

*N*ational Grape
Cooperative Association, Inc. &

*W*elch Foods Inc.,
A Cooperative 2005 Annual Report



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elch's is the processing and marketing affiliated Cooperative of the National Grape Cooperative Association, Inc., whose 1,309 patrons supply its principal raw products – Concord and Niagara grapes – from nearly 50,000 acres of vineyards in Pennsylvania, Michigan, New York, Ohio, Washington and Ontario, Canada.

The purpose of the Company is to build the long-term value of the Cooperative, to release that value back to the growers over time and to provide a reliable market for their grapes through excellence in product quality, customer service, market responsiveness and consumer satisfaction.

Welch's had its beginnings in 1869 when Dr. Thomas Bramwell Welch successfully processed an unfermented Concord grape wine that could be used in his church's communion service. Applying the theory of Louis Pasteur to pasteurize his juice, Welch unknowingly opened the gateway for all fruit juice processing in the United States. Today, fruit juice processors continue to use the same principles



that Dr. Welch applied in his small Vineland, New Jersey, kitchen.

Now headquartered in Concord, Massachusetts, Welch's is the world's leading marketer of Concord and Niagara grape-based products, including grape juice and jelly. The Company also produces a variety of other fruit-based products, including 100% juices and juice cocktails in the following forms: bottled, refrigerated, single-serve, and frozen and shelf-stable concentrates. In addition Welch's produces an assortment of jams, jellies and preserves under both the Welch's and BAMA brand names.

These products are sold by the food store, special markets, industrial and military, licensing and international divisions throughout the United States and in some 50 countries and territories around the world. In its most recently completed fiscal year, Welch's sales totaled \$578 million.

*"Your cooperative's
capability to receive and
contain a crop more than
50% larger than the
10-year average is a perfect*



*example of your
cooperative's commitment
to always be the best
market for your grapes."*

Randy Graham (l.),

Financial Highlights

chairman of the board,

Welch Foods Inc.,

and president of the

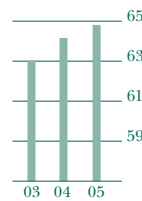
National Grape Cooperative



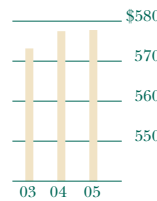
Years Ended August 31,	2005	2004	2003
Equivalent Case Sales (in thousands)	64,821	64,162	63,035
Net Sales (in thousands)	\$577,781	\$577,489	\$573,178
Net Proceeds (in thousands)	\$ 58,522	\$ 75,224	\$ 75,752
Distributable Patron Proceeds Before Rational Harvest Expense (in thousands)	\$ 54,861	\$ 74,101	\$ 73,397
Patron Tons Sold	279,415	278,435	254,913
Net Proceeds Per Ton	\$ 209	\$ 270	\$ 297
Distributable Patron Proceeds Per Ton	\$ 196	\$ 250	\$ 288
Number of Patrons	1,309	1,333	1,351
Patron Acreage (Bearing and Nonbearing)	49,893	49,859	49,731
Patron Tons Received (2004-2002 Harvests)	257,517	302,115	258,128
Number of Employees	1,382	1,390	1,350
Sales Per Employee	\$418,076	\$415,460	\$424,576



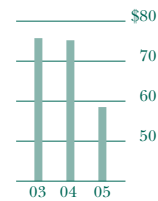
Equivalent Case Sales (in millions)



Net Sales (in millions)



Net Proceeds (in millions)



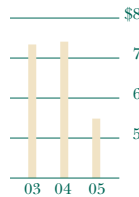
Association, Inc., and

Dan Dillon, president

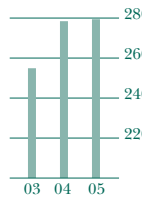
and chief executive officer,

Welch Foods Inc.

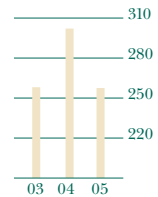
Distributable Patron Proceeds Before Rational Harvest Expense (in millions)



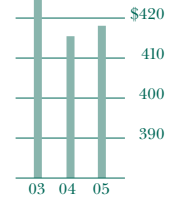
Patron Tons Sold (in thousands)



Patron Tons Received (in thousands)



Sales Per Employee (in thousands)



W *Business Highlights*

We sold 279,415 tons of Concord and Niagara grapes in FY '05 and posted net proceeds of \$58.5 million. Our net sales came in at \$577.8 million and case sales were 64.8 million, both records.

- Welch's continued to leverage the Customer Development Process to create a competitive advantage in the marketplace and drive profitable growth at top customers like Wal-Mart, Kroger and Publix. This process led to Welch's recognition as a "preferred supplier" at four of its top five customers during FY '05.

- We successfully introduced three Bottled Light products in '05 – Light Purple, Light White and Light White Grape Peach. A new Welch's Organic Grape Juice also made its way to stores this past year.



- Welch's efforts to expand brand relevance into additional retail formats and customer segments (such as convenience stores, national drug chains and the fast-growing value channel) continued to yield solid results. Spurred on by more than 5,000 new points of distribution, we were able to achieve double-digit growth in these channels in FY '05.

- Our volume in the Refrigerated category was up 9.5% versus a year ago. This outstanding growth came from strong sales in Concord Grape, as well as two new flavors, Passion Fruit and Guava Pineapple. We are the number one brand of non-citrus juice in the chilled case.

- Our international story continues to be a successful one. Highlights in FY '05 included launching a line of 100% grape juice products

*The Szklenski brothers,
Maurice (l.) and Jim, are
celebrating their farm's
100th anniversary this*



*winter. Their father
joined the National
Grape Cooperative in
1956 and, in the years*

since, the vineyards

on their farm have

grown from 70 acres to

247 acres of Concord



and Niagaras, all under

contract to National.

For more on the Szklenski

brothers, see page 4.

in China, the world's most populous country, and posting a sales increase of 21% with our partner, Calpis, in Japan. We now sell products in more than 50 countries and territories worldwide.

- Driven by distribution growth, new products and penetration into new channels, Welch's single-serve items posted a 6.9% volume gain over FY '04. Contributing to that growth, our 10-ounce six-packs grew 13% in grocery stores.

- Public relations continued to play an important part in communicating the scientific research concerning both our Concord and Niagara 100% juice products. More than 200 million consumers were exposed, through television, print, radio or the Internet, to messages like



the heart-health benefits of juice made from Concord grapes and the antioxidant effect of juice made with Niagara grapes. Additional research "in the pipeline" suggests that '06 will offer valuable communication opportunities as well.

- Perfect with breakfast toast or a warm muffin, Welch's new spreads product in an inverted plastic bottle also goes great with other treats throughout the day. It comes in four delicious flavors – Strawberry Preserves, Raspberry Preserves, Orange Marmalade and Grape Jam – and features a uniquely designed valve in the bottle cap that allows consumers to squeeze just the right amount on their favorite snack.

Our Growers: Meeting the Challenge

Ask Jim and Maurice Szklenski what sets their operation apart and you'll hear a resounding, "Heart, we farm with heart." Jim says he often identifies with the red heart on the label of Welch's 100% Grape Juice.

The brothers believe in fostering vine health no matter what. Clean, well-cared for vineyards are their hallmark. Says Jim Szklenski, "Money can be tight, but you've got to maintain healthy vines. Maurice and I both know that the better the quality of the grapes, the better the quality of the finished product."

Farming is in their blood. Amazingly, both recall driving their father's Allis Chalmers tractor by the time they were four. Says Maurice, "I'd drive slowly down the grape row. When I reached the end, my father's sturdy hand would grab the wheel and guide the tractor down the next row."

Life at Szklenski Farms is not as simple as it was in their father's time. Challenges are everywhere. Chief among them is having cash to cover the



cost of operations and support the family. Jim has three sons involved in the operation. Says Jim, "We've invested a lot to grow the business. Like any business, there's risk you assume when you invest for growth."

The Szklenskis both say that belonging to National is like being part of a family and have pride in owning a quality brand like Welch's. They appreciate having a secure market for their grapes, too, especially in times like these when demand for Concord and Niagara is soft. Says Maurice, "You trust the people that sell your product to do the best they know how to make money for the grower-owners. We do what we're best at, and they do what they're best at. We would not stay with a company where quality wasn't important."

The next generation of Szklenskis is ready to take on the challenge. But to succeed, they'll have to expand. Jim and Maurice estimate they'll need to grow to as many as 2,000 acres or more over the next 30 years.

Jim shares one last tidbit, "I used to tell people, 'Take a sip of this juice (offering a bottle of Welch's 100% Grape Juice). It's what I do. My grapes are on the top, and they're the best.'"

*When Ken Lewis looks
out his kitchen window,
he sees what was once the
path his father walked*



*across barefoot as a
boy back in 1901,
hence the property's*

name: Trail View Farms.

Today Ken and son Ken Jr.

harvest some 290 acres of

Concords for National,

W

hen Ken Lewis looks out from his kitchen window, he can see acre upon acre of Concord and Niagara grapes. Here and there are groves of apple orchards, rows of wine grapes and other crops he has planted and developed since taking over his father's farm in 1969.

"We put out a good product," Ken says modestly of his grape-growing efforts, "and I just love the wonderful aroma from the Concords at this time of year." It's early October and the sun beats steadily on his 600-plus-acre farm in eastern Washington's high desert country. On a clear day, snow-capped Mount Rainier and Mount Adams stand out in the distance.

The snow that falls in those and other mountains during certain times of the year will eventually melt and flow into irrigation canals that crisscross Yakima Valley and enable the land to produce such bountiful crops. Even then, Ken says he has had to drill wells to supplement his water needs, especially in drought years such as the one just gone by.



one of several crops the

Lewis grow on their

600-acre-plus spread.

Lack of water is only part of the challenge for Ken and son Ken Jr. As with most other businesses, their costs have been rising, and this year for the first time since 1972, they faced an added, but not totally unexpected, expense – the engine on their harvester broke down and had to be rebuilt. "Not too bad, though," says Ken Jr., "after 33 years and more than 60,000 tons of grapes."

Ken says he joined National in the early '90s and the relationship has worked out well since. "We get a steady income from our Concord and Niagara grapes," he adds. "They're relatively easy crops to grow and the stability they provide – both from a growing and income standpoint – has enabled us to be more aggressive in other areas of farming (buying more land and experimenting with other crops)."

But that aggressiveness does not come at the expense of their fellow growers. "There's a great sense of community and of sharing out here," he says. "That's one of the great things about belonging to a cooperative like National-Welch's. As much as you want to succeed, you want your fellow growers to succeed, too."

Presidents' Letter

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our cooperative, National and Welch's, remains one of the best, if not the best agricultural cooperative in America. Financial rating services have consistently rated Welch's the highest of any agricultural co-op.

The consumer rates the Welch's brand as one of the best, and as a member of this cooperative you have the security of knowing your cooperative is there for you.

The crop we are receiving this year, in calendar year 2005, is a perfect example of your cooperative performing at its best. This year we are receiving more than 400,000 tons of grapes. That is almost 150,000 tons more or nearly 60% larger than last year, yet the National-Welch's member can observe with confidence that their cooperative will receive and contain the entire 400,000-plus-ton crop.

And while most members take this accomplishment for granted, it is hard



to imagine any other cooperative accomplishing what your co-op has achieved with this year's bumper crop.

And because you have the Welch's brand working for you, you can rest assured that there will be a market for these grapes, too.

How can we be so confident that we will receive, contain and market the entire 400,000-plus-ton harvest? Because over the years we have been willing to consistently invest in the infrastructure and invest in the Welch's brand to accomplish this feat.

Despite recent obstacles, the Welch's brand remains unmatched. Fiscal year 2005 proved to be a very challenging year for Welch's. And we know that for our grower-owners it was a challenging — and difficult — year as well.

But the fundamentals of your business remain exceedingly strong. And your company is enacting the appropriate measures to ensure that the business remains strong.

We'll be communicating to consumers in a number of ways in the upcoming year.

Highlighting those efforts



will be our "Memories"

advertising campaign

featuring Shyann McClure

and our new radio campaign

with Regis Philbin

promoting our heart-health

messages. A range of in-store

and consumer promotion



activities will let consumers

know that when it comes to

grape juice, there's really

only one choice – Welch's!

In fiscal years 2004 and 2005, we experienced unprecedented challenges to the business:

- The quality of the crop we harvested in fiscal 2004 (and were selling as recently as February 2005) was the poorest in memory. Consumers recognized this and expressed their dissatisfaction – more than 20% of Welch's Grape Juice users left the franchise in FY '05;
- In recent years, there was a consumer fad, the Atkins low-carb diet, which specifically recommended that dieters exclude juice. They did, and dieters started cutting back on juice consumption, including grape juice;
- In 2005, the cost of inputs that go into making Welch's products, such as plastic bottles, energy, raw materials and transportation, increased by more than \$38 million – that's \$30 million more than normal – and this seriously impacted earnings.



In this environment, we recognized that we had to take drastic cost-cutting actions, and we did. As a result, we were able to offset much, but not all, of the abnormal cost increases. In our efforts to cut costs, we had to be careful not to do irreparable harm to our infrastructure or the Welch's brand – certainly a critical decision given the size of the 2005 crop.

Let us assure you that our focus on making the enterprise more efficient has not let up, and early in fiscal 2006 we will be announcing additional, major cost-cutting initiatives.

In fiscal 2005:

- Proceeds earnings were \$58.5 million;
- Net Sales grew to a record \$577.8 million;
- Cases sold were more than 64.8 million, also a record.

And despite the difficulties and challenges during fiscal 2005, there were a number of achievements. Our key Refrigerated Juice business continues to perform well, growing 9.5%.

*Great tasting and good for
you, there's simply no better
grape juice than Welch's,
made from Welch's own*

Our Single-Serve business continues to grow and gain distribution in a hotly competitive arena. In fiscal 2005, we increased our Single-Serve volume by 6.9%.

On the new products side, we successfully introduced our inverted squeezable spreads bottle, which was well received by both consumers and the trade. Launched in four flavors, we will be looking to expand distribution in '06. We have a number of other exciting new products in the pipeline, which we will be phasing in over time as well.

Our international business continues on a steady growth curve. There are now nearly 300 products overseas bearing the Welch's label in some 50 countries and territories. In fiscal '05, we also signed an agreement with a business partner in China, and we're very excited about the introduction of Welch's juices to Chinese consumers.



As important as all these areas are to our business and as critical as it is to maintain a diverse and balanced portfolio, we are keenly aware that nothing is more important to Welch's — and to you, our grower-owners — than the grape juice business. It shouldn't come as a surprise, therefore, that our focus in FY '06 will be to regain the momentum for the signature products we make using Concord and Niagara grapes. Now that we have excellent quality grape juice to sell, we are confident we will be able to regain that momentum.

Most important, we understand that the solution is in the marketplace. We will be reaching out to consumers and customers and actively communicating those messages that clearly convey why Welch's is so special — its uniquely refreshing quality, its antioxidant power and other health benefits, and, of course, its great taste.



*Concord and Niagara
grapes. This year, families
will be stocking up on
even more grape juice*

thanks to our special

“own the juice aisle” effort.

A Welch’s first, this activity

allows the company to have



exclusive promotional

rights in some 16,000

food stores across the

United States.

In order to grow our grape juice business and sell the huge 2005 crop, *we simply must grow the business.* Significant investments in FY '06 are required — in our advertising, our public relations efforts, our health and nutrition messages, our in-store activities and new labels. All these efforts are focused on communicating the great news about our great products. We have a new spokesperson for our TV advertising and Regis Philbin signed on to deliver our health and nutrition messages on radio. We are optimistic about the impact both will have on our business. We're also excited about what will be happening in stores across the country in fiscal '06 as we increase the visibility and relevance of our products at the point of purchase.

Welch's continues to be one of the most highly regarded and recognized brand names in the food and beverage industry, but we can do



better. By talking to consumers wherever they happen to be — at home, in their cars, at the store — we intend to do just that.

We have the right products, the right people and the right focus to regain the momentum of our grape juice business and are well positioned to adjust to the competitive landscape that confronts not just Welch's, but all companies, in the 21st century. We're very excited about the opportunities that lie ahead.

National-Welch's will remain the very best agricultural co-op in America.

Daniel P. Dillon

Daniel P. Dillon
President and
Chief Executive Officer,
Welch Foods Inc.

Randolph H. Graham

Randolph H. Graham
Chairman of the Board,
Welch Foods Inc., and President,
National Grape Cooperative
Association, Inc.

2003 Crop Proceeds Earned in Fiscal Years 2004 and 2005

Cooperative

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Company is a marketing cooperative operating on an open pool basis. Pursuant to the terms of the marketing agreements with its patrons in the Eastern and Western Pools, Net Proceeds from the sale of its patron grapes, as defined by the Crop Purchase Agreement, are distributed to the patrons in proportion to their deliveries to the pool. The distributions are made in cash, allocation credits and permanent equity credits.

The charts below illustrate the Distributable Patron Proceeds earned on the calendar year 2003 crop (harvested in fiscal 2004) in the Eastern and Western Pools during the two fiscal years in which it was sold. In the top chart, for example, 111,145 tons of the Eastern 2003 crop were sold in fiscal 2004, earning an average of \$272 per ton or \$30.3 million. The balance of the crop, 60,231 tons, was sold in fiscal 2005 earning an average of \$173 per ton or \$10.4 million. Therefore, the total 2003 crop in the Eastern Pool earned \$40.7 million over the two fiscal years or an average crop earnings of \$238 per ton. Based on the same methodology, the total 2003 crop in the Western Pool earned \$27.4 million or \$210 per ton.



<i>East</i>	<i>2005</i>	<i>2004</i>	<i>Total</i>
171,376 Tons at \$238 Per Ton			
Tons Sold	60,231	111,145	171,376
Distributable Patron Proceeds Per Ton	\$ 173	\$ 272	
2003 Crop Proceeds (<i>in millions</i>)	\$10.4	\$30.3	\$40.7
2003 Crop Proceeds Per Ton			\$ 238


Sold in Fiscal '05
60,231 Tons @ \$173



Sold in Fiscal '04
111,145 Tons @ \$272

<i>West</i>	<i>2005</i>	<i>2004</i>	<i>Total</i>
130,739 Tons at \$210 Per Ton			
Tons Sold	28,074	102,665	130,739
Distributable Patron Proceeds Per Ton	\$ 246	\$ 200	
2003 Crop Proceeds (<i>in millions</i>)	\$ 6.9	\$20.5	\$27.4
2003 Crop Proceeds Per Ton			\$ 210

Sold in Fiscal '05
28,074 Tons @ \$246



Sold in Fiscal '04
102,665 Tons @ \$200

Schedule of Distributions to Patrons – 2003 Crop

National Grape

Cooperative

Total Distributions for 2003 Crop
Based on Average Sugar Solids of
Concord Grapes

Eastern Pool

Final	171,376 Tons
Cash:	
Fiscal 2004	\$ 142
Fiscal 2005	33
September, 2005	2
January, 2006 (to be paid)	5
Total Cash	182
Allocation Credits:	
January, 2005	31
January, 2006 (to be issued)	13
Total Allocation Credits	44
Permanent Equity Credits:	
January, 2005	7
Total Distributions	\$ 233
Average Per Ton Distribution in the Eastern Pool*	\$ 238

*Reflects 9% premium on Niagara Grapes

Western Pool

Final	130,739 Tons
Cash:	
Fiscal 2004	\$ 128
Fiscal 2005	28
September, 2005	3
January, 2006 (to be paid)	5
Total Cash	164
Allocation Credits:	
January, 2005	28
January, 2006 (to be issued)	11
Total Allocation Credits	39
Permanent Equity Credits:	
January, 2005	7
Total Distributions	\$ 210

Association, Inc. &

Welch Foods Inc.,

A Cooperative



Five-Year Summary – Fiscal Years

Cooperative

<i>Years Ended August 31,</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>
<i>Association, Inc. &</i>					
Equivalent Case Sales <i>(in thousands)</i>	64,821	64,162	63,035	59,320	58,643
Net Sales <i>(in thousands)</i>	\$577,781	\$577,489	\$573,178	\$547,791	\$528,184
<i>Welch Foods Inc.,</i>					
Net Proceeds <i>(in thousands)</i>	\$ 58,522	\$ 75,224	\$ 75,752	\$ 65,056	\$ 67,367
<i>A Cooperative</i>					
Distributable Patron Proceeds Before Rational Harvest Expense <i>(in thousands)</i>	\$ 54,861	\$ 74,101	\$ 73,397	\$ 71,340	\$ 66,641
Patron Tons Sold	279,415	278,435	254,913	231,529	245,951
Net Proceeds Per Ton	\$ 209	\$ 270	\$ 297	\$ 281	\$ 274
Distributable Patron Proceeds Per Ton Before Rational Harvest Expense	\$ 196	\$ 266	\$ 288	\$ 308	\$ 271
Distributable Patron Proceeds Per Ton	\$ 196	\$ 250	\$ 288	\$ 308	\$ 271
Distributable Patron Proceeds Per Bearing Acre	\$ 1,106	\$ 1,409	\$ 1,513	\$ 1,515	\$ 1,447
Concord Grape Payments (Average By Crop – Fiscal Years) **2004 Crop Not Completely Sold					
East	\$ **	\$ 238	\$ 317	\$ 340	\$ 286
West	\$ **	\$ 210	\$ 230	\$ 287	\$ 261
Number of Patrons	1,309	1,333	1,351	1,388	1,423
Patron Acreage (Bearing and Nonbearing)	49,893	49,859	49,731	49,567	49,409
Average Acres Per Patron	38.1	37.4	36.8	35.7	34.7
Patron Tons Received (2004-2000 Harvests)	257,517	302,115	258,128	223,686	276,192
Average Tons Per Acre Received					
Concords – Eastern Pool (NY, PA, OH, MI, ONT. CAN)	5.0	4.7	4.1	4.0	5.5
Concords – Western Pool (WA)	5.5	8.7	8.2	6.6	6.9
Concords – Corporate	5.2	6.0	5.4	4.8	5.9
Capital Expenditures <i>(in thousands)</i>	\$ 28,569	\$ 29,224	\$ 24,720	\$ 21,473	\$ 18,087
Long-Term Debt, Trust Preferred Securities and Allocation Credits <i>(in thousands)</i>	\$200,961	\$168,726	\$182,893	\$192,872	\$217,547
Total Assets <i>(in thousands)</i>	\$383,615	\$372,732	\$349,633	\$330,472	\$352,647
Number of Employees	1,382	1,390	1,350	1,264	1,333
Sales Per Employee	\$418,076	\$415,460	\$424,576	\$433,379	\$396,237



The following discussion and analysis is intended to provide a summary of significant factors relevant to the Company's financial performance and condition. The discussion should be read together with the financial statements and related notes beginning on page 19.

O *verview* National Grape Cooperative Association, Inc. (National) and Welch Foods Inc., A Cooperative (Welch's) (collectively, the Company) are agricultural marketing cooperatives organized for the benefit of National's 1,309 Concord and Niagara grape-growing patrons. Our mission is to build the long-term value of the Company, to release that value back to the growers over time and to provide a reliable market for their grapes through excellence in product quality, customer service, market responsiveness and consumer satisfaction. Welch's is a leading manufacturer and marketer of Concord and Niagara grape-based products and other fruit-based products including 100% juices, juice cocktails, drinks and jams and jellies. The products are sold primarily through grocery stores, mass merchandisers, club discount stores and other consumer outlets. Our market environment is highly competitive with both global and local competitors. Our products compete with other branded products as well as retailer and private-label products.

R *esults of Operations* Net sales for 2005 were \$577.8 million, approximately the same as 2004 net sales of \$577.5 million. A 1.0% increase in unit volume was offset by a decrease in pricing and a change in sales mix. Case volume of ready-to-drink juices (bottled, single-serve and refrigerated products) increased by 2.5%. Refrigerated and single-serve volume increased by 9.5% and 6.9%, respectively. Shelf-stable bottled volume decreased by 3.0% driven by consumer concerns with calories and competitive price deflation. Our concentrate business, both frozen and shelf-stable, declined by over 8.8%, slightly less than the category. The decrease in pricing was due to increased trade promotion cost of \$3.8 million or 3.2% over 2004.

Net sales for 2004 were \$577.5 million or .8% more than 2003 net sales of \$573.2 million. The increase was due to an increase in sales volume driven by ready-to-drink juices.

The sales margin percentage (net sales less cost of sales as a percentage of net sales) was 30.6% for 2005, 34.5% for 2004 and 35.5% for 2003. Cost of sales excludes the cost of patron grapes for purposes of determining net proceeds. The decrease in sales margin for 2005 was due to increased commodity costs, increased energy costs, increased production and transportation costs, lower net selling prices and change in sales mix. The decrease in sales margin percentage in 2004 was primarily due to costs associated with containing, processing



National Grape

Cooperative

Association, Inc. &

Welch Foods Inc.,

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and selling through the 2003 crop; costs associated with meeting customer requirements such as secondary packaging; and increased medical and pension costs.

Selling and administrative expense was \$116.4 million, \$120.5 million and \$126.5 million in 2005, 2004 and 2003, respectively. The decrease of \$4.1 million in 2005 was primarily due to a decrease in marketing costs and employee-related costs including lower incentive compensation. The decrease in 2004 of \$6.0 million was primarily due to lower incentive compensation, selling expenses and advertising costs.

Interest expense was \$7.6 million, \$5.8 million and \$5.9 million in 2005, 2004 and 2003, respectively. The increase in 2005 was driven by an increase in average debt levels and an increase in interest rates.

Other income, net of other expenses, was \$6.0 million, \$7.9 million and \$5.1 million in 2005, 2004 and 2003, respectively. The decrease in 2005 was due primarily to an increase in inventory write-offs and bad debt expense. The increase in 2004 was driven by an increase in royalty income, foreign exchange gain and a decrease in bad debt expense.

Proceeds before rational harvest expense and federal income taxes were \$58.9 million, \$81.1 million, and \$76.5 million in 2005, 2004 and 2003, respectively. The decrease in 2005 of \$22.2 million (\$17.8 million after 2004 rational harvest expense) was primarily due to increased commodity costs, increased energy costs, increased production and transportation costs, lower net selling prices and change in sales mix. The increase of \$4.6 million in 2004 was driven by an increase in nonpatron income and a decrease in selling and administrative expenses offset, in part, by the increased cost associated with processing and selling through the 2003 crop. In 2004, Welch's Board of Directors approved a \$4.4 million rational harvest expense payment to National's members for acreage not harvested due to weather conditions in order to protect and preserve a dependable source of Concord grape supply and to avoid unnecessary expenditures to harvest, process and market poor quality grapes.

Federal income tax expense for 2005, 2004 and 2003 was \$0.4 million, \$1.5 million and \$0.7 million, respectively. The change in taxes relates primarily to the increase (decrease) in nonpatron income. Nonpatron income for 2005, 2004 and 2003 was \$2.6 million, \$4.5 million and \$1.3 million, respectively. The decrease in nonpatron income in 2005 was due to increases in commodity costs, energy costs, production costs and transportation costs associated with nonpatron products. The increase in nonpatron income in 2004 was driven by an increase in both sales volume and sales margin in our nonpatron products, primarily ready-to-drink juices, as well as an increase in royalty income.

Net proceeds for 2005, 2004 and 2003 were \$58.5 million, \$75.2 million and \$75.8 million, respectively. The decrease in 2005 was due to increased costs, as previously mentioned, which could not be passed on to customers and consumers in light of consumers' concerns with calories and sugar and competitors' response thereto with deflationary net pricing and new product activity.

Distributable patron proceeds (patron proceeds adjusted for the restructuring charge adjustment, Note B) were \$54.9 million, \$69.7 million and \$73.4 million in 2005, 2004 and 2003, respectively.



Net proceeds per ton for 2005 were \$209, down from \$270 and \$297 in 2004 and 2003, respectively. Patron proceeds per ton were \$200 (\$196 on a distributable basis) in 2005, \$254 (\$250 on a distributable basis) in 2004 and \$292 (\$288 on a distributable basis) in 2003. Patron tons sold were 279.4 thousand, 278.4 thousand and 254.9 thousand in 2005, 2004 and 2003, respectively.

F

Financial Condition

Cash provided by operations and selected borrowings are the Company's primary sources of funds to finance operating needs and capital investments and to pay our grower-owners. \$68.3 million of cash was provided by operations before payments to patrons in 2005, compared to \$87.2 million in 2004. The decrease in cash from operations in 2005 was primarily driven by the decrease in net proceeds. Working capital (current assets less current liabilities) at August 31, 2005, was \$31.5 million, a \$24.2 million increase from the prior year. The increase in working capital was primarily due to a decrease in short-term debt and accounts payable to patrons. Crop cash payments to patrons were \$46.6 million, \$61.8 million, (\$66.2 million including rational harvest payments), and \$59.8 million in 2005, 2004 and 2003, respectively.

Cash invested in property, plant and equipment was \$28.6 million in 2005, compared to \$29.2 million in 2004 and \$24.7 million in 2003. Increased capital spending in 2005 and 2004 related to added capacity for in-house production of products, innovative packaging changes and cost-improvement initiatives. We expect capital expenditures in 2006 to be approximately the same as 2005.

During 2005, approximately \$15.7 million of patron investments were redeemed, \$2.0 million more than 2004. On February 1, 2005, the Company called for redemption the entire \$15.2 million of its Series 1998 Allocation Credits, which were due in 2018, at a redemption price of 100% of their principal amount.

At August 31, 2005, the Company had \$110.6 million of outstanding debt compared to \$89.1 million and \$66.9 million at August 31, 2004 and 2003, respectively. At the end of fiscal 2005, \$79.4 million of the debt was long-term. The Company uses debt acquisition when necessary as a means for providing working capital and term financing for capital expenditures, new product introductions and other business investments.

The patron retention rate (the percent of patron proceeds distributable in allocation credits and permanent equity credits) was 21% in 2005, 2004 and 2003. Patron retention provides working capital and helps maintain a prudent capital structure.

To meet seasonal and operating cash requirements, the Company has various sources of financing available to supplement internally generated funds, including bank loans and other forms of financing in domestic financial markets. On August 31, 2005, the Company had \$46.8 million of available borrowing under its \$65.0 million line of credit. The Company's senior unsecured debt is rated A by Standard and Poor's Corporation.



Management believes that internally generated funds, existing working capital and available credit facilities are adequate to meet normal operating requirements, to fund capital expenditures and to provide for the redemption of allocation credits in 2006. As the need for external financing arises, the Company expects to have continued access to short-term credit markets to fund seasonal working capital requirements and to have the ability to raise additional funds in long-term debt markets.

Commitments The Company has contractual obligations at August 31, 2005, payable or maturing in the following years:

<i>(in thousands)</i>	<i>Total</i>	<i>Less Than 1 Year</i>	<i>2-3 Years</i>	<i>4-5 Years</i>	<i>After 5 Years</i>
Short-Term Debt	\$ 18,200	\$18,200	\$ -	\$ -	\$ -
Long-Term Debt	92,400	13,000	26,000	-	53,400
Notes Payable to Patrons	2,034	2,034	-	-	-
Operating Leases	17,779	3,146	5,516	4,291	4,826
Trust Preferred Securities	23,500	-	-	-	23,500
Total	\$153,913	\$36,380	\$ 31,516	\$ 4,291	\$81,726

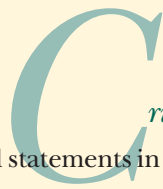
The Company has purchase commitments for materials, supplies, services and property, plant and equipment as part of the ordinary course of business. Some of these commitments are long term and contain penalty provisions for early termination. The Company does not believe that a material amount of penalties is likely to be incurred under these contracts based upon historical experience and current expectations.

The Company does not have material financial guarantees or other contractual commitments that are reasonably likely to adversely affect liquidity.

Off-Balance Sheet Arrangements

The Company does not have off-balance sheet arrangements, financings or other relationships with unconsolidated entities or other persons, also known as “variable interest entities.” In addition, the Company does not have any related party transactions that materially affect the results of operations, cash flow or financial condition other than the marketing agreements with National’s member and nonmember patrons (Note A).





Critical Accounting Policies and

Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about the effect of matters that are inherently uncertain. In preparing these financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. Actual results may differ significantly from those estimates under different assumptions and conditions.

The selection of significant accounting policies, discussed in Note A of the Consolidated Financial Statements on page 23, and the effect of the estimates have been discussed with the Audit Committee of Welch’s Board of Directors.

Revenue Recognition – Most of our revenue transactions represent the sale of inventory. Revenue is recognized from product sales when goods are shipped and title and risk of loss passes to the customer. A provision for payment discounts and product returns are recorded as a reduction of sales within the same period that the revenue is recognized. We offer sales incentives to our customers through various programs to encourage them to offer temporary price reductions of the Company’s products to consumers, to obtain favorable display positions in stores or to obtain shelf space for new products. Trade promotions are recorded as a reduction of sales at the time of sale of product to the customer based on expected levels of performance. We offer sales incentives to consumers in the form of coupons and rebates. Consumer promotions are recorded as a reduction of sales at the time of the offer based on estimated redemption cost. Actual cost of trade and consumer promotions may differ significantly if factors such as level and success of the programs or other conditions differ from expectations.

Employee Benefits – The Company sponsors various pension plans and other post-retirement benefit plans such as healthcare for retirees. For accounting purposes, these plans require assumptions to estimate the projected and accumulated benefit obligations and related current year expense. These assumptions, based on the most reasonable information available, include discount rates, expected investment returns, expected salary increases and healthcare trends, mortality and employee turnover. The Company uses third-party actuaries to assist management in reviewing the assumptions and in measuring the expense and related liabilities associated with these benefits. Different assumptions may result in a significant impact to the amount of benefit expense and related liability recorded in the financial statements.



New Accounting Rules Adopted

There were no new accounting pronouncements effective during fiscal 2005 that had or are expected to have a material impact on the consolidated financial statements.

National Grape

Cooperative

Association, Inc. &

Welch Foods Inc.,

A Cooperative



Management's Responsibility for Financial Statements

Company management is responsible for the accuracy and completeness of the information and representations presented in the accompanying consolidated financial statements and in other sections of this Annual Report. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and necessarily include amounts that are based on estimates and judgments of management. The financial information throughout this report is consistent with our consolidated financial statements. We believe these financial statements and disclosures fairly present, in all material respects, the operations and financial condition of the Company.

Management is responsible for establishing and maintaining an adequate internal control system designed to provide reasonable assurance that assets are properly safeguarded and that accounting records provide a reliable basis for the preparation of financial statements. Such controls, in the broader sense, also encompass the organizational arrangements and personnel selection and evaluation criteria designed to provide reasonable assurances that the financial and other functions of the Company are performed by competent personnel, under adequate checks and balances. The effectiveness of the various internal accounting controls is tested by the Company's internal auditors.

The Audit Committee has engaged independent auditors, KPMG LLP, to audit our consolidated financial statements. Their audits were conducted in accordance with auditing standards generally accepted in the United States of America, which include the consideration of the Company's internal controls to the extent necessary to determine the nature, timing and extent of their year-end audit procedures. We have made available to KPMG LLP all financial records and related data. Their report is on page 30 of this report.

The Audit Committee exercises an oversight role on the Company's financial reporting and system of internal controls. The Committee consists of three grower-directors and three independent outside directors. The Committee meets periodically with management, the internal auditors and the independent auditors to review matters relating to financial reporting, the internal control system, and the nature, extent and results of audit efforts. Both the internal and independent auditors have direct access to the Audit Committee and meet with the Committee periodically, both with and without management present.



Daniel P. Dillon
President and CEO
Welch Foods Inc.



Albert B. Wright III
Senior Vice President, Finance, and CFO
Welch Foods Inc.



Consolidated Statements of Operations and Distributions of Net Proceeds

National Grape

Cooperative

Association, Inc. &

Welch Foods Inc.,

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Years Ended August 31,	(in thousands)		
	2005	2004	2003
Net sales (Note A)	\$577,781	\$577,489	\$ 573,178
Cost of sales	400,834	377,992	369,447
Selling and administrative expense	116,406	120,457	126,535
Interest expense	7,580	5,840	5,857
Other income – net	(5,961)	(7,871)	(5,113)
	518,859	496,418	496,726
Proceeds before rational harvest expense and federal income taxes	58,922	81,071	76,452
Rational harvest expense (Note C)	–	4,397	–
Federal income taxes (Note G)	400	1,450	700
Net proceeds	\$ 58,522	\$ 75,224	\$ 75,752
<i>Patron distributions:</i>			
Cash:			
East	\$ 29,297	\$ 34,336	\$ 38,973
West	14,043	20,730	19,011
Total	43,340	55,066	57,984
Allocation credits:			
East	6,673	7,138	7,695
West	3,278	4,770	5,393
Total	9,951	11,908	13,088
Permanent equity credits:			
East	1,115	1,628	1,204
West	455	1,102	1,121
Total	1,570	2,730	2,325
Total patron distributions	54,861	69,704	73,397
Distributed restructuring charge (Note B)	1,039	1,039	1,039
Nonpatron net proceeds	2,622	4,481	1,316
Net proceeds	\$ 58,522	\$ 75,224	\$ 75,752



Consolidated Balance Sheets

Cooperative

(in thousands)

<i>August 31,</i>		<i>2005</i>	<i>2004</i>
<i>Association, Inc. &</i>			
Assets			
Current assets:			
<i>Welch Foods Inc.,</i>	Cash and cash equivalents	\$ 942	\$ 3,163
	Accounts receivable	54,463	57,568
	Inventories (Note D)	84,192	80,527
<i>A Cooperative</i>	Other	5,789	3,394
	Total current assets	<u>145,386</u>	<u>144,652</u>
Property, plant and equipment:			
	Land and improvements	11,605	10,410
	Buildings and improvements	90,628	88,658
	Machinery and equipment	290,408	278,360
		<u>392,641</u>	<u>377,428</u>
	Less accumulated depreciation	262,344	245,616
	Net property, plant and equipment	<u>130,297</u>	<u>131,812</u>
	Goodwill (Note A)	19,873	20,124
	Other assets (Note E)	88,059	76,144
		<u>\$383,615</u>	<u>\$372,732</u>
Liabilities, Patrons' Investments, Accumulated Deficit and Accumulated Other Comprehensive Loss			
Current liabilities:			
	Accounts payable	\$ 34,989	\$ 33,675
	Accrued liabilities	35,448	39,642
	Accounts payable to patrons	9,757	14,479
	Notes payable to patrons	2,034	2,287
	Short-term debt (Note F)	18,200	33,700
	Current maturities of long-term debt (Note F)	13,000	13,000
	Current maturities of patrons' investments	459	599
	Total current liabilities	<u>113,887</u>	<u>137,382</u>
	Long-term debt (Note F)	79,400	42,400
	Other liabilities (Note H)	67,825	66,539
	Trust preferred securities (Note I)	23,500	23,500
Patrons' investments (Note J):			
	Allocation credits	98,061	102,826
	Permanent equity credits	12,045	11,297
	Accumulated deficit	(4,941)	(8,602)
	Accumulated other comprehensive loss	(6,162)	(2,610)
	Commitments and contingencies (Notes L and M)		
		<u>\$383,615</u>	<u>\$372,732</u>



Consolidated Statements of Cash Flows

National Grape

Cooperative

Association, Inc. &

Welch Foods Inc.,

A Cooperative

Years Ended August 31,	(in thousands)		
	2005	2004	2003
Cash flows from operating activities:			
Net proceeds	\$ 58,522	\$ 75,224	\$ 75,752
Adjustments to reconcile net proceeds to net cash provided by operating activities:			
Depreciation and amortization	22,519	21,315	21,309
Deferred income taxes	503	(2,455)	(3)
Cash provided (used) by changes in:			
Accounts receivable	3,105	4,847	(1,178)
Inventories	(3,665)	(13,763)	(3,352)
Other current assets	(2,062)	1,324	(1,350)
Accounts payable	1,314	(3,354)	(268)
Accrued liabilities	(4,194)	(1,769)	6,369
Accounts payable to patrons	(1,478)	1,403	(1,728)
Other operating activities	(6,230)	4,466	10,182
Total adjustments	9,812	12,014	29,981
Cash provided by operations	68,334	87,238	105,733
Cash payments to patrons	(46,584)	(61,839)	(59,844)
Net cash provided by operating activities	21,750	25,399	45,889
Cash flows from investing activities:			
Property, plant and equipment acquisitions	(28,569)	(29,224)	(24,720)
Sale of property, plant and equipment	8	27	4
Purchase of investments	(3,922)	(7,535)	(2,326)
Sale of investments	2,943	3,109	932
Net cash used by investing activities	(29,540)	(33,623)	(26,110)
Cash flows from financing activities:			
Increase (decrease) in short-term debt	(15,500)	26,700	7,000
Proceeds from long-term debt	50,000	-	-
Repayment of long-term debt	(13,000)	(4,500)	(5,000)
Proceeds from patron notes issued	4,136	4,661	5,932
Repayment of patron notes	(4,389)	(5,255)	(7,004)
Redemption of patrons' investments	(15,678)	(13,731)	(20,036)
Net cash provided (used) by financing activities	5,569	7,875	(19,108)
Net increase (decrease) in cash and cash equivalents	(2,221)	(349)	671
Cash and cash equivalents at beginning of year	3,163	3,512	2,841
Cash and cash equivalents at end of year	\$ 942	\$ 3,163	\$ 3,512
Supplemental cash flow information:			
Interest paid	\$ 6,530	\$ 5,892	\$ 6,010
Income taxes paid	2,099	2,544	750



Consolidated Statements of Changes In Patrons' Investments, Accumulated Deficit and Accumulated Other Comprehensive Income (Loss)

Cooperative

<i>(in thousands)</i>	<i>Allocation Credits</i>	<i>Permanent Equity Credits</i>	<i>Accumulated Deficit</i>	<i>Accumulated Other Comprehensive Income (Loss)</i>
<i>Association, Inc. &</i>				
Balance, August 31, 2002	\$104,472	\$ 7,114	\$(16,477)	\$ 53
Adjustment for actual distribution of 2002 allocation credits and permanent equity credits	31	(34)	-	-
<i>Welch Foods Inc.,</i>				
1996 allocation credits called for redemption	(13,598)	-	-	-
<i>A Cooperative</i>				
Permanent equity credits estimated to be redeemed	-	(527)	-	-
Permanent equity credits paid below prior year's estimate	-	84	-	-
2003 allocation credits and permanent equity credits estimated to be distributed	13,088	2,325	-	-
Distributed restructuring charge (Note B)	-	-	1,039	-
Nonpatron net proceeds	-	-	1,316	-
Net change of unrealized losses on hedge investments	-	-	-	(53)
Minimum pension liability	-	-	-	(591)
Balance, August 31, 2003	103,993	8,962	(14,122)	(591)
Adjustment for actual distribution of 2003 allocation credits and permanent equity credits	(14)	11	-	-
1997 allocation credits called for redemption	(13,061)	-	-	-
Permanent equity credits estimated to be redeemed	-	(463)	-	-
Permanent equity credits paid below prior year's estimate	-	57	-	-
2004 allocation credits and permanent equity credits estimated to be distributed	11,908	2,730	-	-
Distributed restructuring charge (Note B)	-	-	1,039	-
Nonpatron net proceeds	-	-	4,481	-
Minimum pension liability (Note K)	-	-	-	(2,019)
Balance, August 31, 2004	102,826	11,297	(8,602)	(2,610)
Adjustment for actual distribution of 2004 allocation credits and permanent equity credits	489	(492)	-	-
1998 allocation credits called for redemption	(15,205)	-	-	-
Permanent equity credits estimated to be redeemed	-	(364)	-	-
Permanent equity credits paid below prior year's estimate	-	34	-	-
2005 allocation credits and permanent equity credits estimated to be distributed	9,951	1,570	-	-
Distributed restructuring charge (Note B)	-	-	1,039	-
Nonpatron net proceeds	-	-	2,622	-
Minimum pension liability (Note K)	-	-	-	(3,552)
Balance, August 31, 2005	\$ 98,061	\$ 12,045	\$ (4,941)	\$(6,162)



Note A Summary of Significant Accounting Policies and Practices

Operations – National Grape Cooperative Association, Inc. (National) and Welch Foods Inc.,

A Cooperative (Welch's) (collectively, the Company) are agricultural marketing cooperatives organized for the benefit of National's member and nonmember patrons (growers). Welch's processes growers' grapes and is the world's leading marketer of Concord and Niagara grape-based products, including grape juices and jelly. Welch's also markets a variety of other fruit-based products. The Company's primary markets are in the United States. Products are also sold internationally, either directly or by licensees, principally in Japan, the United Kingdom and Canada. The Company's customers are primarily retailers and distributors, a number of which are significant. The Company's largest customer accounted for 23% of net sales in 2005.

The Company operates on an open pool basis. Pursuant to the terms of marketing agreements with its growers, the net proceeds earned from the sale of patron grapes, as defined by the Crop Purchase Agreement, are distributed to patrons, based on patronage, in cash, allocation credits and permanent equity credits on a crop year per ton basis. Net proceeds from nonpatronage sources, if any, are retained in the business.

Consolidation – The consolidated financial statements include the accounts of National, Welch's and subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates include accruals for marketing and merchandising programs, determination of discount rate and other assumptions for defined benefit pension and other postretirement benefit expenses and liabilities, allowances for doubtful accounts, net realizable value of inventories and asset impairment. Actual results could differ from those estimates.

Revenue recognition – Revenue from sales of inventory is recognized when products are shipped and title and risk of loss passes to the customer. Sales are recorded net of payment discounts, product returns, trade promotions and consumer coupons. Trade promotions, consisting principally of customer pricing allowances and merchandising funds are recognized as incurred, generally at the time of sale. Consumer coupons and rebates are recognized at the time of offer at estimated redemption cost. Accruals for expected payouts under these programs are included in accrued liabilities. Revenue for upfront fees received from long-term contracts is deferred and recognized systematically over the periods that the fees are earned. Deferred revenue is included in other liabilities.

Cost of sales – Cost of sales includes direct materials and supplies consumed in the manufacture of the product, manufacturing labor and overhead expense necessary to convert purchased materials and supplies into finished product, and the cost to warehouse and distribute products to customers. Cost of sales excludes the cost of patron grapes for the purpose of determining net proceeds earned by the Company's patrons.

Selling and administrative expense – Selling and administrative expense includes advertising and other marketing costs, selling expenses and administrative expenses. Advertising costs are expensed in the year in which the advertising first takes place and were \$20,600 in 2005, \$21,468 in 2004 and \$23,815 in 2003.

Cash and cash equivalents – Cash equivalents include highly liquid investments with a maturity date of 90 days or less from date of purchase.

Accounts receivable – In the normal course of business, the Company extends credit to customers based on an evaluation of a customer's financial condition. The Company evaluates its exposure for credit losses and establishes an allowance for doubtful accounts based on a combination of specific customer circumstances, credit conditions, and historical write-offs and collections. The allowance for doubtful accounts at August 31, 2005 and 2004 was \$1,040 and \$700, respectively.

Inventories – Inventories include the estimated cost of patron grapes and are stated at the lower of cost (first-in, first-out) or market. Cost of patron grapes is based on prevailing market prices at the time of harvest or at current prevailing market prices, if lower. Net Proceeds are not impacted by the valuation of patron grapes.

Property, plant and equipment – Property, plant and equipment are stated at cost. Depreciation is provided on the straight-line or sum-of-the-years digits methods over the estimated useful lives of the assets.



Long-lived assets – Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. When an impairment occurs, the asset is written down to its fair value and an impairment loss is recognized.

Goodwill – Goodwill is shown net of accumulated amortization of \$7,138 and \$6,887 as of August 31, 2005, and 2004, respectively. Pursuant to limited exceptions under SFAS No. 142, goodwill from business combinations between mutual enterprises including cooperatives of \$3,728 at August 31, 2005, is amortized over periods not exceeding 40 years. Remaining goodwill is not amortized but is evaluated annually for impairment. To date, there has been no impairment of goodwill.

Software costs – Computer software and software development costs incurred in connection with developing or obtaining computer software for internal use are capitalized. Capitalized computer software costs are included in other assets and are amortized on a straight-line basis over the estimated useful lives of the software.

Federal income taxes – The Company is not subject to Federal income taxes on net patron proceeds distributed or allocated to patrons in qualified form. The Company is subject to Federal income taxes on nonpatronage net proceeds. The Company utilizes the asset and liability method of accounting for income taxes.

Financial instruments – The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, short-term and long-term investments, short-term and long-term debt and derivative instruments. Unless otherwise specified, the Company believes the carrying values of financial instruments approximate their fair value.

The Company uses derivative instruments for the purpose of hedging commodity price exposures which exist as part of ongoing business operations. The Company carries derivative instruments on the balance sheet at fair value as determined by reference to quoted market prices. Changes in the fair value of derivative instruments are recognized immediately in net proceeds for those that do not qualify for hedge accounting treatment. For derivative instruments designated as cash flow hedges, changes in fair value are deferred within accumulated other comprehensive income (loss). This income (loss) is recognized in net proceeds in the same period during which the related hedged transaction affects earnings. The Company does not hold or issue derivative instruments for speculative trading purposes.

Employee related benefits – Pension and postretirement benefits such as healthcare costs are expensed as such benefits are earned by employees. The recognition of expense is significantly impacted by estimates such as discount rates used to value certain liabilities and future healthcare costs. The Company uses independent third-party specialists to assist management in appropriately measuring the expense and liabilities associated with pension and postretirement benefits.

New accounting rules – There were no new accounting pronouncements effective in fiscal 2005 that had or are expected to have a material impact on the consolidated financial statements.

Recent Accounting Rules – In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." This statement affects the classification, measurement and disclosure requirements of certain freestanding financial instruments including mandatory redeemable instruments. SFAS No. 150 is effective for fiscal periods beginning after December 15, 2004. The Company has not yet completed its adoption assessment of the impact of SFAS No. 150.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs – An amendment of ARB No. 43." SFAS 151 clarifies that abnormal amounts of idle facility expense, freight, handling costs and spoilage should be expensed as incurred and not included in overhead absorbed and capitalized as an inventoriable cost. The allocation of fixed production overheads to conversion costs should be based on normal capacity of the production facilities. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company has not yet completed its adoption assessment of the impact of SFAS No. 151.

The American Jobs Creation Act of 2004 ("AJCA"), enacted by Congress in October, 2004, repeals an export incentive, creates a new deduction for qualified domestic manufacturing activities, and includes a one-time deduction of 85 percent of certain foreign earnings repatriated to the U.S. In December 2004, FASB issued FSP FAS 109-1, "Application of FASB Statement No. 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004." In accordance with FSP FAS 109-1, the Company will treat the deduction for qualified domestic manufacturing activities as a special deduction in future years as realized. The deduction did not impact the Company's results of operations or financial position in 2005.

Reclassification of prior years' statements – Certain reclassifications have been made to the 2004 and 2003 consolidated financial statements to conform with the 2005 presentation.



Note B Restructuring Charge

During 2002, the Company implemented a restructuring project that resulted in a charge to operations of \$7,568. Pursuant to the Crop Purchase Agreement and the approval of the Boards of Directors of National and Welch's, approximately \$5,195 of the restructuring charge will reduce patronage distributions ratably over a five-year period, beginning in 2002, when the expected savings will be realized. As a result, approximately \$1,039 of the restructuring charge reduced distributable patron proceeds in 2005, 2004 and 2003. The remaining \$1,039, included in accumulated deficit, will reduce patron distributions in 2006.

Note C Rational Harvest Expense

Welch's, with the approval of its Board of Directors, paid \$4,397 in 2004 to members of National for acreage not harvested in 2003 due to weather conditions in order to protect and preserve a dependable source of Concord grape supply and to avoid unnecessary expenditures to harvest, process and market poor quality grapes.

Note D Inventories

Inventories are classified as follows:

August 31,	2005	2004
Raw materials	\$19,287	\$23,621
Supplies and ingredients	26,031	20,527
Finished product	38,874	36,379
	\$84,192	\$80,527

The cost of patron grapes in inventory as of August 31, 2005 and 2004 was \$11,373 and \$13,948, respectively.

Note E Other Assets

Other assets consist of the following:

August 31,	2005	2004
Cash value of company-owned life insurance policies (Note K)	\$28,371	\$26,960
Investment in CoBank, ACB (Note F)	11,545	11,696
Notes receivable and other investments	17,557	13,989
Computer software cost	16,085	8,391
Deferred income taxes	10,019	10,855
Other	4,482	4,253
	\$88,059	\$76,144

Note F Short-Term and Long-Term Debt

The Company has a short-term line of credit of \$65,000 with CoBank, ACB (the Bank). Short-term debt at August 31, 2005 and 2004 was \$18,200 and \$33,700, respectively. The weighted average interest rate at August 31, 2005 and 2004 was 4.00% and 2.03%, respectively.

Long-term debt consists of the following:

August 31,	2005	2004
CoBank, ACB		
Term loans, due 2006 to 2019, 5.20% weighted average rate at August 31, 2005	\$89,000	\$52,000
Industrial development revenue bonds, 5.60%, due 2017	3,400	3,400
Total outstanding	92,400	55,400
Current maturities	13,000	13,000
Noncurrent	\$79,400	\$42,400

As of August 31, 2005, long-term debt maturities for the next five fiscal years are as follows: 2006 - \$13,000; 2007 - \$13,000; 2008 - \$13,000; 2009 - \$0; and 2010 - \$0.

The Company is required to maintain an investment in CoBank under its borrowing arrangements. The Class E stock of the Bank owned by the Company (Note E) is pledged as security for the Company's CoBank loans.

At the Company's option, it may periodically elect either fixed or variable rates of interest for specified periods of time on its short-term line of credit and its term loans with CoBank. The Company may prepay any of its variable-rate debt at any time without penalty.



Various debt agreements contain covenants which require the Company to, among other things, achieve certain financial ratios and a specified level of net worth as of each fiscal year-end. The Company was in compliance with these financial ratios and tests at August 31, 2005.

The fair value of the Company's fixed-rate long-term debt, estimated using current market rates and a discounted cash flow analysis, was approximately \$93,200 at August 31, 2005. The Company does not anticipate any significant refinancing activities that would settle long-term debt at fair value.

Note G Federal Income Taxes

Income taxes are recognized for (a) amount of taxes payable for the current year and (b) deferred tax liabilities and assets for future tax consequences of events that have been recognized differently in the financial statements and for tax purposes.

The provision for income taxes consists of the following:

Years Ended August 31,	2005	2004	2003
Current	\$ (543)	\$3,905	\$ 703
Deferred	943	(2,455)	(3)
	\$ 400	\$1,450	\$ 700

The difference between Federal income taxes and the amount computed by applying the statutory tax rate to proceeds before Federal income taxes results principally from the distributions to patrons.

At August 31, 2005 and 2004, the Company had deferred tax liabilities of \$13,026 and \$13,264, respectively, and gross deferred tax assets of \$24,827 (\$24,665 net of valuation allowance) and \$25,407, respectively. The net change in the total valuation allowance was \$162 and (\$467) at August 31, 2005 and 2004, respectively. There was no valuation allowance at August 31, 2004. \$1,620 and \$1,288 of net current deferred tax assets for 2005 and 2004, respectively, are included in other current assets. The remaining net deferred tax assets are included in other assets (Note E).

At August 31, 2005, the Company has unused tax net operating losses of \$2,073 that expire in 2025. In addition, the Company has AMT tax credit carryforwards of \$2,634 which have no expiration date and other tax credit carryforwards of \$508 which expire between 2010 and 2020.

In addition to the tax credit carryforwards, the deferred income tax assets are attributable to deductible temporary differences, primarily deferred compensation arrangements. Taxable temporary differences that give rise to the deferred income tax liabilities primarily relate to depreciation and certain capitalized expenses recognized in different years for financial and tax reporting purposes.

The realization of certain deferred tax assets is dependent upon generating taxable income. Although realization is not assured, management believes it is more likely than not the net deferred tax assets, net of applicable valuation allowances, will be realized.

Note H Other Liabilities

Other liabilities consist of the following:

August 31,	2005	2004
Deferred compensation	\$ 29,080	\$ 26,681
Pension and postretirement benefits	33,932	26,121
Other	4,813	13,737
	\$ 67,825	\$ 66,539

Note I Trust Preferred Securities

In May 1998, the Welch Foods Preferred Capital Trust I (Trust), a wholly owned subsidiary of Welch's, issued \$25 million of 7.41% Series A Cumulative Guaranteed Preferred Securities (Trust Preferred Securities), of which \$1,500 was subsequently purchased by Welch's, at par, from a third-party holder. The entire proceeds from the sale of the Trust Preferred Securities were loaned to Welch's under the terms of a Subordinated Loan Agreement. The loan (Loan), guaranteed by National, is unsecured and ranks subordinate to all other Welch's indebtedness except for certain obligations of Welch's regarding the redemption of allocation credits and certificates and permanent equity credits. Interest on the Trust Preferred Securities is payable quarterly, but can be deferred for up to ten consecutive quarters plus penalty, if Welch's so elects. The Loan is to be repaid beginning May 1, 2023, in six equal annual installments of approximately \$4,167, each with a matching scheduled redemption of Trust Preferred Securities. Welch's has the right at any time to prepay the Loan, in whole or part, subject to a penalty that may be excludable under certain circumstances. The Subordinated Loan Agreement contains various covenants, both financial and other, with which Welch's is in compliance at August 31, 2005. The fair value of Trust Preferred Securities, estimated using current market rates and a discounted cash flow analysis, was approximately \$30,471 at August 31, 2005.



Note J Patrons' Investments

The noncash portion of distributable patron proceeds is distributed in the form of allocation credits and permanent equity credits.

The outstanding allocation credits and certificates consist of the following:

<i>August 31,</i>	2005	2004
Series 1998, due 2018 (redeemed in 2005)	\$ -	\$ 15,205
Series 1999, due 2019	16,282	16,282
Series 2000, due 2020	16,995	16,995
Series 2001, due 2021	14,559	14,559
Series 2002, due 2022	14,803	14,803
Series 2003, due 2023	13,074	13,074
Series 2004, due 2024	12,397	11,908
Series 2005, due 2025 (to be distributed)	9,951	-
Unpresented allocation certificates previously called for redemption	95	135
Total outstanding	98,156	102,961
Current maturities	95	135
Noncurrent	\$ 98,061	\$102,826

Association, Inc. &

Welch Foods Inc.,

A Cooperative

It has been National's practice to call each series for redemption, at a price equal to 100% of its aggregate principal amount, approximately six years after the date of issue. The decision to continue this practice is reviewed annually by National's Board of Directors. Permanent equity credits are redeemable only in limited circumstances.

Note K Employee Benefit Plans

The Company has noncontributory defined benefit pension plans covering substantially all employees not covered by union-sponsored plans. The plans generally provide pension benefits that are based on the employee's years of service and compensation prior to retirement. The Company funds these plans in accordance with the minimum and maximum limits required by law.

Components of net pension cost for these plans were as follows:

<i>Years Ended August 31,</i>	2005	2004	2003
Service cost	\$ 2,793	\$ 2,631	\$ 2,191
Interest cost	4,264	4,063	3,931
Expected return on plan assets	(5,613)	(5,706)	(5,382)
Net amortization and deferral	130	(132)	(166)
Net pension cost	\$ 1,574	\$ 856	\$ 574

The Company sponsors unfunded postretirement medical and life insurance benefit plans that cover certain salaried and nonsalaried employees. Employees at some locations are required to contribute a portion of the premium.

Components of postretirement medical and life insurance benefit cost were as follows:

<i>Years Ended August 31,</i>	2005	2004	2003
Service cost	\$ 1,094	\$ 909	\$ 873
Interest cost	1,751	1,818	1,742
Net amortization and deferral	449	421	495
Recognized net actuarial gain	345	424	240
Net periodic benefit cost	\$ 3,639	\$ 3,572	\$ 3,350

The following table sets forth the change in the benefit obligations, plan assets and funded status of the Company's pension and postretirement benefit plans:



Cooperative	August 31,	Pension Plans		Postretirement Benefit Plans	
		2005	2004	2005	2004
	Change in Benefit Obligation:				
Association, Inc. &	Benefit obligation at beginning of year	\$ 68,105	\$ 63,913	\$ 34,393	\$ 32,040
	Service cost	2,793	2,631	1,094	909
	Interest cost	4,264	4,063	1,751	1,818
Welch Foods Inc.,	Amendments	-	-	-	(1,318)
	Assumption changes due to Medicare Drug Act	-	-	3,594	(4,465)
	Actuarial (gain) loss	12,909	913	(4,877)	7,068
A Cooperative	Benefits paid	(3,847)	(3,415)	(1,844)	(1,659)
	Benefit obligation at end of year	\$ 84,224	\$ 68,105	\$ 34,111	\$ 34,393
	Change in Plan Assets:				
	Fair value of plan assets at beginning of year	\$ 57,140	\$ 54,703	\$ -	\$ -
	Actual return on plan assets	7,494	5,852	-	-
	Employer contributions	-	-	1,844	1,659
	Benefits paid	(3,847)	(3,415)	(1,844)	(1,659)
	Fair value of plan assets at end of year	\$ 60,787	\$ 57,140	\$ -	\$ -
	Funded status of the plans	\$ (23,437)	\$ (10,965)	\$ (34,111)	\$ (34,393)
	Unrecognized net actuarial loss	20,507	9,480	13,327	14,981
	Unrecognized net transition (asset) obligation	-	(13)	2,328	2,750
	Unrecognized prior service cost	934	1,076	5	6
	Net balance sheet liability recognized	\$ (1,996)	\$ (422)	\$ (18,451)	\$ (16,656)
	Accrued benefit liability	\$ (9,853)	\$ (4,199)	\$ (18,451)	\$ (16,656)
	Prepaid benefit cost	-	-	-	-
	Intangible asset	934	846	-	-
	Accumulated other comprehensive loss	6,923	2,931	-	-
	Net benefit liability recognized	\$ (1,996)	\$ (422)	\$ (18,451)	\$ (16,656)

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets at August 31, 2005 and 2004, respectively, were:

	2005	2004
Projected benefit obligation	\$ 84,224	\$ 54,244
Accumulated benefit obligation	\$ 70,640	\$ 48,280
Fair value of plan assets	\$ 60,787	\$ 44,102

The underfunding of accumulated pension benefit obligations is primarily due to changes in the assumed discount rate.

The Company does not expect to make any contributions to its qualified defined benefit plans in fiscal year ending August 31, 2006. Pension benefits expected to be paid in each year 2006 – 2010 are \$2,660, \$2,670, \$2,747, \$2,822, and \$2,954, respectively. The aggregated expected pension benefits expected to be paid in the five years from 2011 – 2015 are \$18,089. The expected benefit payments are based on the same assumptions used to measure the Company's benefit obligation at August 31 and include estimated future employee service.

The Company expects to contribute approximately \$2,090 to the postretirement medical and life insurance plans in fiscal year ending August 31, 2006. Postretirement benefits expected to be paid in each year 2006 – 2010 are \$ 2,090, \$2,350, \$2,620, \$2,890 and \$3,160, respectively. The aggregate expected benefits expected to be paid in the five years from 2011 – 2015 are \$19,280.

The expected return on pension plan assets is based on historical experience, pension plan investment guidelines, and expectations for long-term rates of return. The pension plan investment guidelines are established based upon an evaluation of market conditions, tolerance for risk, and cash requirements for benefit payments. The Company's pension plans' asset target and actual allocations are as follows:

Asset Category	Target Allocation	Actual Allocation 2005	Actual Allocation 2004
Equity Securities	70%	71%	68%
Debt Securities	30%	29%	32%
Total	100%	100%	100%



The weighted-average assumptions used to determine benefit obligations at August 31, 2005 and 2004 were as follows:

	Pension Plans		Postretirement Benefit Plans	
	2005	2004	2005	2004
Discount rate	5.375%	6.125%	5.375%	6.125%
Compensation increase rate	3.80%	3.80%	3.00%	4.00%
Measurement date	8/31/2005	8/31/2004	8/31/2005	8/31/2004

Cooperative

Association, Inc. &

Welch Foods Inc.,

The weighted-average assumptions used to determine net benefit cost for the years ended at August 31, 2005 and 2004 were as follows:

	Pension Plans		Postretirement Benefit Plans	
	2005	2004	2005	2004
Discount rate	6.125%	6.50%	6.125%	6.50%
Expected long-term rate of return on assets	9.00%	9.00%	-	-
Compensation rate increase	3.70%	5.10%	3.00%	5.10%

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The assumed healthcare cost trend rates used in determining the accumulated postretirement benefit obligation for participants under age 65 was 7.5% for fiscal 2005, scaled down to 4.0% over the next six years. For participants over age 65, the rate was 7.5% for fiscal 2005, scaled down to 4.0% over the next six years.

Assumed healthcare trend rates have a significant effect on the amounts reported for postretirement medical plans. A one percentage point change in the assumed healthcare cost trend rate would have the following effect:

	One Percentage Point Increase	One Percentage Point Decrease
Effect on postretirement benefit obligation	\$ 4,282	\$ (3,464)
Effect on net postretirement benefit cost	\$ 661	\$ (544)

For the years ended August 31, 2005, 2004 and 2003, multi-employer pension expense for contributions to union-sponsored plans was \$1,911, \$1,770, and \$1,697, respectively.

The Company has a qualified 401(k) plan and a nonqualified pension restoration plan (PRP). For the years ended August 31, 2005, 2004 and 2003, net expenses for these plans were \$2,051, \$1,899 and \$2,812, respectively. At August 31, 2005, \$28,371 of investments represented principally by Company-owned life insurance policies was restricted to fund the expected benefits under the PRP (Note E). The Company has agreements with certain officers which would require the payment of additional compensation in the event of a change in control as defined.

Participants in certain Company incentive plans may elect to defer all or part of their incentive compensation until retirement in a nonqualified deferred compensation plan. Deferred incentive compensation as of August 31, 2005 and 2004, was \$29,080 and \$26,681, respectively (Note H).

Note L Leases

The Company leases certain equipment and buildings under operating leases. Rental expenses related to these leases amounted to \$3,946 in 2005, \$3,673 in 2004, and \$3,279 in 2003. As of August 31, 2005, future minimum lease payments under these operating leases for the next five years are as follows: 2006 - \$3,146; 2007 - \$3,097; 2008 - \$2,419; 2009 - \$2,148; and 2010 - \$2,143.

Note M Commitments and Contingencies

The Company has purchase commitments for materials, supplies, services and property, plant and equipment as part of the normal course of business. Certain supply contracts contain penalty provisions for early termination. The Company does not expect potential payments under these provisions to have a material adverse effect on the financial condition of the Company.

The Company has standby letters of credit in the amount of \$1,486 primarily for the beneficiary of its workers' compensation insurance provider.

The Company is involved in certain litigation, both insured and uninsured, which is being defended and handled in the ordinary course of business. In the opinion of management, the outcome of such litigation will not have a material adverse effect on the financial condition of the Company.



Board of Directors and Patrons

National Grape Cooperative Association, Inc.:

We have audited the accompanying consolidated balance sheets of National Grape Cooperative Association, Inc. and Welch Foods Inc., A Cooperative, as of August 31, 2005 and 2004, and the related consolidated statements of operations and distributions of net proceeds, changes in patrons' investments, accumulated deficit and accumulated other comprehensive income (loss), and cash flows for each of the years in the three-year period ended August 31, 2005. These consolidated financial statements are the responsibility of the Cooperatives' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for purposes of expressing an opinion on the effectiveness of the Cooperatives' internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Grape Cooperative Association, Inc. and Welch Foods Inc., A Cooperative, as of August 31, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended August 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Boston, Massachusetts

October 11, 2005



Directory

National Grape

Cooperative

National Grape Cooperative Association, Inc. Westfield, New York

Association, Inc. &

Officers

Randolph H. Graham
President

Brent J. Roggie
General Manager,
Chief Operating Officer
and Treasurer

Vivian S.Y. Tseng, Esq.
Chief Legal Officer,
Assistant Secretary

Joseph C. Falcone
First Vice President

Timothy A. Buss
Secretary and
Assistant Treasurer

Richard H. Alpert, Esq.
Assistant Secretary

Harold H. Smith
Second Vice President

Matthew A. Aufman, Esq.
Assistant Secretary

James A. Shafer
Third Vice President

Albert B. Wright III
Financial and
Accounting Officer

Thomas A. Bockhorst
Assistant Treasurer

Welch Foods Inc.,

A Cooperative

Directors

*Richard A. Boushey
Grandview, Washington

Timothy E. Grow
Grandview, Washington

Harold H. Smith
Brocton, New York

Jerry A. Czebotar
Pasco, Washington

Jon B. Hinkelman
Waterliet, Michigan

Marvin D. Vining
Grandview, Washington

Joseph C. Falcone
Silver Creek, New York

*C. Robert Militello
Forestville, New York

Gary R. Youngs
North East, Pennsylvania

Douglas R. Forraht
Sodus, Michigan

*David P. Mobilia
North East, Pennsylvania

All National Directors are
growers of Concord and/or
Niagara grapes and may grow
other agricultural products.

*Randolph H. Graham
North East, Pennsylvania

*James A. Shafer
Baroda, Michigan

*Members of the
Executive Committee



Officers

Daniel P. Dillon <i>President and Chief Executive Officer</i>	Judy B. Carr <i>Vice President Corporate Planning</i>	William C. Hewins <i>Vice President International</i>
Albert B. Wright III <i>Senior Vice President, Finance, and Chief Financial Officer</i>	Ross B. Elkin <i>Vice President Marketing</i>	Robert W. McMillen III <i>Vice President and Corporate Controller</i>
David J. Lukiewski <i>Senior Vice President Sales and Marketing</i>	Thomas E. Gettig <i>Vice President Human Resources and Administration</i>	Andrew D. Staniar <i>Vice President Supply Chain</i>
Peter F. Martin <i>Senior Vice President Supply Chain and Technology</i>	Damon G. Hart <i>Vice President Sales</i>	Vivian S.Y. Tseng, Esq. <i>Vice President, Legal, General Counsel and Secretary</i>

Directors

Charles J. Chapman ^(1,4,6,7) <i>Executive Vice President (Retired) Tambrands White Plains, New York</i>	Randolph H. Graham ^(1,2,3,5,6,7) <i>Chairman of the Board Owner-Operator South Shore Farms North East, Pennsylvania</i>	James T. Winton ^(1,2,3,6,7) <i>Executive Vice President (Retired) Clarion Marketing and Communications Greenwich, Connecticut</i>
Jerry A. Czebotar ^(2,5,7) <i>Owner-Operator Zeb's Vineyard Pasco, Washington</i>	Timothy E. Grow ^(3,4,5,7) <i>Owner GrowFruit Grandview, Washington</i>	Albert B. Wright III ^(3,5,7) <i>Senior Vice President, Finance, and Chief Financial Officer Welch's Concord, Massachusetts</i>
Daniel P. Dillon ^(1,5,6) <i>President and Chief Executive Officer Welch's Concord, Massachusetts</i>	C. Robert Militello ^(1,2,4,5) <i>Owner Militello Farms Forestville, New York</i>	
Daniel A. Grady ^(2,3,4,6) <i>Director, Stockholder Relations, and Consultant Bose Corporation Framingham, Massachusetts</i>	Stephen H. Warhover ^(2,4,5,6) <i>President and Chief Executive Officer Gorton's Seafoods Gloucester, Massachusetts</i>	

Committees of the Board

- ⁽¹⁾ Acquisition
- ⁽²⁾ Audit
- ⁽³⁾ Capital Structure
- ⁽⁴⁾ Compensation
- ⁽⁵⁾ Long-Range Planning
- ⁽⁶⁾ Nominating
- ⁽⁷⁾ Pension Investment

Auditors

KPMG LLP
Boston, Massachusetts



National Grape

Cooperative

Association, Inc. &

Welch Foods Inc.,

A Cooperative

Operations

Headquarters

Welch Foods Inc.
Concord, Massachusetts
01742

National Grape Cooperative
Association, Inc.
Westfield, New York 14787

Technology Center

Research and Development,
Corporate Quality,
Corporate Engineering
Billerica, Massachusetts 01821

Plants

Receiving, Pressing, Storage, Production

Lawton, Michigan
North East, Pennsylvania
Westfield, New York

Receiving, Pressing, Storage

Grandview, Washington

Production

Kennewick, Washington

Domestic Sales Offices

Alpharetta, Georgia
Rogers, Arkansas
Westchester, Ohio

International Offices

Asia Regional Office
Hong Kong

Welch's Europe
Camberley, Surrey
England

Welch's Japan
Tokyo 150
Japan

Welch's Latin America
Boca Raton, FL 33433

Licensees

Cadbury Beverages
North America
Toronto, Canada

Calpis Co., Ltd.
Tokyo, Japan

C.H. Robinson Company
Eden Prairie, Minnesota

Cadbury Schweppes
Americas Beverages Division
of Cadbury Schweppes, PLC
Plano, Texas

Nong Shim Co., Ltd.
Seoul, South Korea

Portion Pac Division of
H.J. Heinz Co., Inc.
Mason, Ohio

Promotion In Motion, Inc.
Closter, New Jersey

7UP/RC Bottling Co. of
Southern California
Vernon, California

National Grape Cooperative
and Welch Foods are Equal
Opportunity Employers



