per share were $0.17 in 2008 compared to earnings per share of $0.01 for 2007.

Update on previously issued guidance

Adjusted net earnings[(1)] for 2008 were $0.17 per diluted common share, which is below previously provided guidance of $0.19 to $0.23 per diluted common share. Other than the professional fees, severance and related costs incurred in relation to the internal investigation, our previous guidance did not anticipate the non-cash goodwill impairment charges, a non-cash income tax valuation allowance, and the previously announced arbitration decision in the SunOpta BioProcess Group. Accordingly we feel it is appropriate to add back these specific items to arrive at adjusted net earnings[(1)].

The shortfall from previously issued guidance of $0.19 to $0.23 per diluted common share is primarily due to significant declines in the fourth quarter in certain commodity prices that resulted in the need to record write-downs of inventory to its net realizable value, especially in Opta Minerals Inc.

Loss per diluted share	($0.17)
Adjusted for:	
Professional fees, severance and related costs incurred in relation to the internal investigation	0.10
Non-cash goodwill impairment charges	0.16
Non-cash income tax valuation allowance	0.05
Arbitration decision in SunOpta BioProcess Group	0.03
Adjusted net earnings per diluted common share [(1)]	0.17

(1) Adjusted net earnings per diluted common share is not a GAAP measure. We believe adjusted net earnings (adjusted for the impact of the professional fees, severance and related costs incurred in relation to the internal investigation, goodwill impairment charges, income tax valuation allowance and the arbitration decision in the SunOpta BioProcess Group) provides useful information to understand the underlying performance of the business and as a result these items have been adjusted.

Segmented Operations Information

SunOpta Food Group

	December 31, 2008 $	**December 31, 2007** $	**Change** $	**Change** %
Revenue				
SunOpta Grains & Foods	327,307,000	248,021,000	79,286,000	32.0%
SunOpta Ingredients	65,270,000	70,315,000	(5,045,000)	(7.2%)
SunOpta Fruit Group	150,879,000	133,645,000	17,234,000	12.9%
SunOpta International Sourcing & Trading	157,814,000	53,039,000	104,775,000	197.5%
SunOpta Distribution	259,046,000	220,270,000	38,776,000	17.6%
Food Group Revenue	**960,316,000**	**725,290,000**	**235,026,000**	**32.4%**
Operating Income				
SunOpta Grains & Foods	18,541,000	16,155,000	2,386,000	14.8%
SunOpta Ingredients	3,392,000	4,432,000	(1,040,000)	(23.5%)
SunOpta Fruit Group	(10,219,000)	(18,679,000)	8,460,000	45.3%
SunOpta International Sourcing & Trading	1,333,000	997,000	336,000	33.7%
SunOpta Distribution	9,786,000	9,443,000	343,000	3.6%

Food Group Operating Income	**22,833,000**	**12,348,000**	**10,485,000**	**84.9%**
SunOpta Food Group Segment Margin %	**2.4%**	**1.7%**		

(Segment Operating Income is defined as Earnings before the following excluding the impact of Other expenses, net and Goodwill impairment). Segment operating income % is calculated as segment operating income divided by segment revenues.)

The SunOpta Food Group contributed $960,316,000, or 91.0% of consolidated revenue, in 2008 compared to $725,290,000, or 90.4%, of consolidated revenues in 2007. This was based on internal growth of 16.3% and acquisition revenues of $100,348,000. Internal growth includes movements related to foreign exchange and commodity grain prices. In base currencies, internal growth was 15.2% . Acquisition revenues resulted primarily from the acquisition of TOC within the SunOpta International Sourcing and Trading Group where the Group contributed incremental revenues of $104,775,000. Continued strength in soybean, corn, sunflower and soymilk revenues in the SunOpta Grains and Foods Group contributed $79,286,000 of higher Food Group sales. These increases were also impacted by generally higher commodity prices. Revenue growth of $38,776,000 within the SunOpta Distribution Group was due to improved sales in grocery and natural health products. Favourable sales of $17,234,000 from the SunOpta Fruit Group was mainly due to the acquisition of the Mexican Berry operations in 2007 in addition to higher volumes of healthy fruit snacks from the new bar forming equipment. This was offset by $5,045,000 in lower revenues in the SunOpta Ingredients Group due to the weakness in the dairy blending operations and lower contract manufacturing volumes.

Gross Profit in the Food Group increased $28,696,000 in 2008 to $138,172,000, or 14.4% of revenues, compared to $109,476,000, or 15.1% of revenues, in 2007. The continued turnaround in the SunOpta Fruit Group contributed $11,707,000 in incremental margins. Higher volumes within the Grains and Foods and Distribution Groups improved margins by $10,698,000. Improved margins of $8,371,000 was due to the acquisition of TOC within the SunOpta International Sourcing and Trading operations. This was offset by lower margins from the Ingredients Group of $2,080,000 due to unfavourable volumes and plant efficiencies related to the Midwest flooding in 2008. The Gross profit rate decreased 0.7% in 2008 to 14.4% of revenues. Excluding TOC, which has a lower inherent margin rate, the Food Group s margin rate was 15.1%, which is comparable to 2007. Higher commodity prices, plant inefficiencies and pre-opening costs associated with plant expansions in our Grains and Foods group negatively impacted the overall Food Group margin percentage. Also unfavourably impacting the Food Group margin were higher sourcing, freight and storage costs as customer pricing often lagged cost increases and was further compounded by the depreciation in the Canadian dollar compared to the U.S. dollar. Plant throughput suffered as we strategically reduced production to reduce inventory levels. Higher inventory reserves and mark-to-market adjustments, especially in the fourth quarter, also contributed to the year over year reduction in gross margin rates. These declines were partially offset by the continued turnaround in the SunOpta Fruit Group, which recorded a gross margin rate of 4.9% in 2008 compared to a margin loss of 3.3% in 2007.

Segment operating income in the SunOpta Food Group increased by 84.9% to $22,833,000 in 2008 from $12,348,000 in 2007. The continued turnaround in the Fruit Specialties division of the SunOpta Fruit Group improved income by $8,460,000. Strong volumes of grains and grains-based ingredients in the SunOpta Grains and Foods Group increased Food Group income by $2,386,000. The SunOpta International Sourcing and Trading operations' acquisition of TOC and the continued strength in the SunOpta Distribution Group due to improved grocery and natural health products improved operating income by a combined $679,000. Offsetting these improvements are reduced operating income of $1,040,000 in the Ingredients Group due to higher supply costs beyond what was passed through in increased customer pricing, in addition to plant inefficiencies related to the flooding in the midwestern United States. The Food Group's results include the impact of higher corporate cost allocations of $2,132,000. A more comprehensive discussion on group results and corporate cost allocations is included below with the various groups that make up the SunOpta Food Group**.**

Effective January 1, 2008, two divisions previously reported within the SunOpta Ingredients Group were transferred, one to the SunOpta Grains and Foods Group and the other to the SunOpta Distribution Group. The impact of these transfers on 2007 financial results is as follows:

	SunOpta Grains and Foods Group	**SunOpta Ingredients Group**	**SunOpta Distribution Group**	**SunOpta Food Group**
	$	$	$	$

Revenue	1,629,000	(4,389,000)	760,000	(2,000,000)
Gross Margin	1,162,000	(1,770,000)	(1,392,000)	(2,000,000)
Segment Operating Income [1]	1,162,000	(1,576,000)	414,000	-

(Segment Operating Income is defined as Earnings before the following excluding the impact of Other expenses, net and Goodwill impairment). Segment operating income % is calculated as segment operating income divided by segment revenues.)

TOC and Organic Ingredients were removed from the SunOpta Fruit Group and combined to create a new group called SunOpta International Sourcing and Trading Group because this reflects how our chief decision makers review and assess these reporting units.

Looking forward, we expect significant improvement in results within the Food Group led by a continued turnaround in the Fruit Specialties division of the Fruit Group. The Fruit Specialties division can expect lower storage costs as average inventory balances will be lower in 2009, operating cost reductions as two facilities have been temporarily closed and headcount has been reduced at many locations, including the closure of a regional sales office. The Food Group has also realized significant new business, in the Grains and Foods Group for private label aseptic soy milk and in International Sourcing and Trading business for private label organic orange juice. Both are expected to add to 2009 profitability. The Food Group is also expected to benefit from customer pricing taken from late in the third quarter up to February of 2009 across almost all segments within the Food Group coupled with reduced costs, especially freight and natural gas. Headcount reduction measures have also occurred in other groups in the Food Group. The Food Group expects product mix movements within its portfolio as consumers and other food manufacturers continue to adapt to the economic downturn. The Food Group expects to manage its production and inventory levels carefully to reduce the likelihood of inventory write-downs and is carefully monitoring its credit terms to avoid an increase in bad debts. Target operating margins for the Food Group are 8%. We expect to move closer to this target in 2009. The statements in this paragraph are forward-looking statements. See Forward-Looking Statements above.

SunOpta Grains and Foods Group

	Dec 31, 2008	**Dec 31, 2007**	**Change**	**Change**
	$	$	$	%
Revenue	327,307,000	248,021,000	79,286,000	32.0%
Gross Margin	34,309,000	31,539,000	2,770,000	8.8%
Gross Margin %	10.5%	12.7%		(2.2%)
Segment Operating Income	18,541,000	16,155,000	2,386,000	14.8%
Segment Operating Income %	5.7%	6.5%		(0.8%)

(Segment Operating Income is defined as Earnings before the following excluding the impact of Other expenses, net and Goodwill impairment). Segment operating income % is calculated as segment operating income divided by segment revenues.)

The SunOpta Grains and Foods Group contributed $327,307,000 in revenues in 2008 compared to $248,021,000 in 2007, a 32.0% increase. This increase was attributed entirely to internal growth and a significant rise in commodity prices on soy, corn and sunflower products. The group realized significant increases in revenues related to higher demand and prices for non-GMO and organic grains and grains based food ingredients, including organic oils, sweeteners and dairy products totalling $54,790,000. The group also realized increases of $18,364,000 in aseptic and extended shelf life (ESL) soy and alternate beverage sales due to growth in volumes from existing contracts and the addition of a large contract late in the year with a major food service restaurant operator. Revenue within the sunflower based businesses were $6,695,000 higher than last year due to increased demand for in-shell and bakery kernel sunflower products. The roasted products snack food business had a decrease in revenue of $563,000 versus the prior year due to the loss of a significant customer contract.

Gross margin in the SunOpta Grains and Foods Group increased by $2,770,000 in 2008 compared to 2007; however, the gross margin percentage decreased 2.2 % to 10.5% over the same period. Higher sales volumes, commodity prices and plant efficiencies improved margins by $4,410,000. Sunflower margins increased by $1,353,000 due to improved volumes and pricing on bird food products, oil, conoil and chips. These improvements were offset by lower margins on soymilk and roasted grain products of $2,018,000 due to increased raw material costs and plant inefficiencies related to existing plant expansions. Additionally, the Grains and Foods Group incurred one-time pre-opening expenses of $975,000 relating to its west coast production facility, which is anticipated to become operational during the second fiscal quarter of 2009. The overall decline in gross margin rate of 2.2% in 2008 was mainly related to the impacts of higher commodity prices, in addition to the plant inefficiencies from our plant expansions, pre-opening expenses and higher inventory reserves.