

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1996-12-30** | Period of Report: **1996-09-29**  
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FILER

**SAVANNAH FOODS & INDUSTRIES INC**

CIK: **86941** | IRS No.: **581089367** | State of Incorporation: **DE** | Fiscal Year End: **1003**  
Type: **10-K** | Act: **34** | File No.: **001-11420** | Film No.: **96687480**  
SIC: **2060** Sugar & confectionery products

Business Address  
P O BOX 339  
SAVANNAH GA 31402  
9122341261

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

## FORM 10-K

(Mark one)

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

For the fiscal year ended September 29, 1996 or  
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TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-11420  
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SAVANNAH FOODS & INDUSTRIES, INC.  
-----

(Exact name of Registrant as specified in its Charter)

Delaware  
-----

58-1089367  
-----

(State or other jurisdiction of  
incorporation or organization)

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

P.O. Box 339, Savannah, Georgia 31402  
-----

(Address of principal executive offices with zip code)

Registrant's telephone number, including area code (912)234-1261  
-----

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

Common Stock - Par Value: \$.25 per share  
-----

(Title of Class)

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

None  
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(Title of Class)

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 and (2) has been subject to such filing requirements for the past 90 days. Yes  No   
-----

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

At November 30, 1996, there were 26,238,196 shares of Common Stock outstanding. The aggregate market value of the voting stock held by non-affiliates of the Registrant on November 30, 1996 was \$373,894,293.

Documents Incorporated by Reference: Portions of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on February 20, 1997 are incorporated by reference in Part III hereof.

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FORWARD LOOKING STATEMENTS-SAFE HARBOR PROVISIONS

Any statements in this Form 10-K regarding future market prices or operating results or any other statements that are not historical facts constitute "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All forward looking statements involve risks and uncertainties. Any forward looking statements in this document are intended to be subject to the safe harbor protection provided by Sections 27A and 21E. For a discussion identifying some important factors that could cause actual results to vary materially from those anticipated in forward looking statements, see the "Competition" and "Statement on Business Risks and Forward Looking Information" sections on pages 5 and 6 of this Form 10-K.

PART I

Item 1. Business

Savannah Foods & Industries, Inc. (the "Registrant") was incorporated in Delaware on February 19, 1969, as the successor to Savannah Sugar Refining Corporation, which was originally incorporated in New York in 1916.

The Registrant and its subsidiaries collectively comprise one business segment and are engaged in the production, marketing, and distribution of food products, primarily refined sugar.

The Registrant and its wholly-owned subsidiaries, Savannah Foods Industrial, Inc. and Dixie Crystals(R) Brands, Inc., are engaged in the refining and marketing of a complete line of bulk and liquid sugars and sugar products, including edible molasses and liquid animal feeds. They also produce and market a complete line of packaged sugars and portion control items consisting of sugar envelopes, artificial sweeteners, salt, pepper, non-dairy creamer, and certain other products. Industrial and grocery products are marketed primarily in the southeastern portion of the United States, Louisiana, and Texas, but are also widely distributed into other states generally east of the Mississippi and south of New England. Foodservice products are marketed throughout the United States. Products are marketed under the trade names Dixie Crystals(R), Evercane(R),

Savannah Gold(R), and Quick'n Sweet(TM) but are also sold under the Registrant's other controlled labels and under customers' private label brands. The Registrant's saccharin-based sweetener is marketed under the trade name Sweet Thing(R) and its aspartame-based sweetener is marketed under the trade name Sweet Thing II(R). These products are marketed both by means of direct sales and through brokers and are primarily distributed directly to the customer by common carrier truck or railcar, including Registrant-owned vehicles.

Michigan Sugar Company, a wholly-owned subsidiary of the Registrant, and its wholly-owned subsidiary, Great Lakes Sugar Company, are engaged in the processing of sugarbeets into refined sugar and the production of beet pulp and molasses. The refined sugar is marketed primarily in the states of Michigan and Ohio, but is also distributed in the midwestern and eastern parts of the United States. Packaged sugar is marketed under the trade name PIONEER(R), but is also sold under customers' private label brands. These products are marketed both by means of direct sales and through brokers and are primarily distributed directly to the customer by common carrier truck or railcar, including Registrant-owned vehicles. Most of the beet pulp is pelletized and sold for export. The balance is sold in the domestic market. The majority of the molasses is normally sold to the

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Registrant's beet molasses desugarization facility for further processing to recover additional sugar.

Due to a significant decrease in the number of sugarbeet acres contracted to be grown in 1996 in the Ohio sugarbeet growing areas, the Registrant has decided not to operate Great Lakes Sugar Company's beet processing facility in Fremont, Ohio during fiscal 1997. In conjunction with this decision, due to the lack of availability of reasonably priced molasses, the Registrant has also decided not to operate its molasses desugarization facility which is also located in Fremont.

King Packaging Company, Inc., a wholly-owned subsidiary of Dixie Crystals(R) Brands, Inc., packs custom made meal kits for the food service industry and provides complementary products to the sugar and portion control products manufactured at the Registrant's other locations. These products are marketed to the foodservice trade through-out the United States both by means of direct sales and through brokers and are primarily shipped directly to customers by common carrier truck.

During fiscal 1996, the Registrant sold the property, plant and equipment and certain other operating assets of Raceland Sugars, Inc., its raw sugar mill.

Raw Materials. A large portion of the raw sugar for the Registrant's Port Wentworth, GA refinery, and all the raw sugar for the Clewiston, FL refinery, is normally supplied by cane sugar producers in the state of Florida. A large portion of the raw sugar for the Registrant's Gramercy, LA refinery is normally supplied by cane sugar producers in the state of Louisiana. In the case of the Savannah and Gramercy refineries, the remaining raw sugar requirements are purchased on the open market, and consist of off-shore cargoes purchased directly and through raw sugar trade houses. The Registrant uses the futures market as a hedging and purchasing mechanism, as circumstances warrant.

Michigan Sugar Company and its subsidiary, Great Lakes Sugar Company, process sugarbeets under annual contracts from Michigan and Ohio farmers. The land around the processing plants of the company is well suited to growing sugarbeets. Until 1996, the company had not experienced difficulty in obtaining a sufficient quantity of beets to support successful operation of its plants. However, because of unusually high grain prices during the Spring 1996 planting season, the company was unable to contract for a sufficient number of beet sugar acres in Ohio to make operation of the Fremont, Ohio beet facility economical. Also, the acreage contracted in Michigan has decreased from prior years for the same reason, but the company has

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been able to contract enough acres to profitably operate the beet processing plants in Michigan. Under the contracts with the farmers, certain sales expenses and other non-processing expenses are first deducted from the proceeds of refined sugar, pulp, and molasses sales after which the balance is divided between the company and the farmers.

Competition. All phases of the refined sugar business and all geographic markets of the business engaged in by the Registrant and its subsidiaries are highly competitive. This competition is not only with other cane sugar refiners and beet sugar processors, but also with corn sweeteners, artificial sweeteners, and with resellers who purchase all of these sweeteners. Competing cane sugar refineries are located in Florida, Louisiana, Maryland, New York, Texas, and California. Competing beet sugar processors are located in California, Colorado, Idaho, Michigan, Minnesota, Montana, Nebraska, North Dakota, Oregon, Texas, and Wyoming.

Competition is primarily based upon price, but is also based upon product quality and customer service. At times, the cane sugar refiners are at a competitive disadvantage to the beet sugar producers due to differing methods by which raw materials are purchased. In the beet industry, the beet farmers participate in any increase or decrease in the selling price of refined sugar. However, in the cane industry, refiners purchase raw sugar at prices which are kept artificially high by United States policy to support sugar farmers, and which do not fluctuate in tandem with refined sugar selling prices. Consequently, when competitive pressures reduce refined sugar prices, the margins of cane sugar refiners are affected more adversely than those of beet sugar producers.

Number of Employees. At September 29, 1996, Registrant and its subsidiaries had 1,898 full-time employees. In addition, Michigan Sugar Company and Great Lakes Sugar Company employ a number of seasonal workers during the beet processing campaigns.

Statement on Business Risks and Forward Looking Information. The Registrant generally does not make specific projections about future income or provide other specific forward looking information. However, due to changes brought about by the Private Securities Litigation Reform Act of 1995, we believe it is appropriate to outline several key factors which impact the Registrant's future performance.

All phases of the Registrant's business are very competitive with the primary competitors being other sugar cane refiners and beet sugar processors. Because sugar is a commodity, competition is based primarily upon price, but is also based upon product quality and customer service. The Registrant is diversified into all marketing

and production (i.e. cane and beet) phases of the refined sugar industry, but the majority of its capacity, approximately 85%, is cane sugar, with the remaining 15% being beet sugar. Thus, its operating results are influenced mostly by factors which affect the cane sugar industry.

Cane sugar refiners operate on large volumes and small margins. Consequently, a small percentage change in sales prices or in the cost of raw materials or manufacturing costs can result in a large percentage change in income from operations.

In today's market, the primary driver of refined sugar sales prices is the amount of beet sugar produced. A large amount of beet sugar generally means lower prices as beet producers sell their larger production by undercutting the prices of cane sugar refiners. The amount of beet sugar produced not only affects selling prices, but also affects the per unit manufacturing costs of the sugar industry. Many of the costs in the manufacturing process, whether beet or cane, are fixed and must be divided among the actual production. As volume increases or decreases, per unit manufacturing costs decrease or increase, respectively. Thus, forecasting the amount of beet sugar which will be produced is an essential element in predicting the Company's profitability.

In addition to sales prices and per unit manufacturing costs, the other primary factor in determining operating income is the cost of raw sugar, which is by far the largest single cost of producing refined cane sugar. Raw sugar is a commodity, and while the Registrant purchases it using many different pricing

methods, the price is always based in some manner on the market price of raw sugar as determined by the commodities market. Thus, its price is subject to the numerous variables that affect the price of any commodity. In general, however, the price of raw sugar is supported at an artificially high level through the sugar program portion of the U.S. Government's Farm Bill.

Forward looking information affecting the Registrant and the sugar industry should be considered within this context.

Item 2. Properties.

Registrant and its wholly-owned subsidiaries own and operate three cane sugar refineries, two sugar melt and transfer facilities, five sugarbeet processing plants, a beet molasses desugarization facility, and four foodservice production facilities.

The three cane sugar refineries are located in Port Wentworth, Georgia; Gramercy, Louisiana and Clewiston, Florida and are owned by

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Savannah Foods Industrial, Inc. The Port Wentworth facility borders the Savannah River and the Gramercy facility borders the Mississippi River. Both of these locations include a deep water dock with facilities for shipping and receiving ocean-going vessels.

Savannah Foods Industrial, Inc. also owns sugar melt and transfer facilities in St. Louis, Missouri and Ludlow, Kentucky. The St. Louis facility borders on the Mississippi River and has a dock for receiving sugar and molasses shipments.

Michigan Sugar Company owns and operates four sugarbeet processing plants which are located in Caro, Carrollton, Sebawaing, and Croswell, Michigan. Great Lakes Sugar Company owns and operates a sugarbeet processing plant in Fremont, Ohio and a storage facility in Findlay, Ohio. The beet molasses desugarization facility, which is owned by Registrant, is located in Fremont, Ohio.

Dixie Crystals(R) Brands, Inc. owns production facilities in Perrysburg, Ohio; Visalia, California and Savannah, Georgia. Also, King Packaging Company, Inc. owns and operates a packaging facility in Bremen, Georgia.

The facilities listed above provide Registrant with sufficient productive capacity to meet the demands of its current markets.

Item 3. Legal Proceedings.

Not applicable.

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

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 1996.

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PART II

Item 5. Market for Registrant's Common Stock and Related Stockholder Matters.

Registrant's common stock, par value \$.25 per share ("Common Stock"), is listed and traded on the New York Stock Exchange ("NYSE") under the symbol "SFI". The following table sets forth for the periods indicated the high and low sales prices on the NYSE composite tape. The information provided has been adjusted to the nearest 1/8 and was compiled from quotations furnished by the New York Stock Exchange. Registrant has paid cash dividends on its Common Stock

every year since 1924. The following information is for the twelve-month periods ended September 29, 1996 and October 1, 1995:

<TABLE>  
<CAPTION>

Quarter Ended	High	Low	Dividends Paid
-----	----	---	-----
<S>	<C>	<C>	<C>
12/31/95	\$13.875	\$11.375	\$.025
03/31/96	13.000	10.500	.025
06/30/96	13.625	10.750	.025
09/29/96	14.000	11.250	.025
			-----
			\$.100
			=====
01/01/95	\$14.750	\$10.750	\$.135
04/02/95	14.625	10.375	.135
07/02/95	11.875	9.000	.025
10/01/95	14.125	10.375	.025
			-----
			\$.320
			=====

</TABLE>

As of September 29, 1996, the following indicates the number of holders of record of equity securities:

<TABLE>  
<CAPTION>

Title of Class	Number of Record Holders
-----	-----
<S>	<C>
Common Stock	2,984

</TABLE>

Item 6. Selected Financial Data.

See following page.

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SAVANNAH FOODS & INDUSTRIES, INC.  
Summary of Operations

(In Thousands except for per share amounts and ratios)

<TABLE>  
<CAPTION>

	Fiscal Period Ended				
	September 29, 1996	October 1, 1995	October 2, 1994	October 3, 1993 (1)	January 3, 1993
<S>	<C>	<C>	<C>	<C>	<C>
OPERATIONS FOR THE FISCAL PERIOD					
Net sales.....	\$1,146,332	\$1,098,544	\$1,074,367	\$ 818,116	\$1,138,114
Income from operations.....	21,799	7,401	19,432	11,839	49,143
Income (loss) before change in accounting principle and extraordinary item.....	6,943	(3,493)	5,743	1,986	27,340
Net income (loss) (2).....	5,972	(3,493)	5,743	2,586	9,170
Other income statement information -					
Depreciation and amortization expense.....	27,994	28,314	28,972	19,362	23,705
Interest expense.....	12,355	14,847	13,380	10,226	10,526
Provision for (benefit from) income taxes.....	2,738	(2,585)	2,863	1,155	13,628
Cash dividends declared.....	2,624	8,396	14,169	10,627	13,890
Capital expenditures (3).....	7,916	17,303	22,218	39,877	45,301
FINANCIAL POSITION AT THE END OF THE FISCAL PERIOD					
Current assets.....	\$ 180,552	\$ 197,802	\$ 198,880	\$ 269,990	\$ 371,387
Current liabilities.....	85,946	114,740	85,140	154,760	233,519
Working capital.....	94,606	83,062	113,740	115,230	137,868
Property, plant and equipment - gross.....	406,729	436,991	421,312	407,924	355,435
Accumulated depreciation.....	220,183	206,100	180,810	159,111	129,306
Total assets.....	398,261	476,507	486,127	567,852	635,755
Long-term debt.....	59,754	106,864	140,224	142,078	126,464
Stockholders' equity.....	173,727	169,649	188,174	194,714	210,620

PER SHARE					
Weighted average shares outstanding.....	26,238	26,238	26,238	26,238	26,491
Shares outstanding at end of fiscal period.....	26,238	26,238	26,238	26,238	26,238
Income (loss) per weighted average share outstanding -					
Income (loss) before change in accounting principal and extraordinary item.....	\$ 0.27	\$ (0.13)	\$ 0.22	\$ 0.08	\$ 1.03
Net income (loss).....	0.23	(0.13)	0.22	0.10	0.35
Dividends declared per share.....	0.10	0.32	0.54	0.405	0.525
Stockholders' equity per share (4).....	6.62	6.47	7.17	7.42	8.03

RATIOS					
Current assets divided by current liabilities.....	2.10	1.72	2.34	1.74	1.59
Long-term debt divided by long-term debt and stockholders' equity.....	25.6%	38.6%	42.7%	42.2%	37.5%
Provision for (benefit from) income taxes divided by pre-tax income (loss).....	28.3%	42.5%	33.3%	33.8%	33.3%

</TABLE>

- (1) During the fiscal period ended October 3, 1993, the Company changed its year end from the Sunday closest to December 31 to the Sunday closest to September 30. As a result, the fiscal period ended October 3, 1993 represents a 39 week period.
- (2) The Company recorded an extraordinary item for penalties incurred on the prepayment of long-term debt during the fiscal period ended September 29, 1996. For more information, see Note 5 to the accompanying consolidated financial statements. The Company adopted FAS 109, "Accounting for Income Taxes" during the fiscal period ended October 3, 1993 and adopted FAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" during the fiscal period ended January 3, 1993.
- (3) Includes acquisition of Reckitt & Colman, Inc. fixed assets in January 1995 totalling \$1,000,000, and King Packaging Company, Inc. fixed assets in July 1993 totalling \$4,757,000.
- (4) Based on shares outstanding at end of fiscal period.

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

Fiscal 1996 Highlights:

During 1996, the Company recorded an impairment loss and other costs of \$13,654,000 against "Income from operations" as discussed in Notes 2 and 11 and to the consolidated financial statements. The majority of this amount was the impairment loss of \$10,280,000 on a facility the Company cannot operate profitably due to a shortage of sugarbeets and molasses. The Company also recorded an extraordinary after-tax charge in 1996 of \$971,000 related to the prepayment of debt. These charges had a significant one-time negative impact on the Company's net income.

Regarding the Company's financial position and operating results, the management of Savannah Foods has been aggressively executing the following steps.

Improving asset efficiency and strengthening the balance sheet -

During 1996, the Company used its cash provided by operations and the cash generated by the items mentioned below to reduce total long-term debt from \$113,164,000 at the end of 1995 to \$61,924,000 at the end of 1996. Management has been concentrating on reducing working capital, selling non-operating and under-performing operating assets, and reinvesting in its business to increase the Company's value-added products. In this regard, the Company sold Raceland Sugars, Inc. in 1996 for \$12,500,000, reduced operating working capital (working capital, excluding cash and interest bearing debt) by \$11,112,000 from the end of 1995 to the end of 1996, surrendered company owned life insurance for \$13,869,000, and reinvested in its business \$7,916,000 of the \$27,994,000 depreciation and amortization recorded in 1996.

In addition, the Company established a Benefit Trust as discussed in Note 7 with 2,500,000 shares of treasury stock to enhance the Company's financial flexibility to provide funds to satisfy its obligations under various employee benefit plans and agreements.

Streamlining the Company's cost structure -

Management is committed to maintaining its roughly 20% share of the U.S. sugar market. To do this, the Company must remain competitive by eliminating costs which are not necessary to serve its customers.

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The debt reduction discussed above reduced interest expense in 1996 as compared to 1995 by \$2,492,000. Additionally, during 1996 the Company reduced costs by \$8,500,000 and took actions that are expected to reduce costs by an additional \$11,500,000 in 1997. Major actions taken in 1996 were a reduction in sugar production costs of \$2,650,000 compared to 1995; the sale of the Company's plane and other reductions in travel expenses which saved \$960,000 in 1996 as compared to 1995; and a reduction in headcount of 109 people, or 5%.

During 1996, the Company also modified retirement plans as discussed in Notes 8 and 9 which reduced the projected benefit obligation of its pension and SERP plans by a present value of \$6,698,000 and froze the Company's compensation deferral plans.

Results of Operations:

Fiscal 1996 compared to fiscal 1995

The Company's net income for fiscal 1996 was \$5,972,000, or \$.23 per share, on sales of \$1,146,332,000, compared to a net loss (\$3,493,000), or (\$.13) per share, on sales of \$1,098,544,000 for fiscal 1995. Fiscal 1996 net income includes an after-tax extraordinary charge of \$971,000, or \$.04 per share, for the prepayment of long-term debt. Domestic sugar sales volumes increased 5% over fiscal 1995, but overall sugar sales volume was flat as export volume decreased significantly from fiscal 1995. Domestic sugar sales prices increased 4% and average raw sugar costs decreased 2%.

Fiscal 1996 income from operations includes three significant transactions which affect the comparability between fiscal 1996 and fiscal 1995. First, in the first quarter of 1996, the Company sold its plane resulting in a gain of \$2,289,000. Second, in the second quarter of fiscal 1996, the Company sold the property, plant and equipment and certain other assets of Raceland Sugars, Inc., its raw sugar mill subsidiary, for \$12,500,000 cash and recognized a loss on the sale of \$3,800,000. This amount is included in the caption "Other costs" in the accompanying Consolidated Statement of Operations. After liquidation of the inventories and other working capital accounts, the Company received net proceeds of approximately \$15,000,000 on the sale of Raceland. Third, in accordance with Statement of Financial Accounting Standards No. 121 - Accounting for the Impairment of Long-Lived Assets and for Assets to be Disposed Of, the Company recorded a non-cash charge in the fourth quarter of 1996 of \$10,280,000 (\$6,476,000, or \$.25 per share, net of tax) for the impairment of long-lived assets located at the Company's Fremont, Ohio beet sugar manufacturing facility. A decision was made not to run the Fremont facility during fiscal 1997 due to a lack of a viable supply

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of sugarbeets and molasses. Future operation of the facility is dependent on an adequate supply of sugarbeets and molasses. However, the projected future cash flows from this facility are less than the carrying value of the assets; therefore, an impairment loss has been recognized. These amounts are included in the caption "Impairment of long-lived assets" in the accompanying Consolidated Statement of Operations.

Fiscal 1996 income from operations before the above transactions was \$33,590,000, up \$26,189,000 from fiscal 1995. The large increase resulted from smaller domestic beet sugar production of 3.9 million tons in fiscal 1996

compared to 4.5 million tons in fiscal 1995. The reduction in beet sugar improved refined sugar selling prices and, therefore, the Company's profitability. Additionally, average raw sugar costs have decreased from fiscal 1995 which has also increased profitability.

The Company's cane sugar divisions experienced significant domestic volume and margin increases over fiscal 1995 as the reduced domestic beet crop and increased sugar consumption provided more sales opportunities for cane refiners.

The Company's beet sugar division benefited from the higher refined sales prices, but reported much lower operating profit due to significantly reduced sugar production. The sugarbeet crop was smaller and of lesser quality due to poor growing conditions and an insect infestation.

Selling, general and administrative expenses decreased \$1,199,000 in fiscal 1996 from fiscal 1995 despite a \$1,177,000 increase in advertising costs related to the Company's new products.

Interest expense decreased compared to fiscal 1995 as a result of lower long-term debt levels throughout the year resulting from the prepayment of the Senior Notes.

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 - Accounting for Stock-Based Compensation, which the Company is required to adopt next fiscal year. Management has not decided whether the Company will adopt the accounting requirements or the alternative disclosure requirements. Management does not expect this statement to have a material impact on the Company's results of operations.

Management expects that fiscal 1997 will be a good year for the Company because refined sugar sales margins and volumes are expected to be higher than in fiscal 1996.

#### Fiscal 1995 compared to fiscal 1994

The Company's results of operations for the fiscal year ended October 1, 1995 was a net loss of (\$3,493,000), or (\$.13) per share, on sales of \$1,098,544,000, compared to income of \$5,743,000, or \$.22 per share, on sales of \$1,074,367,000 for the fiscal year ended October 2, 1994. Sugar sales volume was flat compared to fiscal 1994 while sugar sales prices increased slightly. Average raw sugar costs increased dramatically in fiscal 1995, from \$22.07 per cwt. in fiscal 1994, to \$23.03 per cwt. in fiscal 1995. Raw sugar shortages in the summer of 1995 pushed raw sugar costs as high as \$25.70 per cwt. in late July 1995.

This rise in raw sugar costs primarily affected the cane refining divisions which, as a result, reported an operating loss for fiscal 1995. Focused selling of higher value-added sugar and non-sugar products, along with lower operating costs, helped somewhat offset the higher raw sugar costs. The cane refining division's loss also included a \$1,615,000 charge for the settlement of litigation, a \$1,472,000 charge for a workforce reduction, and a \$1,197,000 charge related to capital projects which were not pursued because of changing business circumstances. Fiscal 1994 also included a \$2,950,000 charge for the same litigation referenced above.

The beet sugar division's sales volume decreased 3% in fiscal 1995 due to marketing allotments imposed by the U. S. Department of Agriculture which restricted the amount of sugar sold. However, higher sugar content in the beets resulted in lower processing costs per cwt., and operating income in this division increased substantially over fiscal 1994. Higher molasses and beet pulp prices also contributed to the increased earnings.

Selling, general and administrative expenses increased 5% in fiscal 1995 from fiscal 1994 primarily due to higher advertising and selling costs.

Interest expense increased as a result of higher interest rates on short-term borrowings for working capital.

## Liquidity and Capital Resources:

The Company maintains revolving credit facilities, as discussed below, to provide liquidity for short-term operating needs. The Company also has the ability to fund seasonal increases in inventory through borrowings from the Commodity Credit Corporation. These two sources of short-term funds provide ample liquidity to the Company to meet its operating cash requirements.

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During April 1996, the Company entered into a new revolving credit agreement aggregating \$120,000,000, of which \$7,500,000 was outstanding as short-term debt at year end. Under this agreement, a Standby Letter of Credit (SLC) is drawn in favor of the Senior Note lenders. The SLC is maintained at 105% of the Senior Notes outstanding and was \$26,250,000 at September 29, 1996. In connection with the execution of this agreement, the Senior Note agreement was amended to remove all of the financial ratio covenants. The remaining available balance of the revolving credit agreement of \$86,250,000 is intended to meet working capital and other cash needs as they arise. All of the \$120,000,000 of available facilities are committed through January 1, 2000. The Company also has available a \$10,000,000 discretionary line of credit with a bank.

Long-term debt, including the current portion, decreased \$51,240,000 during fiscal 1996. The debt payments were funded with the liquidation of non-current assets discussed above and cash provided by operations. Changes in debt and equity resulted in a decrease in the ratio of long-term debt to total capital from 39% to 26%.

At September 29, 1996, stockholders' equity was \$173,727,000 compared to equity at October 1, 1995, of \$169,649,000. Equity primarily increased by net income of \$5,972,000, and decreased by dividends of \$2,624,000.

Fixed asset additions of \$7,916,000 during fiscal 1996 were primarily made to upgrade and install packaging and production equipment. These projects are expected to benefit the Company through new packaging, increased efficiency, improved quality control, and expanded operational capabilities. The Company expects that expenditures for fixed assets in fiscal 1997, exclusive of any acquisitions, will approximate \$17,000,000 and that depreciation and amortization for fiscal 1997 will be lower than that of 1996 because of the asset write-downs and disposals discussed above, and should approximate \$23,000,000.

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## Item 8. Financial Statements and Supplementary Data.

(a) Financial Statements:	Page
Report of Independent Accountants	16
Consolidated Balance Sheets at September 29, 1996 and October 1, 1995	17
Consolidated Statements of Operations for the fiscal years ended September 29, 1996, October 1, 1995, and October 2, 1994	18
Consolidated Statements of Changes in Stockholders' Equity for the fiscal years ended September 29, 1996, October 1, 1995, and October 2, 1994	19
Consolidated Statements of Cash Flows for the fiscal years ended September 29, 1996, October 1, 1995,	

- (b) Financial Statement Schedules for the fiscal years ended September 29, 1996, October 1, 1995, and October 2, 1994:

Schedules are omitted because they are not applicable, or the required information is shown in the financial statements or notes thereto.

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## Report of Independent Accountants

November 18, 1996

To the Stockholders and Board of Directors  
of Savannah Foods & Industries, Inc.

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Savannah Foods & Industries, Inc. and its subsidiaries at September 29, 1996 and October 1, 1995, and the results of their operations and their cash flows for the fifty-two weeks ended September 29, 1996, October 1, 1995 and October 2, 1994, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP  
Atlanta, Georgia

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SAVANNAH FOODS & INDUSTRIES, INC.  
Consolidated Balance Sheets  
(In thousands except for shares and per share amounts)

<TABLE>  
<CAPTION>

	September 29, 1996	October 1, 1995
	-----	-----
Assets		
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 15,300	\$ 11,574
Accounts receivable	76,109	66,991
Inventories (net of LIFO reserve of \$8,018 in 1996 and \$10,460 in 1995) (Note 3)	83,929	103,121
Other current assets	5,214	16,116
	-----	-----
Total current assets	180,552	197,802
Property, plant and equipment (Note 4)	186,546	230,891
Other assets	31,163	47,814
	-----	-----

	\$ 398,261	\$ 476,507
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term borrowings (Note 5)	\$ 7,500	\$ 22,300
Current portion of long-term debt (Note 5)	2,170	6,300
Trade accounts payable	52,701	63,259
Other liabilities and accrued expenses	23,575	22,881
	-----	-----
Total current liabilities	85,946	114,740
	-----	-----
Long-term debt (Note 5)	59,754	106,864
	-----	-----
Deferred employee benefits	78,834	85,254
	-----	-----
Stockholders' equity (Note 7):		
Common stock \$.25 par value; \$.55 stated value;		
64,000,000 shares authorized; 31,306,800 shares issued	17,365	17,365
Capital in excess of stated value	31,764	12,190
Retained earnings	193,524	190,176
Treasury stock, at cost (2,568,604 shares in 1996 and		
5,068,604 shares in 1995)	(15,849)	(31,275)
Minimum pension liability adjustment	(14,038)	(14,842)
Stock held by benefit trust, at market (2,500,000 shares		
in 1996)	(35,000)	-
Other	(4,039)	(3,965)
	-----	-----
Total stockholders' equity	173,727	169,649
	-----	-----
Commitments and contingencies (Note 10)	-	-
	-----	-----
	\$ 398,261	\$ 476,507
	=====	=====

</TABLE>

(The accompanying notes are an integral part of the consolidated financial statements.)

SAVANNAH FOODS & INDUSTRIES, INC.  
Consolidated Statements of Operations  
(In thousands except for shares and per share amounts)

<TABLE>

<CAPTION>

	Fiscal Year Ended		
	September 29, 1996	October 1, 1995	October 2, 1994
	-----	-----	-----
<S>	<C>	<C>	<C>
Net sales	\$ 1,146,332	\$ 1,098,544	\$ 1,074,367
	-----	-----	-----
Operating expenses:			
Cost of sales and operating expenses	1,028,218	1,002,679	969,621
Selling, general and			
administrative expenses	54,667	55,866	53,392
Depreciation and amortization	27,994	28,314	28,972
Impairment of long-lived assets (Note 2)	10,280	-	-
Other costs (Note 11)	3,374	4,284	2,950
	-----	-----	-----
	1,124,533	1,091,143	1,054,935
	-----	-----	-----
Income from operations	21,799	7,401	19,432
	-----	-----	-----
Other income and (expenses):			
Interest and other investment income	847	1,258	2,170
Interest expense	(12,355)	(14,847)	(13,380)

Other income (expense)	(610)	110	384
	(12,118)	(13,479)	(10,826)
Income (loss) before income taxes and extraordinary item	9,681	(6,078)	8,606
Provision for (benefit from) income taxes (Note 6)	2,738	(2,585)	2,863
Income (loss) before extraordinary item	6,943	(3,493)	5,743
Extraordinary item, net of tax (Note 5)	(971)	-	-
Net income (loss)	\$ 5,972	\$ (3,493)	\$ 5,743
Per share:			
Income (loss) before extraordinary item	\$ 0.27	\$ (0.13)	\$ 0.22
Extraordinary item (Note 5)	(0.04)	-	-
Net income (loss)	\$ 0.23	\$ (0.13)	\$ 0.22
Dividends	\$ 0.10	\$ 0.32	\$ 0.54
Weighted average shares outstanding	26,238,196	26,238,196	26,238,196

</TABLE>

(The accompanying notes are an integral part of the consolidated financial statements.)

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SAVANNAH FOODS & INDUSTRIES, INC.  
Consolidated Statements of Changes in Stockholders' Equity  
(In thousands)

<TABLE>

<CAPTION>

	Common Stock	Capital in Excess of Stated Value	Retained Earnings	Treasury Stock	Minimum Pension Liability Adjustment	Stock Held By Benefit Trust	Other	Total
Balance at October 3, 1993	\$ 17,365	\$ 12,190	\$ 210,491	\$ (31,275)	\$ (9,453)	\$ -	\$ (4,604)	\$ 194,714
Net income			5,743					5,743
Cash dividends declared			(14,169)					(14,169)
Decrease in minimum pension liability adjustment					1,243			1,243
Decrease in note receivable from employee stock ownership plan							643	643
Balance at October 2, 1994	17,365	12,190	202,065	(31,275)	(8,210)	-	(3,961)	188,174
Net loss			(3,493)					(3,493)
Cash dividends declared			(8,396)					(8,396)
Increase in minimum pension liability adjustment					(6,632)			(6,632)
Increase in cumulative translation adjustment							(425)	(425)
Decrease in note receivable from employee stock ownership plan							421	421
Balance at October 1, 1995	17,365	12,190	190,176	(31,275)	(14,842)	-	(3,965)	169,649
Net income			5,972					5,972
Cash dividends declared			(2,624)					(2,624)

Decrease in minimum pension liability adjustment					804			804
Establish benefit trust with treasury stock (Note 7)	11,449		15,426		(26,875)			-
Increase in fair market value of stock held by benefit trust (Note 7)	8,125				(8,125)			-
Increase in cumulative translation adjustment							(74)	(74)
Balance at September 29, 1996	\$ 17,365	\$ 31,764	\$ 193,524	\$ (15,849)	\$ (14,038)	\$ (35,000)	\$ (4,039)	\$ 173,727

</TABLE>

(The accompanying notes are an integral part of the consolidated financial statements.)

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SAVANNAH FOODS & INDUSTRIES, INC.  
Consolidated Statements of Cash Flows  
(In thousands)

<TABLE>  
<CAPTION>

	Fiscal Year Ended		
	September 29, 1996	October 1, 1995	October 2, 1994
<S>	<C>	<C>	<C>
Cash flows from operations:			
Net income (loss)	\$ 5,972	\$ (3,493)	\$ 5,743
Adjustments to reconcile net income (loss) to net cash provided by operations -			
Depreciation and amortization	27,994	28,314	28,972
Impairment of long-lived assets (Note 2)	10,280	-	-
Extraordinary item, net of tax, related to financing activities	971	-	-
Provision for deferred income taxes	(5,173)	(207)	(5,283)
Net loss on disposal of assets	2,595	674	460
Decreases (increases) in working capital -			
Accounts receivable	(9,118)	8,785	11,254
Inventories	20,565	(17,781)	60,299
Other current assets	7,924	(6,952)	2,657
Trade accounts payable	(10,558)	6,306	(49,457)
Other liabilities and accrued expenses	1,110	(777)	3,373
Other	(2,713)	1,122	1,431
Cash provided by operations	49,849	15,991	59,449
Cash flows from investing activities:			
Additions to property, plant and equipment	(7,916)	(16,303)	(22,218)
Proceeds from sale of property, plant and equipment	2,538	784	3,309
Sale of investments	13,869	3,615	18,559
Business sales and (acquisitions)	12,500	(7,050)	-
Use of escrowed industrial revenue bond funds for additions to property, plant and equipment	3,253	-	3,669
Other	(182)	(2,182)	(2,930)
Cash provided by (used for) investing activities	24,062	(21,136)	389
Cash flows from financing activities:			
(Decrease) increase in short-term borrowings	(14,800)	22,300	(26,300)
Payments of long-term debt	(51,240)	(28,703)	(2,632)
Debt prepayment charge, net of tax	(971)	-	-
Liquidation of unused industrial revenue bond escrow balances	-	5,742	-
Dividends paid	(3,280)	(11,282)	(10,627)
Other	106	226	676

Cash used for financing activities	(70,185)	(11,717)	(38,883)
	-----	-----	-----
Cash flows for year	3,726	(16,862)	20,955
Cash and cash equivalents, beginning of year	11,574	28,436	7,481
	-----	-----	-----
Cash and cash equivalents, end of year	\$ 15,300	\$ 11,574	\$ 28,436
	=====	=====	=====

</TABLE>

(The accompanying notes are an integral part of the consolidated financial statements.)

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SAVANNAH FOODS & INDUSTRIES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies:

Nature of operations - The Company is engaged in the production, marketing and distribution of food products, primarily refined sugar. The Company produces a complete line of bulk and liquid sugars, packaged sugar, sugar envelopes and sugar products, including edible molasses and liquid animal feeds. The Company also packages and distributes other products such as custom made meal kits, salt, pepper, artificial sweetener, non-dairy creamer and certain other products which complement its sugar business. Industrial and grocery markets served by the Company are the southeastern, midwestern and eastern parts of the United States, as well as Louisiana and Texas. Products for the foodservice market are distributed throughout the United States. The Company has one primary business segment - Sugar Products.

Fiscal year - The Company's fiscal year ends on the Sunday closest to September 30. Fiscal 1996, 1995 and 1994 each included 52 weeks.

Principles of consolidation - The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Business entities in which the Company owns 50% or less are accounted for using the equity method.

Cash and cash equivalents - Cash and cash equivalents include all investments purchased with an original maturity of 90 days or less which have virtually no risk of loss of the principal value of the investment.

Inventories - Inventories are valued at the lower of cost or market. Cost is determined by the last-in, first-out (LIFO) method for sugar, packaging materials, and certain other items. Costs for maintenance parts and other non-sugar products are determined using the first-in, first-out (FIFO) and moving average methods.

Futures transactions and interest rate swaps - The Company uses futures, options and interest rate swaps as hedges in its inventory purchasing and cash management programs. Gains and losses on such transactions related to inventory are matched to specific inventory purchases and charged or credited to cost of sales as such inventory is sold. The net cash paid or received on interest rate swaps is included in interest expense.

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Amortization of intangibles - The Company has intangible assets included in "Other assets" aggregating \$9,529,000 and \$11,912,000 at September 29, 1996 and October 1, 1995, respectively. Goodwill of \$5,378,000 at September 29, 1996, and \$5,781,000 at October 1, 1995, is being amortized over fifteen years on a straight-line basis, and other intangible assets are being amortized over five years on a straight-line basis. Amortization expense was \$2,341,000, \$2,169,000 and \$2,617,000 for fiscal 1996, 1995 and 1994, respectively.

Property, plant and equipment - Property, plant and equipment is valued at cost, less accumulated depreciation and amortization. For financial reporting purposes, depreciation is computed on the straight-line method over the

estimated useful lives of the assets. In general, buildings are depreciated over 20 years, machinery and equipment over 3 to 15 years and leasehold improvements over 10 years.

Accrued expenses related to beet operations - The Company's beet processing plants are generally operated from October through February and then, from March through September, are repaired for the next processing cycle. As sugar is processed from October through February, the Company accrues estimated repair costs and other costs to be incurred in March through September and includes such costs in inventory and, as the sugar is sold, in cost of sales. In contrast, certain other sugarbeet processors capitalize such costs and include them as prepaid expenses related to the next processing cycle.

Fair value of financial instruments - For cash, cash equivalents, accounts receivable, trade accounts payable, other liabilities and accrued expenses and short-term borrowings, the carrying amounts approximate fair value because of the short maturities of these instruments.

Revenue recognition - The Company recognizes revenue as product is shipped.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications - Certain prior year amounts have been reclassified to conform to current year presentation.

Note 2 - Impairment Loss:

In the fourth quarter of fiscal 1996, the Company recorded a non-cash impairment loss of \$10,280,000 (\$6,476,000, or \$.25 per share, net of tax) related to a write-down of the property, plant and equipment of the Company's Fremont, Ohio beet sugar facility. A decision was made in 1996 not to run the Fremont facility during fiscal 1997 due to the lack of a viable supply of sugarbeets and beet molasses. As a result, the projected future cash flows from this facility are less than the carrying value of the assets; therefore, an impairment loss has been recognized. The impaired assets include buildings and machinery and equipment used to manufacture, ship, and store refined sugar and its by-products. These assets were written down to their fair value based on the salvage value of the assets. The recognition of this impairment was in accordance with the provisions of Statement of Financial Accounting Standards No. 121 - Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of and is not materially different than the amount that would have been recognized under the Company's previous policies.

Note 3 - Inventories:

A summary of inventories by method of pricing and class is as follows:

<TABLE>  
<CAPTION>

	September 29, 1996	October 1, 1995
	-----	-----
	(In thousands)	
<S>	<C>	<C>
Last-in, first-out	\$35,311	\$ 64,642
First-in, first-out	9,682	9,807
Moving average	29,462	28,672
Specific identification	9,474	-
	-----	-----
	\$83,929	\$103,121
	=====	=====
Raw materials and work-in-process	\$17,693	\$ 46,533
Packaging materials, parts and supplies	20,713	26,245
Finished goods	36,049	30,343
Payments related to future inventory		

purchases	9,474	-
	-----	-----
	\$83,929	\$103,121
	=====	=====

</TABLE>

The replacement cost of inventories exceeded reported cost by approximately \$8,233,000 at September 29, 1996 and \$11,101,000 at October 1, 1995. In fiscal 1994 there was a LIFO liquidation which decreased cost of goods sold by \$1,762,000 and increased net income by \$1,097,000, or \$.04 per share.

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Note 4 - Property, Plant and Equipment:

Property, plant and equipment is summarized as follows:

<TABLE>  
<CAPTION>

	September 29, 1996	October 1, 1995
	-----	-----
	(In thousands)	
<S>	<C>	<C>
Land	\$ 7,498	\$ 8,143
Buildings	89,194	94,670
Machinery and equipment	305,717	326,842
Leasehold improvements	1,201	1,201
Projects-in-process	3,119	6,135
	-----	-----
	406,729	436,991
Less -		
Accumulated depreciation and amortization	(220,183)	(206,100)
	-----	-----
	\$186,546	\$230,891
	=====	=====

</TABLE>

Repairs and maintenance expense was \$31,699,000, \$35,241,000 and \$31,584,000 for fiscal 1996, 1995 and 1994, respectively.

Note 5 - Long-term Debt, Credit Arrangements and Leases:

Long-term debt is summarized as follows:

<TABLE>  
<CAPTION>

	September 29, 1996	October 1, 1995
	-----	-----
	(In thousands)	
<S>	<C>	<C>
Senior Notes - Series A at 8.35% of \$19,941 and \$47,857, respectively, and Series B at 7.15% of \$5,059 and \$12,143, respectively	\$25,000	\$ 60,000
Long-term debt supported by revolving credit facilities with banks	-	10,000
Notes payable to banks related to the ESOP	9,815	14,100
Industrial revenue bonds	22,500	22,500
Other long-term debt	4,609	6,564
	-----	-----
	61,924	113,164
Less - Current portion	(2,170)	(6,300)
	-----	-----
	\$59,754	\$106,864
	=====	=====

</TABLE>

The Company elected to prepay \$35,000,000 of the Senior Notes in 1996.

The Company incurred \$971,000 (net of \$570,000 income tax benefits), or \$.04 per share, of related prepayment penalties which are reflected as an extraordinary item in the Consolidated Statement of Operations.

The remaining Senior Notes are payable in amounts of \$8,750,000 in fiscal 1999, \$14,792,000 in fiscal 2000, and \$1,458,000 in fiscal 2001. The market value of this \$25,000,000 fixed rate long-term debt at September 29, 1996 is approximately \$26,301,000 based on interest rates at that date.

At September 29, 1996, the Company had \$9,815,000 in notes payable related to the Employee Stock Ownership Plan (ESOP) and \$22,500,000 of industrial revenue bonds. These notes and bonds carry tax-advantaged variable rates of interest equal to approximately 4.99% in 1996. The ESOP loans are payable as follows: \$6,215,000 in fiscal 1998 and \$3,600,000 payable in fiscal 1999 through fiscal 2001. The \$22,500,000 industrial revenue bonds are payable as follows: \$4,500,000 in 2000; \$4,500,000 in 2001; \$6,000,000 in \$1,000,000 annual installments in 2002 through 2007; \$3,500,000 in 2004; \$2,500,000 in \$500,000 installments from 2001 through 2005; and \$1,500,000 due in 2017. These bonds are secured by financing statements on project-related equipment, the cost of which approximates the bond amounts.

On April 1, 1996, the Company entered into a \$120,000,000 revolving credit facility which expires on January 1, 2000, and automatically extends by one year on each anniversary date of the agreement. In general, this facility enables the Company to borrow funds at LIBOR plus 1/2% to 3/4%, depending upon achievement of specified financial targets. The Company pays an annualized facility fee of 1/10% and an annualized fee of 1/10% of the unused portion of the facility. At September 29, 1996, \$7,500,000 was outstanding as short-term debt. The Company has a Standby Letter of Credit (SLC) in favor of the Senior Note lenders drawn under the revolving credit agreement. The SLC is maintained at 105% of the Senior Notes outstanding and was \$26,250,000 at September 29, 1996. In connection with the execution of this agreement, the Senior Note agreement was amended to remove all of the financial ratio covenants. As of September 29, 1996 the Company was in compliance with all of its debt covenants.

Short-term borrowings, including borrowings under the Company's revolving credit facilities which were for temporary working capital needs, are summarized as follows:

<TABLE>  
<CAPTION>

	Fiscal Year Ended		
	September 29, 1996	October 1, 1995	October 2, 1994
	(In thousands)		
<S>	<C>	<C>	<C>
Daily average outstanding borrowings	\$39,004	\$31,373	\$27,953
Daily weighted average interest rate	5.66%	6.29%	3.82%
Maximum borrowings	\$71,980	\$68,500	\$62,300
Amount outstanding at year-end	\$ 7,500	\$22,300	\$ -

</TABLE>

The Company uses interest rate exchange agreements, more commonly called interest rate swaps, to manage its interest rate exposure. Swaps were entered into to fix the interest rate on variable debt at rates which the Company considered attractive at the time the agreements were consummated. When the Company entered into these agreements, it compared its anticipated interest costs to other long-term borrowing sources such as private placements and other fixed rate borrowing options. The notional amounts of swaps outstanding at September 29, 1996 and October 1, 1995 were \$30,000,000 and \$50,000,000, respectively. The fixed rates of interest for swaps outstanding during fiscal 1996 and 1995 were 8.66% and 8.52%, respectively. These swaps expire from December 1997 to February 1998. The effective fixed rate of swapped debt instruments during fiscal 1996 and 1995 was 7.76% and 8.00%, respectively. Accordingly, the Company has realized its desired objectives in the use of these financing instruments. If the Company had canceled these agreements as of September 29, 1996, it would have been required to pay the counter-parties to the agreements an aggregate amount of \$1,342,000.

The Company has also entered into forward swap agreements for periods ranging from 1998 to 2004 which fix the rate on debt as follows: \$20,000,000 in 1998-1999, \$30,000,000 in 2000, \$50,000,000 in 2001, \$90,000,000 in 2002 and \$80,000,000 in 2003-2004. The Company entered into these agreements to fix the rate on variable rated debt intended to be borrowed during this time period. The swaps require the Company to pay fixed rates ranging from 6.5% to 7.0% against 90 day LIBOR. These transactions were entered into to protect the Company against interest rate increases and to fix future interest rates at rates the Company considers attractive. If the Company had canceled these agreements as of September 29, 1996, it would have received from the counter-parties to the agreements an aggregate amount of \$734,000.

Interest expense was \$12,355,000 in fiscal 1996, \$14,847,000 in fiscal 1995, and \$13,380,000 in fiscal 1994. Cash payments of interest were \$12,945,000 in fiscal 1996, \$13,620,000 in fiscal 1995, and \$12,321,000 in fiscal 1994.

Annual maturities of long-term debt each year for the next five fiscal years are \$2,170,000 in 1997, \$7,894,000 in 1998, \$9,440,000 in 1999, \$19,982,000 in 2000, \$9,248,000 in 2001, and \$13,190,000 in subsequent years through 2017.

Lease expense related to operating leases aggregated \$2,081,000, \$1,552,000, and \$1,887,000 in fiscal 1996, 1995 and 1994, respectively. Lease commitments on operating leases exceeding one year for fiscal 1997, 1998, 1999, 2000 and 2001 are \$1,265,000, \$1,245,000, \$837,000, \$802,000 and \$564,000, respectively.

#### Note 6 - Income Taxes:

Pre-tax income for all years presented was taxed exclusively in the United States. The provision for (benefit from) income taxes is comprised of the following:

<TABLE>  
<CAPTION>

	Fiscal Year Ended		
	September 29, 1996	October 1, 1995	October 2, 1994
		(In thousands)	
<S>	<C>	<C>	<C>
Current federal	\$6,092	\$ (1,515)	\$8,071
Current state	1,249	(863)	75
Deferred federal	(4,357)	(271)	(4,794)
Deferred state	(816)	64	(489)
	-----	-----	-----
Provision for (benefit from) income taxes	\$2,168	\$ (2,585)	\$2,863
	=====	=====	=====
Tax effect of change in:			
Minimum pension liability adjustment	\$ 507	\$ (4,716)	\$ 720
Cumulative translation adjustment	(45)	(261)	-
	-----	-----	-----
	\$ 462	\$ (4,977)	\$ 720
	=====	=====	=====

</TABLE>

Cash payments for income taxes amounted to \$537,000, \$6,637,000 and \$7,504,000 for fiscal 1996, 1995 and 1994, respectively.

Deferred income tax assets (liabilities) are comprised of the following:

<TABLE>  
<CAPTION>

	September 29, 1996	October 1, 1995
	-----	-----
	(In thousands)	
<S>	<C>	<C>
Loss on impairment of long-lived assets	\$ 3,906	\$ -
Depreciation	(21,658)	(22,854)
Other postretirement benefits	12,565	12,316
Accrued pension liability	8,796	12,769
Deferred compensation	7,743	6,227
Tax benefit purchases	(1,143)	(2,616)
Other non-current	4,009	659
	-----	-----
Total net non-current asset	14,218	6,501
	-----	-----
Other accrued expenses	2,288	847
Inventory	(243)	(411)
Other current	980	1,226
	-----	-----
Total net current asset	3,025	1,662
	-----	-----
Net deferred asset	\$17,243	\$ 8,163
	=====	=====

</TABLE>

A reconciliation between the provision for (benefit from) income taxes and the amount computed by applying the U. S. federal income tax rate to income before income taxes and extraordinary item is as follows:

<TABLE>  
<CAPTION>

	Fiscal Year Ended		
	September 29, 1996	October 1, 1995	October 2, 1994
	-----	-----	-----
	(In thousands)		
<S>	<C>	<C>	<C>
Computed "expected" tax expense (benefit)	\$3,292	\$ (2,127)	\$3,012
Increases (reductions) in taxes resulting from:			
State income taxes, net of federal income tax benefit	224	280	(269)
Tax-free income earned	(221)	(120)	(104)
ESOP dividends	(17)	(254)	(506)
Tax rate benefit of NOL carryback	(600)	-	-
Other	60	(364)	730
	-----	-----	-----
Extraordinary item	2,738	(2,585)	2,863
	-----	-----	-----
Provision for (benefit from) income taxes	\$2,168	\$ (2,585)	\$2,863
	=====	=====	=====

</TABLE>

Note 7 - Stockholders' Equity:

The Certificate of Incorporation of the Company, as amended, authorizes a class of preferred stock to consist of up to 1,000,000 shares of \$.50 par value stock. The Board of Directors can determine the characteristics of the preferred stock without further stockholder approval.

During fiscal 1996, the Company established a Benefit Trust (the "Trust") with 2,500,000 shares of treasury stock. The Trust will enhance the Company's

financial flexibility to provide funds to satisfy its obligations under various employee benefit plans and agreements. The shares may be sold at the Company's discretion, until March 31, 2011. However, the shares do not have to be sold. Proceeds from the sales, if any, will be used to fund eligible employee benefits. The employee benefits payable from the Trust are primarily included in the \$78,834,000 "Deferred employee benefits" liability. Shares held by the Trust are not considered outstanding for earnings per share calculations until they are sold, but are considered outstanding for shareholder voting purposes. The shares are voted based upon the voting results of the shares held in the Company's Employee Stock Ownership Plan.

To record this transaction, the Company reduced "Treasury stock" by the average cost of these shares to the Company, or \$15,426,000, and the fair market value of the stock was recorded as "Stock held by benefit trust". "Capital in excess of stated value" was increased for the difference of \$11,449,000 between the cost of the shares and their fair value. Each quarter, "Stock held by benefit trust" is adjusted to the fair market value of the shares held in the Trust, and an adjustment for the same amount is made to "Capital in excess of stated value". At September 29, 1996, the market value of the stock was \$14.00 per share. Total stockholders' equity will increase as the shares are sold from the Trust.

Effective April 23, 1996, the Company entered into a one-year employment agreement with the Chairman of the Board of Directors of the Company. The employment agreement grants an option to purchase from the Company 100,000 shares of the Company's common stock at the price of \$11.00 per share. The option price coincided with the market price of the Company's common stock on the date the options were granted. The options are exercisable until April 24, 2001. None of the options have yet been exercised.

Note 8 - Pension Plans:

Substantially all employees and retirees of the Company are covered by noncontributory defined benefit pension plans. The Company also provides supplemental pension benefits to certain retired employees. The supplemental pension benefits are determined annually by the Board of Directors.

The Company's largest defined benefit plan provides employees a retirement benefit based on a percentage of their final three year average pay. Effective July 1, 1996, this percentage of final pay was

modified, and provisions to reduce pension benefits for early retirement were incorporated into this plan. These modifications, along with some other minor changes, reduced the "projected benefit obligation" at September 29, 1996 by \$3,009,000.

Benefits under the noncontributory defined benefit pension plans for bargaining employees are primarily based on years of service.

The Company's contribution policy for all pension plans is to contribute at least the minimum amount required by the Employee Retirement Income Security Act. At September 29, 1996, the assets of these plans are invested primarily in cash equivalents and commingled institutional stock and bond funds.

The following table sets forth the status of the Company's qualified defined benefit pension plans and the pertinent assumptions used in computing this information as of the end of each respective year:

<TABLE>  
<CAPTION>

	September 29, 1996	October 1, 1995
	-----	-----
	(In thousands)	
<S>	<C>	<C>
Actuarial present value of benefit obligation based on current compensation:		
Vested	\$ (80,235)	\$ (78,364)
Nonvested	(6,216)	(6,927)
	-----	-----
Accumulated benefit obligation	(86,451)	(85,291)
Increase in present value of benefit obligation to reflect projected		

compensation increases	(4,846)	(7,524)
	-----	-----
Projected benefit obligation	(91,297)	(92,815)
Plan assets at fair value	72,533	62,852
	-----	-----
Projected benefit obligation in excess of plan assets	(18,764)	(29,963)
Unrecognized prior service cost	(193)	3,386
Unrecognized net loss	29,810	31,876
Unrecognized net asset at transition	(1,276)	(2,352)
Adjustment required to recognize minimum liability	(23,495)	(25,386)
	-----	-----
Pension liability included in "Deferred employee benefits"	\$ (13,918)	\$ (22,439)
	=====	=====
Actuarial assumptions:		
Discount rate	7.5%	7.5%
Projected salary increases	4.5%	4.5%

</TABLE>

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Pension expense and the assumed rate of return on plan assets used to calculate it are summarized as follows:

<TABLE>  
<CAPTION>

	Fiscal Year Ended		
	September 29, 1996	October 1, 1995	October 2, 1994
	-----		
	(In thousands)		
<S>	<C>	<C>	<C>
Costs related to services provided by employees during the year	\$2,070	\$2,250	\$2,401
Interest cost on projected benefit obligation	6,874	6,601	6,274
Actual gain on plan assets	(5,939)	(6,390)	(1,172)
Net amortization and deferrals	659	437	(4,564)
	-----	-----	-----
Pension expense related to defined benefit plans	3,664	2,898	2,939
Supplemental pension benefits	205	190	126
	-----	-----	-----
Total pension expense	\$3,869	\$3,088	\$3,065
	=====	=====	=====

Actuarial assumption:			
Expected long-term rate of return on plan assets	9.5%	9.5%	9.5%

</TABLE>

The Company has an unqualified Supplemental Executive Retirement Plan (SERP) which it amended in 1996 by freezing the years of credited service for participants as of June 30, 1996. This modification reduced the "projected benefit obligation" at September 29, 1996 by \$3,689,000. The actuarially determined expense related to the SERP is summarized as follows:

<TABLE>  
<CAPTION>

	Fiscal Year Ended		
	September 29, 1996	October 1, 1995	October 2, 1994
	-----		
	(In thousands)		
<S>	<C>	<C>	<C>
Costs related to services provided by employees during the year	\$ 316	\$ 283	\$ 285

Interests cost on projected benefit obligation	928	912	781
Net amortization and deferrals	203	169	189
Net curtailment gain	(189)	-	-
	-----	-----	-----
Total pension expense related to SERP plan	\$1,258	\$1,364	\$1,255
	=====	=====	=====

</TABLE>

31

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The table below summarizes the status of the SERP plan and the pertinent assumptions used in computing this information at the end of each respective year:

<TABLE>  
<CAPTION>

	September 29, 1996	October 1, 1995
	-----	-----
	(In thousands)	
<S>	<C>	<C>
Actuarial present value of benefit obligation based on current compensation:		
Vested	\$ (7,770)	\$ (11,097)
Nonvested	(648)	(917)
	-----	-----
Accumulated benefit obligation	(8,418)	(12,014)
Increase in present value of benefit obligation to reflect projected compensation increases	(2,613)	(850)
	-----	-----
Projected benefit obligation	(11,031)	(12,864)
Unrecognized prior service cost	-	197
Unrecognized net loss	700	2,893
Unrecognized net obligation at transition	-	70
Adjustment required to recognize minimum liability	(273)	(2,310)
	-----	-----
Pension liability included in "Deferred employee benefits"	\$ (10,604)	\$ (12,014)
	=====	=====
Actuarial assumptions:		
Discount rate	7.5%	7.5%
Projected salary increases	4.5%	4.5%

</TABLE>

In accordance with the provisions of Statement of Financial Accounting Standards No. 87 - Employers' Accounting for Pensions, the Company has recorded an additional minimum liability at September 29, 1996 and at October 1, 1995 representing the excess of the accumulated benefit obligation over the fair value of plan assets and accrued (prepaid) pension expense for its pension and SERP plans. The additional liability has been offset by an intangible asset which is included in "Other assets" to the extent of previously unrecognized prior service cost. Amounts in excess of previously unrecognized prior service cost are recorded net of the related deferred tax benefit as a reduction of stockholders' equity of \$14,038,000 at September 29, 1996 and \$14,842,000 at October 1, 1995.

Note 9 - Other Retirement and Benefit Plans:

The Company has a deferred compensation program, which it modified in 1996. This program allowed directors and certain management employees to defer their compensation and earn a guaranteed interest rate on the deferred amounts. In effect, such amounts deferred are unsecured loans to the Company. The deferred salaries

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and interest at the market rate are accrued as incurred. Interest above the

market rate is accrued over the vesting period. The expense related to the Company's deferral plan was \$2,523,000 in 1996, \$2,320,000 in 1995, and \$1,915,000 in 1994.

The 1996 amendment terminated all additional employee deferrals effective June 30, 1996. The nonemployee directors' deferral plan was also modified to reduce the guaranteed rate of interest on amounts deferred to 8%, and then to the prime rate in effect each January 1. The effect of this amendment is estimated to have reduced the present value of the payments which ultimately will be paid to the directors under the plan by \$2,600,000.

As consideration for the reduction in the interest rate on the directors' deferred compensation, a Supplemental Share Unit Plan (the "Plan") was established for nonemployee directors. The Plan granted a number of Share Units (a Share Unit is the equivalent of one share of Company common stock) to each nonemployee director equal to one-half of the director's deferred compensation account balance as of June 30, 1996 divided by a price of \$11.00 per Share Unit. These Share Units fully vested on June 30, 1996 and the value of each unit is adjusted upward or downward based on the highest daily closing price of the Company's common stock during the preceding twelve month period. At retirement from the Board of Directors, each nonemployee director will receive, in cash, the value of the Share Units in their deferral account. During 1996, the Company expensed \$1,563,000 related to this plan. Future expenses related to this plan will only be incurred as the Company's stock price increases.

The Company has included in "Deferred employee benefits" \$20,524,000 at September 29, 1996 and \$17,694,000 at October 1, 1995 to reflect its liability under its deferred compensation programs. Payments required to be made to participants in these programs for the next five fiscal years are approximately \$1,460,000 in 1997, \$1,460,000 in 1998, \$1,555,000 in 1999, \$1,878,000 in 2000 and \$2,706,000 in 2001.

The Company sponsors 401(k) plans in which substantially all non-bargaining employees and certain bargaining unit employees are eligible to participate. These plans allow eligible employees to save a portion of their salary on a pre-tax basis. The Company makes monthly contributions to these plans which aggregated \$449,000, \$437,000 and \$408,000 in fiscal 1996, 1995 and 1994, respectively.

The Company also sponsors benefit plans that provide postretirement health care and life insurance benefits to certain employees who meet the applicable eligibility requirements. The cost of postretirement health care and life insurance benefits is summarized as follows:

<TABLE>  
<CAPTION>

	Fiscal Year Ended		
	September 29, 1996	October 1, 1995	October 2, 1994
	(In thousands)		
<S>	<C>	<C>	<C>
Costs related to services provided by employees during the year	\$ 520	\$ 476	\$ 669
Interest cost on accumulated benefit obligation	2,408	2,447	2,369
Total postretirement benefit expense	\$2,928	\$2,923	\$3,038
	=====	=====	=====

</TABLE>

The actuarial and recorded liabilities for these postretirement benefits, none of which have been funded, and the pertinent assumptions used to compute this information are as follows:

<TABLE>  
<CAPTION>

	September 29, 1996	October 1, 1995
	-----	-----

	(In thousands)	
<S>	<C>	<C>
Accumulated postretirement benefit obligation:		
Retirees	\$ (20,594)	\$ (20,473)
Active participants	(11,865)	(11,634)
	-----	-----
Accumulated benefit obligation	(32,459)	(32,107)
Unrecognized net gain	(1,329)	(1,000)
	-----	-----
Accrued postretirement benefit obligation included in "Deferred employee benefits"	\$ (33,788)	\$ (33,107)
	=====	=====
Actuarial assumptions:		
Discount rate	7.5%	7.5%
Health care cost trend rate -		
Fiscal 1996	-	7.5%
Fiscal 1997 - 1999	7.5%	7.5%
Fiscal 2000 - 2004	6.0%	6.0%
Thereafter	5.0%	5.0%

</TABLE>

Increasing the health care cost trend rate assumption by one percentage point would have increased the accumulated postretirement benefit obligation as of September 29, 1996 by approximately \$1,983,000 and would have increased postretirement benefit expense by approximately \$221,000 in fiscal 1996.

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The Company also sponsors an Employee Stock Ownership Plan (ESOP). Substantially all non-bargaining employees participate and receive shares in their account at the discretion of the Board of Directors. Expenses related to this plan have been immaterial in 1996, 1995, and 1994.

Note 10 - Commitments and Contingencies:

The Company has contracted for the purchase of a substantial portion of its future raw sugar requirements. Prices to be paid for raw sugar under these contracts are based in some cases on market prices during the anticipated delivery month. In other cases prices are fixed and, in these instances, the Company generally obtains commitments from its customers to buy the sugar prior to fixing the price, or enters into futures transactions to hedge the commitment.

The Company is exposed to loss in the event of non-performance by the other party to the interest rate swap agreements discussed in Note 5. However, the Company does not anticipate non-performance by the counter-parties to the transactions.

As of the end of fiscal 1996, approximately \$2,500,000 of a claim by the United States Customs Service (Customs) remains unresolved. Customs has alleged that drawback claims prepared by the Company for certain export shipments of sugar during the years 1984 to 1988 are technically and/or substantively deficient and that the Company, therefore, is not entitled to amounts previously received under these drawback claims. The Company disputes Customs' findings and has been vigorously protesting this matter with Customs. The ultimate resolution of this matter is not expected to have a materially adverse effect on the Company's financial position or results of operations.

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Note 11 - Quarterly Financial Information (Unaudited):

Unaudited quarterly financial information for fiscal 1996 and 1995 is as follows:

<TABLE>  
<CAPTION>

	First Quarter -----	Second Quarter -----	Third Quarter -----	Fourth Quarter -----
(In thousands except for per share amounts)				
Fiscal 1996				
<S>	<C>	<C>	<C>	<C>
Net sales	\$304,409	\$250,804	\$287,462	\$303,657
Gross profit	27,937	24,951	31,151	34,075
Impairment loss	-	-	-	(10,280)
Other costs	1,525	(3,800)	-	(1,099)
Income from operations	8,550	162	10,906	2,181
Income (loss) before extraordinary item	3,543	(2,043)	4,726	717
Per share	.14	(.08)	.18	.03
Net income (loss)	3,543	(2,043)	4,028	444
Per share	.14	(.08)	.15	.02
Fiscal 1995				
Net sales	\$282,477	\$253,377	\$275,554	\$287,136
Gross profit	28,848	20,907	20,472	25,638
Other costs	-	-	-	(4,284)
Income (loss) from operations	8,428	299	199	(1,525)
Net income (loss)	3,618	(1,927)	(2,428)	(2,756)
Per share	.14	(.07)	(.10)	(.10)

</TABLE>

"Other costs" included above and in the Consolidated Statements of Operations includes the following:

<TABLE>  
<CAPTION>

	First Quarter -----	Second Quarter -----	Third Quarter -----	Fourth Quarter -----
Fiscal 1996				
<S>	<C>	<C>	<C>	<C>
Net gain (loss) on asset disposals	\$1,525	\$ (3,800)	\$ -	\$ (376)
Cost of workforce reduction	-	-	-	(723)
Other costs	\$1,525	\$ (3,800)	\$ -	\$ (1,099)
Fiscal 1995				
Net loss on asset disposals				\$ (1,197)
Litigation settlement				(1,615)
Cost of workforce reduction				(1,472)
Other costs				\$ (4,284)

</TABLE>

A \$1,514,000 net gain on the disposal of assets in the first quarter of fiscal 1996 has been reclassified to income from operations from other income (expense), where it was shown in the first quarter 10-Q.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

(a) Previous independent accountants

On October 17, 1996, the Registrant notified Price Waterhouse LLP that it would be dismissed as the Registrant's independent accountants upon completion of its audit of the consolidated financial statements as of and for the fiscal year ended September 29, 1996. This audit was completed on November 18, 1996.

The reports of Price Waterhouse LLP on the consolidated financial statements of the Registrant as of and for the fiscal years ended September 29, 1996 and October 1, 1995 contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principle.

The Registrant's Audit Committee and Board of Directors made and approved the decision to change independent accountants.

In connection with its audits for the fiscal years ended September 29, 1996 and October 1, 1995 and through November 18, 1996, there have been no disagreements with Price Waterhouse LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of Price Waterhouse LLP would have caused them to make reference thereto in their report on the consolidated financial statements for such years.

During the fiscal years ended September 29, 1996 and October 1, 1995 and through November 18, 1996, there have been no reportable events (as defined in Regulation S-K Item 304(a)(1)(v)).

The Registrant has requested that Price Waterhouse LLP furnish it with a letter addressed to the SEC stating whether or not it agrees with the above statements. Copies of such letters, one dated October 22, 1996 and one dated November 18, 1996 were filed as Exhibits 16-1 to two Form 8-K's filed with the SEC. The Form 8-K's were dated October 17, 1996 and November 18, 1996, respectively.

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(b) New independent accountants

The Registrant engaged Arthur Andersen LLP as its new independent accountants as of December 16, 1996. During the fiscal years ended September 29, 1996 and October 1, 1995 and through December 16, 1996, the Registrant has not consulted with Arthur Andersen LLP on items which (1) were or should have been subject to SAS 50 (Reports on the Application of Accounting Principles) or (2) concerned the subject matter of a disagreement or reportable event with the former independent accountants, (as described in Regulation S-K Item 304(a)(2)).

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PART III

Item 10. Directors and Executive Officers of Registrant.

The information relating to the Directors of the Company is incorporated by reference from the "ELECTION OF DIRECTORS" section, pages 4 through 7, of the Company's Proxy Statement for its Annual Meeting of Stockholders to be held on February 20, 1997, to be filed pursuant to Section 14 of the Securities Exchange Act of 1934 ("1997 Proxy Statement"). The information relating to the Executive Officers of the Company is incorporated by reference from the "MANAGEMENT OF SAVANNAH FOODS & INDUSTRIES, INC." section, page 8, of the 1997 Proxy Statement. The information relating to disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is incorporated by reference from the "SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE" section, page 19, of the 1997 Proxy Statement.

Item 11. Executive Compensation.

The information relating to executive compensation is incorporated by reference from the "EXECUTIVE COMPENSATION" section, pages 9 and 10, the "BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD" section, pages 14 through 16, the "COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION" section, pages 11 and 12, the "COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION" section, page 12, and the performance graph, page 13, of the 1997 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information relating to the security ownership of certain beneficial owners and management is incorporated by reference from the "STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT" section, pages 2 and 3, of the 1997 Proxy Statement.

Item 13. Certain Relationships and Related Transactions.

The information relating to certain relationships and related transactions is incorporated by reference from the "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS" section, page 14, and the "COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION" section, page 12, of the 1997 Proxy Statement.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) (1) and (2): See index of Financial Statements, Item 8(a) and 8(b), page 15.

(a) (3) Exhibits:

<TABLE>

<CAPTION>

Page No.	Exhibit Number	Description
<S>	<C>	<C>
	3-1	Articles of Incorporation, as amended, is hereby incorporated by reference to Commission File No. 1-11420 on Form 10-K for the year ended January 3, 1993 as Exhibit 3-1.
	3-2	By-Laws, as amended, are hereby incorporated by reference to Commission File No. 1-11420 on Form 10-K for the year ended October 1, 1995 as Exhibit 3-3.
	4-1	Credit Agreement, dated as of April 1, 1996, among Savannah Foods & Industries, Inc., as the borrower, the banks listed therein, and Wachovia Bank of Georgia, N.A., as agent is hereby incorporated by reference to Commission File No. 1-11420 on Form 10-Q for the quarter ended March 31, 1996 as Exhibit 4-1.
	4-2	Note Agreements, dated as of September 1, 1992, between Savannah Foods & Industries, Inc., as borrower, and the lenders named therein, consisting of \$50,000,000 8.35% Series A Senior Notes due November 1, 2002 and \$20,000,000 7.15% Series B Senior Notes due November 1, 2002 is hereby incorporated by reference to Commission File No. 1-11420 on Form 10-K for the year ended October 2, 1994 as Exhibit 4-2.
	4-3	Third Amendment to Note Agreements, dated as of March 29, 1996, by and among Savannah Foods & Industries, Inc., as borrower, and the lenders named therein, consisting of \$50,000,000 8.35% Series A Senior Notes due November 1, 2002 and \$20,000,000 7.15% Series B Senior Notes due November 1, 2002 is hereby incorporated by

</TABLE>

<TABLE>

<S> <C> reference to Commission File No. 1-11420 on Form 10-Q

for the quarter ended March 31, 1996 as Exhibit 4-2.

- 4-4 In reliance upon Item 601(b) (4) (iii) of Regulation S-K, various instruments defining the rights of holders of long-term debt of Registrant are not being filed herewith because the total of securities authorized under each such instrument does not exceed 10% of the total assets of Registrant. Registrant hereby agrees to furnish a copy of any such instrument to the Commission upon request.
- 10-1\* Profit Sharing and Management Incentive Compensation Plan is hereby incorporated by reference to Commission File No. 1-11420 on Form 10-K for the year ended January 3, 1993 as Exhibit 10-1.
- 10-2\* Supplemental Executive Retirement Plan, as amended and restated, is hereby incorporated by reference to Commission File No. 1-11420 on Form 10-K for the year ended January 3, 1993 as Exhibit 10-2.
- 10-3\* Amendment No. 1 to the Supplemental Executive Retirement Plan is hereby incorporated by reference to Commission File No. 1-11420 on Form 10-K for the year ended January 3, 1993 as Exhibit 10-3.
- 10-4\* Amendment No. 2 to the Supplemental Executive Retirement Plan.
- 10-5\* Deferred Compensation Plan for Key Employees, as amended and restated, is hereby incorporated by reference to Commission File No. 1-11420 on Form 10-K for the year ended January 3, 1993 as Exhibit 10-4.
- 10-6\* Amendment No. 1 to the Deferred Compensation Plan for Key Employees is hereby incorporated by reference to Commission File No. 1-11420 on Form 10-K for the year ended January 3, 1993 as Exhibit 10-5.
- 10-7\* Amendment No. 2 to the Deferred Compensation Plan for Key Employees is hereby incorporated by

</TABLE>

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<TABLE>

- <S> <C>  
reference to Commission File No. 1-11420 on Form 10-K for the year ended October 2, 1994 as Exhibit 10-6.
- 10-8\* Deferred Compensation Plan for Directors of Savannah Foods & Industries, Inc. as amended and restated.
- 10-9\* Savannah Foods & Industries, Inc. Non-Employee Directors' Compensation Plan.
- 10-10\* Savannah Foods & Industries, Inc. Non-Employee Directors' Supplemental Share Unit Plan.
- 10-11\* Employment Agreements with all other Executive Officers of the Company are incorporated by reference to Commission File No. 1-11420 filed on Form 10-K for the year ended January 1, 1989 as Exhibit 10-7.
- 10-12\* Employment Agreement - W. W. Sprague, III is incorporated by reference to Commission File No. 1-11420 filed on Form 10-K for the year ended December 29, 1991 as Exhibit 10-8.
- 10-13\* Employment Agreement - David H. Roche is incorporated by reference to Commission File No. 1-11420 filed on Form 10-K for the year ended October 1, 1995 as Exhibit 10-9.

10-14*	Employment Agreement - R. Eugene Cartledge
16-1	Letters re: change in certifying accountant are incorporated by reference to Commission File No. 1-11420 filed on Form 8-K dated October 17, 1996 as Exhibit 16-1 and by reference to Commission File No. 1-11420 filed on Form 8-K dated November 18, 1996 as Exhibit 16-1.
21-1	Subsidiaries of Registrant
23-1	Consent of Independent Accountants
27-1	Financial Data Schedules (for SEC use only).

</TABLE>

\* Indicates exhibits which are management contracts or compensatory agreements.

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(b) Reports on Form 8-K:

No reports were filed on Form 8-K during the last quarter covered by this Form 10-K. However, since September 29, 1996 the Registrant has filed three Form 8-K's related to the dismissal of Price Waterhouse LLP as independent accountants and the engagement of Arthur Andersen LLP as independent accountants. The Form 8-K's were dated October 17, 1996, November 18, 1996 and December 16, 1996.

(c) See (a) (3) Exhibits above.

(d) Not applicable.

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UNDERTAKINGS

For the purposes of complying with the amendments to the rules governing Form S-8 (effective July 13, 1990) under the Securities Act of 1933, the undersigned Registrant hereby undertakes as follows, which undertaking shall be incorporated by reference into Registrant's Registration Statement on Form S-8 Number 2-94678, Employee Retirement Savings Account Plan (filed December 22, 1984 as amended on October 18, 1994).

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to Directors, Officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a Director, Officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such Director, Officer or controlling persons in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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## SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SAVANNAH FOODS & INDUSTRIES, INC.

Dated: December 16, 1996  
-----

By: /s/William W. Sprague, III  
-----

William W. Sprague, III  
President and  
Chief Executive Officer

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Pursuant to the requirements of the Securities Act of 1934, this report has been signed by the following persons on behalf of Registrant in the capacities and on the dates indicated:

<TABLE>

<CAPTION>

<S>	<C>	<C>
/S/William W. Sprague, III ----- William W. Sprague, III	President and Chief Executive Officer and Director	December 16, 1996
/S/Gregory H. Smith ----- Gregory H. Smith	Senior Vice President Chief Financial Officer and Treasurer (PRINCIPAL FINANCIAL AND PRINCIPAL ACCOUNTING OFFICER)	December 16, 1996
/S/F. Sprague Exley ----- F. Sprague Exley	Senior Vice President - Human Resources and Administration and Assistant Secretary and Director	December 16, 1996
/S/R. Eugene Cartledge ----- R. Eugene Cartledge	Chairman of the Board of Directors	December 16, 1996
/S/W. Waldo Bradley ----- W. Waldo Bradley	Director	December 16, 1996
/S/John D. Carswell ----- John D. Carswell	Director	December 16, 1996
/S/Hugh M. Tarbutton ----- Hugh M. Tarbutton	Director	December 16, 1996
/S/Arthur Gignilliat, Jr.	Director	December 16, 1996

-----  
Arthur Gignilliat, Jr.

/S/Robert L. Harrison  
-----

Director

December 16, 1996

Robert L. Harrison

</TABLE>

AMENDMENT NO. 2  
TO THE SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN (SERP)  
OF  
SAVANNAH FOODS & INDUSTRIES, INC. AND SUBSIDIARIES

THIS AMENDMENT NO. 2 is made this 18th day of April 1996, by Savannah Foods & Industries, Inc. (the "Company").

WITNESSETH:

WHEREAS, the Board of Directors of the Company adopted the Second Amendment and Restatement of the Supplemental Executive Retirement Plan (SERP) of Savannah Foods & Industries, Inc. and Subsidiaries, effective January 1, 1989 (the "Plan"); and

WHEREAS, the Board deems it to be the best interests of the Plan Participants and the Company's shareholders to amend certain provisions of the Plan relating to years of service;

THEREFORE, effective as of April 18, 1996, the Plan is hereby amended as set forth below.

ITEM ONE

Section 1.33 is rewritten to read as follows:

1.33 SERVICE: "Service" shall have the same meaning which the Retirement Income Plan ascribes to such term; provided, however, that as of June 30, 1996, years of service shall be limited to the years of service rounded up to the next full year as the numerator of a fraction, and the denominator of which would be the years of potential service at normal retirement.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed as of April 18, 1996.

SAVANNAH FOODS & INDUSTRIES, INC.

By: /s/ William W. Sprague, III

-----  
President

Attest: /s/ John M. Tatum

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Secretary  
[CORPORATE SEAL]

DEFERRED COMPENSATION PLAN  
FOR DIRECTORS OF  
SAVANNAH FOODS & INDUSTRIES, INC.

(Amended and Restated Effective as of June 30, 1996)

This amended and restated Deferred Compensation Plan (the "Plan") is effective June 30, 1996.

ARTICLE I  
DEFINITIONS

- 1.1 "Account" means the separate account maintained for each Participant in accordance with Article IV hereof.
- 1.2 "Beneficiary" means the person(s) so designated in accordance with Article VII hereof. In the absence of a valid Beneficiary designation, a Participant's Beneficiary shall be deemed to be the Participant's estate.
- 1.3 "Code" means the Internal Revenue Code of 1986, as amended.
- 1.4 "Committee" means the administrative committee appointed by the Board of Directors of the Company to administer the Plan.
- 1.5 "Company" means Savannah Foods & Industries, Inc.
- 1.6 "Meeting Fees" means the compensation periodically paid to a Director of the Company for attendance at any meeting of the Board of Directors of the Company or any Committee or Sub-Committee thereof.
- 1.7 "Participant" means any person eligible to participate in the Plan in accordance with the provisions of Article II hereof.
- 1.8 "Participant Deferral Form" means the form on which a Participant makes an election under Article III hereof.
- 1.9 "Participant Election Form" means the form on which a Participant makes any election (other than any election described in Article III or Article VI) provided for herein.
- 1.10 "Plan" means this Amended and Restated Deferred Compensation Plan for Directors of Savannah Foods & Industries, Inc., as amended from time to time.
- 1.11 "Prime Rate" means the prime interest rate announced from time to time by SunTrust Banks, Inc., which shall be deemed to include any successor bank or company.

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- 1.12 "Severance Date" means the date on which a Participant terminates service as a member of the Board of Directors of the Company.

ARTICLE II  
ELIGIBILITY

Any non-employee member of the Board of Directors of the Company who (i) has previously made an election to defer compensation under this Plan, or (ii) has made an election under Article III hereof, shall be a Participant hereunder.

ARTICLE III  
DEFERRAL OF MEETING FEES

3.1 Deferral Election. In accordance with rules established by the Committee, a Participant may elect to defer Meeting Fees due to be earned and which would otherwise be paid to the Participant during a calendar year. A Participant shall make such election on a Participant Deferral Form provided by the Company. Once made, a deferral election shall continue in force indefinitely until suspended or modified by a subsequent election; provided, however, that any subsequent election shall not take effect until the first day of the calendar year following the calendar year during which such election is made. Notwithstanding the above, a Participant may immediately suspend all

deferrals at any time by written notice delivered to the Company; provided, however, upon such suspension of deferral, the Participant shall be ineligible to make another deferral election during that calendar year in which the suspension occurred.

3.2 Timing of Elections. All elections under this Article III shall be made on or before December 31 of the calendar year preceding the calendar year in which such election shall become effective; provided, however, a Participant may elect, within thirty (30) days after the adoption of this Plan, to defer Meeting Fees for meetings occurring after the effective date of the Plan but prior to December 31, 1996; provided further, in the calendar year in which a Participant first becomes eligible to participate in the Plan, the Participant may elect, within thirty (30) days after the date the individual becomes eligible to participate in the Plan, to defer Meeting Fees for meetings occurring after such election but during the same calendar year.

#### ARTICLE IV DEFERRED COMPENSATION ACCOUNT

The Company shall record in a deferred compensation account (an "Account") maintained in the name of each Participant the Participant's Account balance as of June 30, 1996 as specified on Exhibit "A" attached hereto and made a part hereof. The Company shall also credit to each Participant's Account all amounts deferred on a Participant Deferral Form in accordance with Article III hereof on the date(s) such amounts would be payable to the Participant absent such deferral

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election. The Company shall credit interest to each Participant's Account on the last day of each month at a rate determined as follows: (i) for the period from July 1, 1996 through June 30, 1997, applying an interest rate of eight percent (8%) per annum; (ii) for the period from July 1, 1997 through December 31, 1997, applying the Prime Rate in effect on July 1, 1997; and (iii) for each calendar year beginning on or after January 1, 1998, applying the Prime Rate in effect on January 1 of each such calendar year. The amount of interest credited to a Participant's Account at the end of each month shall be included in the balance in such Participant's Account for purposes of subsequent monthly interest computations.

#### ARTICLE V BENEFITS

5.1 Severance Benefits. Upon a Participant's termination of service on the Board of Directors of the Company, the Participant shall be entitled to payment from the Company of an amount (the "Severance Benefit") equal to the balance then credited to the Participant's Account. Payment of the Severance Benefit shall be made in cash in quarterly installments over a fifteen (15) year period; provided, however a Participant may irrevocably elect, within thirty (30) days after date of the adoption of this Plan, to receive such benefits either in a lump sum or in quarterly installments over a five (5), ten (10) or fifteen (15) year period. If made in installments, such payments shall bear interest, compounded quarterly through the date of payment, at a rate per annum equal to the Prime Rate determined annually on the first business day of each calendar year. Such payments shall occur or commence on the first day of the calendar quarter following the date of the Participant's termination of service on the Board of Directors of the Company. If a Participant dies after such Participant terminates service on the Board of Directors of the Company, then the remaining installments of the Participant's Severance Benefit shall be paid to the Participant's Beneficiary (as determined under Article VII of the Plan) in accordance with the Participant's elected payment schedule. If a Participant dies prior to the date such Participant terminates service on the Board of Directors of the Company, the payment of the Participant's Severance Benefit shall be paid to the Participant's Beneficiary (as determined under Article VII of the Plan) in accordance with the Participant's elected payment schedule, commencing on the first day of the calendar quarter following the Participant's death.

5.2 Election to Defer Beyond Termination of Service. Notwithstanding the provisions of Section 5.1 hereof, a Participant may irrevocably elect, within thirty (30) days after the adoption of this Plan, to have payment of his Severance Benefit commence at any time after the Participant's termination of service on the Board of Directors of the Company, but not later than the January 1 next following the date the Participant attains seventy (70) years of age. The unpaid balance of a Participant's Account shall, at all times prior to the commencement of payment of such balance, bear interest as described in Article IV hereof.

ARTICLE VI  
CHANGE IN CONTROL

6.1 Payment of Benefits upon Change in Control. Notwithstanding anything herein to the contrary, upon any Potential Change in Control (as such term is defined in the Benefit Trust Agreement dated March 14, 1996 by and between Savannah Foods & Industries, Inc. and Wachovia Bank of North Carolina, as such agreement is or has been amended from time to time), the Company shall promptly deliver to each Participant an election form (a "Change in Control Election Form") which shall permit each Participant to make the elections contemplated by this Article VI. A Participant may, at any time at least thirty (30) days prior to a Change in Control, make any of the elections described in this Article VI (a "Change in Control Election") on such Change in Control Election Form. If a Participant so elects, then, in the event of a Change in Control, in lieu of the benefits provided in Section 5.1 hereof, the Participant shall be entitled to payment from the Company of an amount (the "Post Change Severance Benefit") equal to the balance then credited to the Participant's Account. Payment of the Post Change Severance Benefit shall be made in cash in a lump sum on the date of the Change in Control; provided, however, that a Participant may elect on the Change in Control Election Form to receive payment of the Post Change Severance Benefit in quarterly installments over a period not to exceed the period otherwise applicable to benefits under the Plan (taking into account any election under Article V hereof). If made in installments, such payments and the Participant's unpaid account balance shall bear interest (compounded quarterly) at a rate per annum equal to the Prime Rate determined annually on the first business day of each calendar year. If a Participant elects to receive his Post Change Severance Benefit in installments, payment of the Post Change Severance Benefit shall commence on the first day of the calendar quarter following the date of the Change in Control. If a Participant who has made a Change in Control Election hereunder dies, any remaining installments of the Participant's Post Change Severance Benefit shall be paid to the Participant's Beneficiary (as determined under Article VII of the Plan).

6.2 Definition of Change in Control. A Change in Control shall be deemed to have occurred when and only when the first of the following events occurs:

(a) Any "person" (as that term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than (1) any employee plan established by the Corporation, (2) the Corporation, (3) an underwriter temporarily holding securities pursuant to an offering of such securities, or (4) a corporation owned, directly or indirectly, by stockholders of the Corporation in substantially the same proportions as their ownership of the Corporation) is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding voting securities; or

(b) During any period of two consecutive years, individuals who at the beginning of such period constituted the Board and any new director (other than an individual whose nomination for election is in connection with an actual or threatened election contest relating

to the election of the directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) whose appointment, election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose appointment, election or nomination for election was previously so approved, cease for any reason to constitute a majority of the Board; or

(c) There is consummated a merger or consolidation of the Company or a subsidiary thereof with or into any other corporation, other than a merger or consolidation which would result in the holders of the voting securities of the Company outstanding immediately prior thereto holding securities which represent immediately after such merger or consolidation more than 80% of the combined voting power of the voting securities of either the Company or the other entity which survives such merger or consolidation or the parent of the entity which survives such merger or consolidation; or

(d) There is consummated a sale or disposition by the Company of all or substantially all of the Company's assets.

#### ARTICLE VII BENEFICIARIES

Each Participant may file with the Company a notice in writing designating one or more Beneficiaries to whom payments otherwise due to or for the benefit of the Participant hereunder shall be made in the event of the Participant's death prior to the complete payment of such benefit. A Participant shall have the right to change the Beneficiary or Beneficiaries so designated from time to time; provided, however, that any change shall not be effective until received in writing by the Committee.

#### ARTICLE VIII ADMINISTRATION

8.1 Administrative Authority. This Plan shall be administered by a Committee of not less than three (3) members appointed by the Board of Directors of the Company. The Board of Directors may from time to time appoint members of the Committee in substitution for the members previously appointed and may fill vacancies, however caused. The Committee shall act by a majority of the number then constituting the Committee, and such action may be taken either by a vote at a meeting or in writing without a meeting. Except as otherwise specifically provided herein, the Company shall have the sole responsibility for and sole control of the operation and administration of this Plan, and shall have the power and authority to take all action and make all interpretations which may be necessary or appropriate in order to administer and operate the Plan, including the power, duty, and responsibility to:

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(a) Make determinations as to all disputes or questions arising under the Plan, including the power to determine the rights of Participants and Beneficiaries and to remedy any ambiguities, inconsistencies, or omissions in the Plan;

(b) Adopt such rules of procedure and regulations, consistent with the Plan, as in its opinion may be necessary for the proper and efficient administration of the Plan;

(c) Implement the Plan in accordance with its terms and the rules and regulations adopted as above;

(d) Make determinations concerning the crediting and distribution of Plan Accounts;

(e) Appoint any persons or firms, or otherwise act to secure specialized advice or assistance, as it deems necessary or desirable in connection with the administration and operation of the Plan; the Committee shall be entitled to rely conclusively upon, and shall be fully protected in any action or omission taken by it in good faith reliance upon, the advice or opinion of such persons or firms. The Committee shall have the power and authority to delegate from time to time by written instrument all or any part of its duties, powers, or responsibilities under the Plan, both ministerial and discretionary, as it deems appropriate, to any person or committee, and in the same manner to revoke any such delegation of duties, powers or responsibilities. Any action of such person or committee in the exercise of such delegated duties, powers or responsibilities shall have the same force and effect for all purposes hereunder as if such action had been taken by the Committee.

8.2 Uniformity of Discretionary Acts. Whenever in the

administration or operation of the Plan discretionary actions by the Company are required or permitted, such actions shall be consistently and uniformly applied to all persons similarly situated, and no such action shall be taken which shall discriminate in favor of any particular person or group of persons.

8.3 Claims Procedure. Any person claiming a benefit under the Plan (a "Claimant") shall present the claim, in writing, to the Committee, and the Committee shall respond in writing. If the claim is denied, the written notice of denial shall state, in a manner calculated to be understood by the Claimant:

- (a) The specific reason or reasons for the denial, with specific references to the Plan provisions on which the denial is based;
- (b) A description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation of why such material or information is necessary; and
- (c) An explanation of the Plan's claims review procedure.

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The written notice denying or granting the Claimant's claim shall be provided to the Claimant within ninety (90) days after the Committee's receipt of the claim, unless special circumstances require an extension of time for processing the claim. If such an extension is required, written notice of the extension shall be furnished by the Committee to the Claimant within the initial ninety (90) day period and in no event shall such an extension exceed a period of ninety (90) days from the end of the initial ninety (90) day period. Any extension notice shall indicate the special circumstances requiring the extension and the date on which the Committee expects to render a decision on the claim. Any claim not granted or denied within the period noted above shall be deemed to have been denied.

Any Claimant whose claim is denied or is deemed to have been denied under the preceding sentence (or such Claimant's authorized representative), may, within sixty (60) days after the Claimant's receipt of notice of the denial, or after the date of the deemed denial, request a review of the denial by notice given, in writing, to the Company. Upon such a request for review, the claim shall be reviewed by the Company (or its designated representative), which may, but shall not be required to, grant the Claimant a hearing. In connection with the review, the Claimant may have representation, may examine pertinent documents, and may submit issues and comments in writing.

The decision on review normally shall be made within sixty (60) days of the Company's receipt of the request for review. If an extension of time is required due to special circumstances, the Claimant shall be notified, in writing, by the Company, and the time limit for the decision on review shall be extended to one hundred twenty (120) days. The decision on review shall be in writing and shall state in a manner calculated to be understood by the Claimant, the specific reasons for the decision and shall include references to the relevant Plan provisions on which the decision is based. The written decision on review shall be given to the Claimant within the sixty (60) day (or, if applicable, the one hundred twenty (120) day) period discussed above. If the decision on review is not communicated to the Claimant within the sixty (60) day (or, if applicable, the one hundred twenty (120) day) period discussed above, the claim shall be deemed to have been denied upon review.

#### ARTICLE IX AMENDMENT

9.1 Right to Amend or Terminate. The Company, by written instrument executed by the Company, shall have the right to (i) amend the Plan at any time and with respect to any provisions hereof, and all parties hereto or claiming any interest hereunder shall be bound by such amendment, and (ii) to terminate the Plan; provided, however, that no such amendment or termination shall deprive a Participant or Beneficiary of a right accrued hereunder prior to the date of the amendment or termination.

9.2 Amendments to Ensure Proper Characterization of Plan. Notwithstanding the provisions of Section 9.1 hereof, the Plan may be amended by the Company at any time, retroactively if required, if in the opinion of the Company, in order to ensure that the Plan is characterized as a plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees and to conform the Plan to the

requirements of any applicable law (including ERISA and the Code). No such amendment shall be considered prejudicial to any interest of a Participant or Beneficiary hereunder.

ARTICLE X  
MISCELLANEOUS

10.1 Limitations on Liability of Company. Neither the establishment of the Plan nor any modification thereof, nor the creation of any Account under the Plan, nor the payment of any benefits under the Plan shall be construed as giving to any Participant or other person any legal or equitable right against the Company, or any officer or employer thereof except as provided by law or by any Plan provision. In no event shall the Company, or any successor, employee, officer, director, or stockholder of the Company, be liable to any person on account of any claim arising by reason of the provisions of the Plan or of any instrument or instruments implementing its provisions, or for the failure of any Participant, Beneficiary, or other person to be entitled to any particular tax consequences with respect to the Plan, or any credit or distribution hereunder.

10.2 Construction.

(a) If any provision of the Plan is held to be illegal or invalid, such illegality or invalidity shall not affect the remaining provisions of the Plan, but shall be fully severable, and the Plan shall be construed and enforced as if such provision had never been inserted herein. For all purposes of the Plan, where the context requires, the singular shall include the plural, and the plural shall include the singular. Headings of Articles and Sections herein are inserted only for convenience of reference and are not to be considered in the construction of the Plan. The laws of the State of Georgia shall govern, control and determine all questions of law arising with respect to the Plan and the interpretation and validity of its respective provisions, except where those laws are preempted by the laws of the United States. Participation under the Plan will not give any Participant the right to be retained in the service of the Company nor any right or claim to any benefit under the Plan unless such right or claim has specifically accrued hereunder.

(b) The Plan is intended to be and at all times shall be interpreted and administered so as to qualify as an unfunded deferred compensation plan, and no provision of the Plan shall be interpreted so as to give any individual any right in any assets of the Company which right is greater than the rights of a general unsecured creditor of the Company.

10.3 Spendthrift Provision.

(a) No amount payable to a Participant or a Beneficiary under the Plan will, except as otherwise specifically provided by law, be subject in any manner to anticipation, alienation, attachment, garnishment, sale, transfer, assignment (either at law or in equity), levy, execution, pledge, encumbrance, charge, or any other legal or equitable process, and any

attempt to do so will be void; nor will any benefit be in any manner liable for or subject to the debts, contracts, liabilities, engagements, or torts of the person entitled thereto. Further, neither the withholding of taxes from Plan benefit payments nor the recovery under the Plan of overpayments of benefits previously made to a Participant or Beneficiary shall be construed as an assignment or alienation.

(b) In the event that any Participant's or Beneficiary's benefits hereunder are garnished or attached by order of any court, the Company may bring an action or a declaratory judgment in a court of competent jurisdiction to determine the proper recipient of the benefits to be paid under the Plan. During the pendency of said action, any benefits that become payable shall be held as credits to the Participant's or Beneficiary's Account or, if the Company prefers, paid into the court as they become payable, to be distributed by the court to the recipient as the court deems proper at the close of said action.

10.4 No Guaranty of Benefits. Nothing contained in the Plan shall constitute a guaranty by the Company or any related entity or any other entity or person that the assets of the Company or any related entity will be sufficient to pay any benefit hereunder.

10.5 No Enlargement of Rights. No Participant or Beneficiary shall have any right to a benefit under the Plan except in accordance with the terms of the Plan. Establishment of the Plan shall not be construed to give any Participant the right to be retained as a director of the Company.

10.6 Applicable Law. The Plan shall be construed and administered under the laws of the State of Georgia.

10.7 Gender; Number. Words in the masculine gender shall include the feminine gender as appropriate, and the singular shall include the plural, and vice-versa, unless qualified by the context.

10.8 Captions and Headings. Any headings used herein are included for convenience of reference only and are not to be construed so as to alter the terms hereof.

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IN WITNESS WHEREOF, the Company has caused this Amendment and Restatement of the Plan to be executed and its seal to be affixed hereto, effective as of the 30th day of June, 1996.

SAVANNAH FOODS & INDUSTRIES, INC.

By: /s/ William W. Sprague, III

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President

ATTEST:

/s/ John M. Tatum

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Secretary

[CORPORATE SEAL]

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EXHIBIT A  
TO THE  
DEFERRED COMPENSATION PLAN FOR DIRECTORS OF  
SAVANNAH FOODS & INDUSTRIES, INC.

<TABLE>  
<CAPTION>

	PARTICIPANT	6/30/96
	-----	ACCOUNT BALANCE
<S>	<C>	<C>
1.	W. Waldo Bradley	\$532,655
2.	John D. Carswell	\$431,845
3.	Dale C. Critz	\$ 78,984
4.	Lee B. Durham, Jr.	\$409,343
5.	Arthur M. Gignilliat, Jr.	\$209,459
6.	Robert L. Harrison	\$170,129
7.	Hugh M. Tarbutton	\$542,587
8.	Arnold M. Tenenbaum	\$ 80,624

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## SAVANNAH FOODS &amp; INDUSTRIES, INC.

## NON-EMPLOYEE DIRECTORS' COMPENSATION PLAN

Effective as of August 15, 1996

ARTICLE I  
Definitions

- 1.01 COMMITTEE means the administrative committee appointed by the Board of Directors of the Company to administer this Plan.
- 1.02 COMPANY means Savannah Foods & Industries, Inc.
- 1.03 COMPENSATION means value payable by the Company to a Director in consideration for his or her service as a Director.
- 1.04 DIRECTOR means a member of the Board of Directors of the Company.
- 1.05 DIVIDEND EQUIVALENT means the entry in an Account (as defined in Article III) of a dividend credit with respect to a Share Unit, each Dividend Equivalent being equal to the dividend paid from time to time on a Share.
- 1.06 FAIR MARKET VALUE means the daily closing price of a Share as reported on the New York Stock Exchange (the "Exchange"); provided, however, that in the event of a transaction which results in a Change in Control, Fair Market Value is the greater of the value so determined or the price of a Share in the transaction causing the Change in Control.
- 1.07 PARTICIPANT means a non-employee Director of the Company.
- 1.08 PLAN means this Non-Employee Directors' Compensation Plan, as it may be amended from time to time.
- 1.09 POST CHANGE DIVIDEND EQUIVALENT means a Dividend Equivalent determined with reference to the stock of an acquiring corporation upon a Change in Control.
- 1.10 POST CHANGE FAIR MARKET VALUE means the Fair Market Value determined with reference to the stock of an acquiring corporation upon a Change in Control.
- 1.11 PRIME RATE means the prime interest rate announced from time to time by SunTrust Banks, Inc., which shall be deemed to include any successor bank or company.

1.12 SHARE means a share of the Company's authorized voting Common Stock (\$.25 par value per share) and any share or shares of stock of the Company hereafter issued or issuable in substitution or exchange for each such share.

1.13 SHARE UNIT means the monetary equivalent of one Share.

ARTICLE II  
Directors' Compensation

2.01 COMPENSATION IN SHARE UNITS - As compensation for service as a Director from July 1, 1996 through December 31, 2001, each Director serving at the time this Plan is adopted who is a Participant in this Plan shall be granted 10,010 Share Units. Directors elected after the adoption of this Plan shall be granted four hundred fifty-five (455) Share Units for each calendar quarter between the first quarter following his or her election and the last quarter of 2001, inclusive, as of the first day of the calendar quarter following his or her election. Compensation pursuant to this Plan shall be in addition to compensation paid to a Director for attendance at meetings of the Board of Directors and at meetings of committees of the Board of Directors.

2.02 MATURITY OF SHARE UNITS - On the last day of each calendar quarter beginning the third quarter of 1996 and ending the fourth quarter of 2001, Four Hundred Fifty Five (455) of the Share Units granted to a Participant under Section 2.01 hereof shall become vested. If a Participant's service as a Director of the Company terminates for any reason prior to December 31, 2001, a pro-rata portion of the Share Units which would have otherwise vested on the last day of the calendar quarter during which such termination occurs shall become vested, all remaining unvested Share Units as of the date of such termination shall be forfeited, and the Participant shall have no rights hereunder with regard to such unvested Share Units, except as otherwise provided herein.

2.03 PAYMENT FOR SHARE UNITS

(a) On the date (the "Vesting Date") each Share Unit becomes vested pursuant to the terms of this Article II, the Participant shall be entitled to receive from the Company, with respect to each such vested Share Unit then in the Participant's Account (as defined in Article III hereof), an amount (the "Benefit") equal to the Fair Market Value on the Vesting Date or, in the event the Exchange is closed on the Vesting Date, the next day on which the Exchange is

open.

- (b) Payment to a Participant of the Benefit for Share Units shall be made in cash in a lump sum on the first business day following the Vesting Date, or as soon thereafter, without interest, as administratively practicable.

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- (c) Directors are expected, but not in any way required, to use Benefits paid pursuant to this Section 2.03 to acquire common stock in the Company and to hold such stock for investment purposes.

#### 2.04 ELECTION TO DEFER

- (a) Notwithstanding the provisions of Section 2.03 hereof, a Participant may make an election (a "Deferral Election") to defer the Benefit due hereunder. Such Deferral Election shall specify the form of payment and the date (the "Commencement Date") such payments shall be made or begin; provided, however, that such date shall not be earlier than the date the Participant terminates service on the Board of Directors of the Company and shall not be later than the January 1 next following the date the Participant reaches seventy (70) years of age. Such Deferral Election shall be made in such manner and form as the Committee shall prescribe, in accordance with the terms of this Section 2.04 and other relevant provisions of the Plan.
- (b) Deferral Elections shall be made as follows:
  - (1) For Benefits vesting on September 30 and December 31, 1996, within thirty (30) days following the approval of the Plan by the Board of Directors of the Company; and
  - (2) In all other cases, on or before December 31 of the calendar year prior to the calendar year which includes the Vesting Date for such Benefit.
- (c) If a Participant makes a Deferral Election hereunder, the payment of the Benefit to which such Deferral Election relates shall be deferred until the Commencement Date. Upon the Commencement Date, the Participant shall be entitled to payment from the Company, with respect to each vested Share Unit to which a Deferral Election has been made of an amount (the "Severance Benefit") equal to the highest closing price of a share during the twelve months preceding the date of the Participant's termination of service on the Board of Directors of the Company plus the

Dividend Equivalent. Payment of the Severance Benefit shall be made in cash in a lump sum on the Commencement Date or in quarterly installments over a five (5), ten (10) or fifteen (15) year period as elected by the Participant on the Deferral Election form. The Severance Benefit shall bear interest, compounded quarterly from the date of the Participant's termination of service on the Board of Directors of the Company until such Severance Benefit is paid, at a rate per annum equal to the Prime Rate determined annually on the first business day of each calendar year, and each payment of the Severance Benefit shall commence on the Commencement Date. If a Participant who has made a Deferral Election hereunder dies, any remaining installments of the Participant's Severance Benefit shall be paid to the Participant's

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Beneficiary (as determined under Article IV of the Plan) in accordance with the Participant's elected payment schedule.

### ARTICLE III Accounts

- 3.01 CREATION OF ACCOUNTS - The Share Units granted under the Plan shall be credited to an Account established and maintained for each Participant. Subject to any elections made by a Participant pursuant to Article V of this Plan (relating to a Change in Control), the number of Share Units in an Account shall be appropriately adjusted by the Committee in the event of changes in the Company's outstanding common stock by reason of stock dividends, stock splits, recapitalizations, reorganizations, mergers, consolidations, combinations, exchanges or other relevant changes in capitalization, and such adjustments shall be conclusive. Share Units shall not entitle any person to the rights of a stockholder.
- 3.02 CREDITING DIVIDEND EQUIVALENTS - The fractional Share value of all dividends paid on a Share shall be added to each Account as a vested fractional Share Unit for each vested Share Unit in the Account.

### ARTICLE IV Designation of Beneficiaries

A Participant may name a beneficiary and a contingent beneficiary (the "Beneficiary") to receive any payments due him or her at the time of his or her death, and to receive any benefits due to such Beneficiary hereunder. The Participant shall have the right to change such Beneficiary at any time. In case of a failure of designation or the death of the designated Beneficiary without a designated successor, distribution shall be made to the estate of the Participant. No designation of Beneficiaries shall be valid unless it is made in writing, signed by the participant, dated and filed with the Committee.

ARTICLE V  
Change in Control

5.01 VESTING AND PAYMENT OF BENEFITS UPON CHANGE IN CONTROL

(a) In the event of a Change in Control (as defined below), all Share Units awarded under this Plan to Directors serving on June 1, 1996, shall become fully vested. Share Units awarded to Participants who become Directors after June 1, 1996 shall continue to vest in accordance with the provisions of Article II hereof.

(b) Notwithstanding anything herein to the contrary, upon any Potential Change in Control (as such term is defined in the Benefit Trust Agreement, dated March 14, 1996, by and

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between Savannah Foods & Industries, Inc., and Wachovia Bank of North Carolina, as such agreement is or has been amended from time to time), the Company shall promptly deliver to each Participant an election form (a "Change in Control Election form") which shall permit each Participant to make the elections contemplated by this Article V. A Participant may, at any time at least thirty (30) days prior to a Change in Control, make any of the elections described in this Article V (a "Change in Control Election") on such Change in Control Election form.

(i) If a Participant so elects, then, in the event of a Change in Control, in lieu of the Benefits provided in Article II hereof, the Participant shall be entitled to payment from the Company, with respect to each vested Share Unit then in the Participant's Account, of an amount (the "Post Change Severance Benefit") equal to the Fair Market Value as of the date of the Change in Control plus the Dividend Equivalent. Payment of the Post Change Severance Benefit shall be made in cash in a lump sum on the date the Change in Control occurs or in quarterly installments over a period not to exceed the period selected by the Participant in his Deferral Election, as elected by the Participant on the Change in Control Election form. If made in installments, such payments shall bear interest, compounded quarterly, from the date of the Change in Control until such Post Change Severance Benefit is paid, at a rate per annum equal to the Prime Rate determined annually on the first business day of each calendar year. Such payment shall occur or commence on the first day of the calendar quarter following the date of the Change in Control. If a Participant who has made a Change in Control Election hereunder dies, any remaining installments of the Participant's Post Change Severance Benefit shall be paid to the Participant's Beneficiary (as determined under Article IV of the Plan) in accordance with the Participant's elected payment schedule.

(ii) If a Participant does not make the election specified in subparagraph (i) above, then, in the event of a Change in Control, the Participant's Severance Benefit under Article II hereof with respect to each vested Share Unit then in the Participant's Account shall be an amount equal to the Fair Market Value as of the date of the Change in Control plus the Dividend Equivalent, plus interest, compounded quarterly, from the date of the Change in Control through the date the Participant's Severance Benefit is paid, at a rate per annum equal to the Prime Rate determined initially on the date of the Change in Control and adjusted annually on the first business day of each calendar year. Provided, however, that if a Participant so elects, the Participant's Severance Benefit under Article II hereof with respect to each vested Share Unit then in the Participant's Account shall be an amount equal to the Post Change Fair Market Value plus the Post Change Dividend Equivalent as of the Commencement Date. All payments described in this subparagraph shall be made in accordance with the provisions of Article II hereof.

5.02 DEFINITION OF CHANGE IN CONTROL - For purposes of this Plan, a Change in Control shall be deemed to have occurred when and only when the first of the following events occurs:

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- (a) Any "person" (as that term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than (1) any employee plan established by the Corporation, (2) the Corporation, (3) an underwriter temporarily holding securities pursuant to an offering of such securities, or (4) a corporation owned, directly or indirectly, by stockholders of the Corporation in substantially the same proportions as their ownership of the Corporation) is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding voting securities; or
- (b) During any period of two consecutive years, individuals who at the beginning of such period constituted the Board and any new director (other than an individual whose nomination for election is in connection with an actual or threatened election contest relating to the election of the directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) whose appointment, election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either

were directors at the beginning of the period or whose appointment, election or nomination for election was previously so approved, cease for any reason to constitute a majority of the Board; or

- (c) There is consummated a merger or consolidation of the Company or a subsidiary thereof with or into any other corporation, other than a merger or consolidation which would result in the holders of the voting securities of the Company outstanding immediately prior thereto holding securities which represent immediately after such merger or consolidation more than 80% of the combined voting power of the voting securities of either the Company or the other entity which survives such merger or consolidation or the parent of the entity which survives such merger or consolidation; or
- (d) There is consummated a sale or disposition by the Company of all or substantially all of the Company's assets.

#### ARTICLE VI Death Benefits

6.01 If a Participant who is a director at the time this Plan is adopted dies while serving on the Board of Directors, all Share Units awarded under this Plan shall become fully vested and the Company shall pay to the Participant's Beneficiary (as determined under Article IV of the Plan) for each Share Unit for which a Deferral Election has not been made, in cash and in a lump sum, an amount equal to the Fair Market Value on the date of death plus the Dividend Equivalent, and for each Share Unit for which a Deferral Election has been made, the

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Company shall pay to the Participant's Beneficiary the Severance Benefit in the same manner as provided in Section 2.04(c) above.

#### ARTICLE VII Source of Payments

All payments of deferred compensation shall be paid in cash from the general funds of the Company and the Company shall be under no obligation to segregate any assets in connection with the maintenance of an Account, nor shall anything contained in this Plan nor any action taken pursuant to the Plan create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and the Participant. Title to the beneficial ownership of any assets, whether cash or investments, which the Company may designate to pay the amount credited to an Account shall at all times remain in the Company and the Participant shall not have any property interest whatsoever in any specific assets of the Company. A Participant's interest in his Account

shall be limited to the right to receive payments pursuant to the terms of this Plan and such rights to receive shall be no greater than the right of any other unsecured general creditor of the Company.

ARTICLE VIII  
Administration

8.1 Administrative Authority. This Plan shall be administered by a Committee of not less than three (3) members appointed by the Board of Directors of the Company. The Board of Directors may from time to time appoint members of the Committee in substitution for the members previously appointed and may fill vacancies, however caused. The Committee shall act by a majority of the number then constituting the Committee, and such action may be taken either by a vote at a meeting or in writing without a meeting. Except as otherwise specifically provided herein, the Company shall have the sole responsibility for and sole control of the operation and administration of this Plan, and shall have the power and authority to take all action and make all interpretations which may be necessary or appropriate in order to administer and operate the Plan, including the power, duty, and responsibility to:

(a) Make determinations as to all disputes or questions arising under the Plan, including the power to determine the rights of Participants and Beneficiaries and to remedy any ambiguities, inconsistencies, or omissions in the Plan;

(b) Adopt such rules of procedure and regulations, consistent with the Plan, as in its opinion may be necessary for the proper and efficient administration of the Plan;

(c) Implement the Plan in accordance with its terms and the rules and regulations adopted as above;

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(d) Make determinations concerning the crediting and distribution of Plan Accounts;

(e) Appoint any persons or firms, or otherwise act to secure specialized advice or assistance, as it deems necessary or desirable in connection with the administration and operation of the Plan; the Committee shall be entitled to rely conclusively upon, and shall be fully protected in any action or omission taken by it in good faith reliance upon, the advice or opinion of such persons or firms. The Committee shall have the power and authority to delegate from time to time by written instrument all or any part of its duties, powers, or responsibilities under the Plan, both ministerial and discretionary, as it deems appropriate, to any person or

committee, and in the same manner to revoke any such delegation of duties, powers or responsibilities. Any action of such person or committee in the exercise of such delegated duties, powers or responsibilities shall have the same force and effect for all purposes hereunder as if such action had been taken by the Committee.

8.2 Uniformity of Discretionary Acts. Whenever in the administration or operation of the Plan discretionary actions by the Company are required or permitted, such actions shall be consistently and uniformly applied to all persons similarly situated, and no such action shall be taken which shall discriminate in favor of any particular person or group of persons.

8.3 Claims Procedure. Any person claiming a benefit under the Plan (a "Claimant") shall present the claim, in writing, to the Committee, and the Committee shall respond in writing. If the claim is denied, the written notice of denial shall state, in a manner calculated to be understood by the Claimant:

- (a) The specific reason or reasons for the denial, with specific references to the Plan provisions on which the denial is based;
- (b) A description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation of why such material or information is necessary; and
- (c) An explanation of the Plan's claims review procedure.

The written notice denying or granting the Claimant's claim shall be provided to the Claimant within ninety (90) days after the Committee's receipt of the claim, unless special circumstances require an extension of time for processing the claim. If such an extension is required, written notice of the extension shall be furnished by the Committee to the Claimant within the initial ninety (90) day period and in no event shall such an extension exceed a period of ninety (90) days from the end of the initial ninety (90) day period. Any extension notice shall indicate the special circumstances requiring the extension and the date on which the Committee expects to render a decision on the claim. Any claim not granted or denied within the period noted above shall be deemed to have been denied.

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Any Claimant whose claim is denied or is deemed to have been denied under the preceding sentence (or such Claimant's authorized representative), may, within sixty (60) days after the Claimant's receipt of notice of the denial, or after the date of the deemed denial, request a review of the denial by notice given, in writing, to the Company. Upon such a request for review, the claim shall be reviewed by the Company (or its designated representative), which may,

but shall not be required to, grant the Claimant a hearing. In connection with the review, the Claimant may have representation, may examine pertinent documents, and may submit issues and comments in writing.

The decision on review normally shall be made within sixty (60) days of the Company's receipt of the request for review. If an extension of time is required due to special circumstances, the Claimant shall be notified, in writing, by the Company, and the time limit for the decision on review shall be extended to one hundred twenty (120) days. The decision on review shall be in writing and shall state in a manner calculated to be understood by the Claimant, the specific reasons for the decision and shall include references to the relevant Plan provisions on which the decision is based. The written decision on review shall be given to the Claimant within the sixty (60) day (or, if applicable, the one hundred twenty (120) day) period discussed above. If the decision on review is not communicated to the Claimant within the sixty (60) day (or, if applicable, the one hundred twenty (120) day) period discussed above, the claim shall be deemed to have been denied upon review.

## ARTICLE IX Amendment

9.1 Right to Amend or Terminate. The Company, by written instrument executed by the Company, shall have the right to (i) amend the Plan at any time and with respect to any provisions hereof, and all parties hereto or claiming any interest hereunder shall be bound by such amendment, and (ii) to terminate the Plan; provided, however, that no such amendment or termination shall deprive a Participant or Beneficiary of a right accrued hereunder prior to the date of the amendment or termination.

9.2 Amendments to Ensure Proper Characterization of Plan. Notwithstanding the provisions of Section 8.1 hereof, the Plan may be amended by the Company at any time, retroactively if required, if in the opinion of the Company, in order to ensure that the Plan is characterized as a plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees and to conform the Plan to the provisions and requirements of any applicable law (including ERISA and the Code). No such amendment shall be considered prejudicial to any interest of a Participant or Beneficiary hereunder.

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## ARTICLE X Miscellaneous

10.1 Limitations on Liability of Company. Neither the establishment of the Plan nor any modification thereof, nor the creation of any Account under the Plan, nor the payment of any benefits under the Plan shall be construed as giving to any Participant or other person any legal or equitable right against the Company, or any officer or employer thereof except as provided by law or by any Plan provision. In no event shall the Company, or any successor, employee, officer, director, or stockholder of the Company, be liable to any person on account of any claim arising by reason of the provisions of the Plan or of any instrument or instruments implementing its provisions, or for the failure of any Participant, Beneficiary, or other person to be entitled to any particular tax consequences with respect to the Plan, or any credit or distribution hereunder.

#### 10.2 Construction.

(a) If any provision of the Plan is held to be illegal or invalid, such illegality or invalidity shall not affect the remaining provisions of the Plan, but shall be fully severable, and the Plan shall be construed and enforced as if such provision had never been inserted herein. For all purposes of the Plan, where the context requires, the singular shall include the plural, and the plural shall include the singular. Headings of Articles and Sections herein are inserted only for convenience of reference and are not to be considered in the construction of the Plan. The laws of the State of Georgia shall govern, control and determine all questions of law arising with respect to the Plan and the interpretation and validity of its respective provisions, except where those laws are preempted by the laws of the United States. Participation under the Plan will not give any Participant the right to be retained in the service of the Company nor any right or claim to any benefit under the Plan unless such right or claim has specifically accrued hereunder.

(b) The Plan is intended to be and at all times shall be interpreted and administered so as to qualify as an unfunded deferred compensation plan, and no provision of the Plan shall be interpreted so as to give any individual any right in any assets of the Company which right is greater than the rights of a general unsecured creditor of the Company.

#### 10.3 Spendthrift Provision.

(a) No amount payable to a Participant or a Beneficiary under the Plan will, except as otherwise specifically provided by law, be subject in any manner to anticipation, alienation, attachment, garnishment, sale, transfer, assignment (either at law or in equity), levy, execution, pledge, encumbrance, charge, or any other legal or equitable process, and any attempt to do so will be void; nor will any benefit be in any manner liable for or subject to the debts, contracts, liabilities, engagements, or torts of the person entitled thereto. Further, neither the withholding of taxes from Plan benefit payments nor the recovery under the Plan

of overpayments of benefits previously made to a Participant or Beneficiary shall be construed as an assignment or alienation.

(b) In the event that any Participant's or Beneficiary's benefits hereunder are garnished or attached by order of any court, the Company may bring an action or a declaratory judgment in a court of competent jurisdiction to determine the proper recipient of the benefits to be paid under the Plan. During the pendency of said action, any benefits that become payable shall be held as credits to the Participant's or Beneficiary's Account or, if the Company prefers, paid into the court as they become payable, to be distributed by the court to the recipient as the court deems proper at the close of said action.

10.4 No Guaranty of Benefits. Nothing contained in the Plan shall constitute a guaranty by the Company or any related entity or any other entity or person that the assets of the Company or any related entity will be sufficient to pay any benefit hereunder.

10.5 No Enlargement of Rights. No Participant or Beneficiary shall have any right to a benefit under the Plan except in accordance with the terms of the Plan. Establishment of the Plan shall not be construed to give any Participant the right to be retained as a director of the Company.

10.6 Applicable Law. The Plan shall be construed and administered under the laws of the State of Georgia.

10.7 Gender; Number. Words in the masculine gender shall include the feminine gender as appropriate, and the singular shall include the plural, and vice-versa, unless qualified by the context.

10.8 Captions and Headings. Any headings used herein are included for convenience of reference only and are not to be construed so as to alter the terms hereof.

IN WITNESS WHEREOF, this Plan has been duly executed by the Company effective as of the 15th day of August, 1996.

SAVANNAH FOODS & INDUSTRIES, INC.

By: /s/ William W. Sprague, III

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President

ATTEST:

/s/ John M. Tatum

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Secretary

[CORPORATE SEAL]

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SAVANNAH FOODS & INDUSTRIES, INC.  
NON-EMPLOYEE DIRECTORS' SUPPLEMENTAL SHARE UNIT PLAN  
Effective as of August 15, 1996

ARTICLE I  
Definitions

- 1.01 COMMITTEE means the administrative committee appointed by the Board of Directors of the Company to administer this Plan.
- 1.02 COMPANY means Savannah Foods & Industries, Inc.
- 1.03 DIRECTOR means a member of the Board of Directors of the Company.
- 1.04 DIVIDEND EQUIVALENT means the entry in an Account (as defined in Article III) of a dividend credit with respect to a Share Unit, each Dividend Equivalent being equal to the dividend paid from time to time on a Share.
- 1.05 FAIR MARKET VALUE means the highest daily closing price of a Share during the preceding twelve month period as reported on the New York Stock Exchange (the "Exchange"); provided, however, that in the event of a transaction which results in a Change in Control, Fair Market Value is the greater of the value so determined or the price of a Share in the transaction causing the Change in Control.
- 1.06 PARTICIPANT means a non-employee Director of the Company who elects to become a Participant in the Plan.
- 1.07 PLAN means this Non-Employee Directors' Supplemental Share Unit Plan, as it may be amended from time to time.
- 1.08 POST CHANGE DIVIDEND EQUIVALENT means a Dividend Equivalent determined with reference to the stock of an acquiring corporation upon a Change in Control.
- 1.09 POST CHANGE FAIR MARKET VALUE means the Fair Market Value determined with reference to the stock of an acquiring corporation upon a Change in Control.
- 1.10 PRIME RATE means the prime interest rate announced from time to time by SunTrust Banks, Inc., which shall be deemed to include any successor bank or company.

1.11 SHARE means a share of the Company's authorized voting Common Stock (\$.25 par value per share) and any share or shares of stock of the Company hereafter issued or issuable in substitution or exchange for each such share.

1.12 SHARE UNIT means the monetary equivalent of one Share.

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## ARTICLE II Share Units

2.01 AWARD OF SHARE UNITS - In consideration of agreed upon modifications to those certain deferral agreements under the Amended and Restated Deferred Compensation Plan for Directors of Savannah Foods and Industries, Inc., as amended and restated June 30, 1996 (the "Deferred Compensation Plan"), each Director serving at the time this Plan is adopted who is a Participant in both this Plan and the Deferred Compensation Plan shall be granted a number of Share Units equal to one-half of such Director's account balance on June 30, 1996 under the Deferred Compensation Plan, divided by eleven (11). Such Share Units shall be fully vested when granted. The number of Share Units granted to each Participant hereunder is specified on Exhibit "A" attached hereto and made a part hereof.

2.02 PAYMENT FOR SHARE UNITS - Upon a Participant's termination of service on the Board of Directors of the Company, the Participant shall be entitled to payment from the Company, with respect to each Share Unit then in the Participant's Account, of an amount (the "Severance Benefit") equal to the Fair Market Value as of the date of such termination plus the Dividend Equivalent. Payment of the Severance Benefit shall be made in cash in a lump sum on the first day of the calendar quarter following the date of the Participant's termination of service on the Board of Directors of the Company.

2.03 ELECTION TO DEFER

- (a) Notwithstanding the provisions of Section 2.02 hereof, a Participant may make an election (a "Deferral Election") to defer the Severance Benefit due hereunder. Such Deferral Election shall specify the form of payment and the date (the "Commencement Date") such payments shall begin; provided, however, that such date shall not be earlier than the date the Participant terminates service on the Board of Directors of the Company and shall not be later than the January 1 following the date the Participant reaches seventy (70) years of age. The Deferral Election shall be made in such manner and form as the Committee shall prescribe, in accordance with the terms of this Section 2.03 and other relevant provisions of the Plan.

- (b) A Deferral Election hereunder shall be made within ninety (90) days following the approval of the Plan by the Board of Directors of the Company.
- (c) If a Participant makes a Deferral Election hereunder, the payment of the Severance Benefit to which such Deferral Election relates shall be deferred until the Commencement Date. Upon the Commencement Date, the Participant shall be entitled to payment from the Company with respect to each Share Unit of an amount (the "Deferred Severance Benefit") equal to the Fair Market Value as of the date of the Participant's termination of service on the Board of Directors of the Company. The Deferred Severance Benefit shall be paid in a lump sum or quarterly installments

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over a five (5), ten (10) or fifteen (15) year period as elected by the Participant on the Deferral Election form, and it shall bear interest, compounded quarterly, from the date of a Participant's termination of service on the Board of Directors of the Company until such Deferred Severance Benefit is paid, at a rate per annum equal to the Prime Rate determined annually on the first business day of each calendar year. Such payments shall commence on the Commencement Date.

2.04 DEATH BENEFITS - If a Participant dies prior to the Commencement Date, the Participant's Beneficiary (as determined under Article IV of the Plan) shall be entitled to payment from the Company of the Severance Benefit in the same manner as provided above for payment to the Participant. If a Participant dies after the Commencement Date, any remaining installments of the Participant's Severance Benefit or Deferred Severance Benefit, as applicable, shall be paid to the Participant's Beneficiary (as determined under Article IV of the Plan) in accordance with the Participant's elected payment schedule.

### ARTICLE III

#### Accounts

3.01 CREATION OF ACCOUNTS - The Share Units granted under this Plan shall be credited to an Account established and maintained for each Participant. Subject to any elections made by a Participant pursuant to Article V of this Plan (relating to a Change in Control), the number of Share Units in an Account shall be appropriately adjusted by the Committee in the event of changes in the Company's outstanding common stock by reason of stock dividends, stock splits, recapitalizations, reorganizations, mergers, consolidations,

combinations, exchanges or other relevant changes in capitalization, and such adjustments shall be conclusive. Share Units shall not entitle any person to the rights of a stockholder.

- 3.02 CREDITING DIVIDEND EQUIVALENTS - The fractional Share value of all dividends paid on a Share shall be added to each Account as a fractional Share Unit for each Share Unit in the Account.

ARTICLE IV  
Designation of Beneficiaries

A Participant may name a beneficiary and a contingent beneficiary (the "Beneficiary") to receive any payments due him or her at the time of his or her death, and to receive any benefits due to such Beneficiary hereunder. The Participant shall have the right to change such Beneficiary at any time. In case of a failure of designation or the death of the designated Beneficiary without a designated successor, distribution shall be made to the estate of the Participant. No designation of Beneficiaries shall be valid unless it is made in writing, signed by the participant, dated and filed with the Committee.

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ARTICLE V  
Change in Control

- 5.01 PAYMENT OF BENEFITS UPON CHANGE IN CONTROL - Notwithstanding anything herein to the contrary, upon any Potential Change in Control (as such term is defined in the Benefit Trust Agreement, dated March 14, 1996, by and between Savannah Foods & Industries, Inc., and Wachovia Bank of North Carolina, as such agreement is or has been amended from time to time), the Company shall promptly deliver to each Participant an election form (a "Change in Control Election form") which shall permit each Participant to make the elections contemplated by this Article V. A Participant may, at any time at least thirty (30) days prior to a Change in Control, make any of the elections described in this Article V (a "Change in Control Election") on such Change in Control Election form.

- (a) If a Participant so elects, then, in the event of a Change in Control, in lieu of the benefits provided in Article II hereof, the Participant shall be entitled to payment from the Company, with respect to each vested Share Unit of an amount (the "Post Change Severance Benefit") equal to the Fair Market Value as of the date of the Change in Control plus the Dividend Equivalent. Payment of the Post Change Severance Benefit shall be made in cash in a lump sum on the date of the

Change in Control or in quarterly installments over a period not to exceed the period selected by the Participant in his Deferral Election, as elected by the Participant on the Change in Control Election form. If made in installments, such payments shall bear interest, compounded quarterly, from the date of the Change in Control until such Post Change Severance Benefit is paid, at a rate per annum equal to the Prime Rate determined annually on the first business day of each calendar year, and such payments shall commence on the first day of the calendar quarter following the date of the Change in Control. If a Participant who has made a Change in Control Election hereunder dies, any remaining installments of the Participant's Post Change Severance Benefit shall be paid to the Participant's Beneficiary (as determined under Article IV of the Plan) in accordance with the Participant's elected payment schedule.

- (b) If a Participant does not make the election specified in paragraph (a) above, then, in the event of a Change in Control, the Participant's Severance Benefit under Article II hereof with respect to each vested Share Unit shall be an amount equal to the Fair Market Value as of the date of the Change in Control plus the Dividend Equivalent, plus interest, compounded quarterly, from the date of the Change in Control through the date the Participant's Severance Benefit is paid, at a rate per annum equal to the Prime Rate determined initially on the date of the Change in Control and adjusted annually on the first business day of each calendar year. Provided, however, that if a Participant so elects, the Participant's Severance Benefit under Article II hereof with respect to each vested Share Unit shall be an amount equal to the Post Change Fair Market Value plus the Post Change Dividend Equivalent as of the Commencement

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Date. All payments described in this paragraph shall be made in accordance with the provisions of Article II hereof.

5.02 DEFINITION OF CHANGE IN CONTROL - For purposes of this Plan, a Change in Control shall be deemed to have occurred when and only when the first of the following events occurs:

- (a) Any "person" (as that term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than (1) any employee plan established by the Corporation, (2) the Corporation, (3) an underwriter temporarily holding securities pursuant to an

offering of such securities, or (4) a corporation owned, directly or indirectly, by stockholders of the Corporation in substantially the same proportions as their ownership of the Corporation) is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding voting securities; or

- (b) During any period of two consecutive years, individuals who at the beginning of such period constituted the Board and any new director (other than an individual whose nomination for election is in connection with an actual or threatened election contest relating to the election of the directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) whose appointment, election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose appointment, election or nomination for election was previously so approved, cease for any reason to constitute a majority of the Board; or
- (c) There is consummated a merger or consolidation of the Company or a subsidiary thereof with or into any other corporation, other than a merger or consolidation which would result in the holders of the voting securities of the Company outstanding immediately prior thereto holding securities which represent immediately after such merger or consolidation more than 80% of the combined voting power of the voting securities of either the Company or the other entity which survives such merger or consolidation or the parent of the entity which survives such merger or consolidation; or
- (d) There is consummated a sale or disposition by the Company of all or substantially all of the Company's assets.

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#### ARTICLE VI Source of Payments

All payments of benefits hereunder shall be paid in cash from the general funds of the Company and the Company shall be under no obligation to segregate any assets in connection with the maintenance of an Account, nor shall anything contained in this Plan nor any action taken pursuant to the Plan create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and the Participant. Title to the beneficial

ownership of any assets, whether cash or investments, which the Company may designate to pay the amount credited to an Account shall at all times remain in the Company and the Participant shall not have any property interest whatsoever in any specific assets of the Company. A Participant's interest in his Account shall be limited to the right to receive payments pursuant to the terms of this Plan and such rights to receive shall be no greater than the right of any other unsecured general creditor of the Company.

ARTICLE VII  
Administration

7.1 Administrative Authority. This Plan shall be administered by a Committee of not less than three (3) members appointed by the Board of Directors of the Company. The Board of Directors may from time to time appoint members of the Committee in substitution for the members previously appointed and may fill vacancies, however caused. The Committee shall act by a majority of the number then constituting the Committee, and such action may be taken either by a vote at a meeting or in writing without a meeting. Except as otherwise specifically provided herein, the Company shall have the sole responsibility for and sole control of the operation and administration of this Plan, and shall have the power and authority to take all action and make all interpretations which may be necessary or appropriate in order to administer and operate the Plan, including the power, duty, and responsibility to:

- (a) Make determinations as to all disputes or questions arising under the Plan, including the power to determine the rights of Participants and Beneficiaries and to remedy any ambiguities, inconsistencies, or omissions in the Plan;
- (b) Adopt such rules of procedure and regulations, consistent with the Plan, as in its opinion may be necessary for the proper and efficient administration of the Plan;
- (c) Implement the Plan in accordance with its terms and the rules and regulations adopted as above;
- (d) Make determinations concerning the crediting and distribution of Plan Accounts;
- (e) Appoint any persons or firms, or otherwise act to secure specialized advice or assistance, as it deems necessary or desirable in connection with the administration

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and operation of the Plan; the Committee shall be entitled to rely conclusively upon, and shall be fully protected in any action or omission taken by it in good faith reliance upon,

the advice or opinion of such persons or firms. The Committee shall have the power and authority to delegate from time to time by written instrument all or any part of its duties, powers, or responsibilities under the Plan, both ministerial and discretionary, as it deems appropriate, to any person or committee, and in the same manner to revoke any such delegation of duties, powers or responsibilities. Any action of such person or committee in the exercise of such delegated duties, powers or responsibilities shall have the same force and effect for all purposes hereunder as if such action had been taken by the Committee.

7.2 Uniformity of Discretionary Acts. Whenever in the administration or operation of the Plan discretionary actions by the Company are required or permitted, such actions shall be consistently and uniformly applied to all persons similarly situated, and no such action shall be taken which shall discriminate in favor of any particular person or group of persons.

7.3 Claims Procedure. Any person claiming a benefit under the Plan (a "Claimant") shall present the claim, in writing, to the Committee, and the Committee shall respond in writing. If the claim is denied, the written notice of denial shall state, in a manner calculated to be understood by the Claimant:

- (a) The specific reason or reasons for the denial, with specific references to the Plan provisions on which the denial is based;
- (b) A description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation of why such material or information is necessary; and
- (c) An explanation of the Plan's claims review procedure.

The written notice denying or granting the Claimant's claim shall be provided to the Claimant within ninety (90) days after the Committee's receipt of the claim, unless special circumstances require an extension of time for processing the claim. If such an extension is required, written notice of the extension shall be furnished by the Committee to the Claimant within the initial ninety (90) day period and in no event shall such an extension exceed a period of ninety (90) days from the end of the initial ninety (90) day period. Any extension notice shall indicate the special circumstances requiring the extension and the date on which the Committee expects to render a decision on the claim. Any claim not granted or denied within the period noted above shall be deemed to have been denied.

Any Claimant whose claim is denied or is deemed to have been denied under the preceding sentence (or such Claimant's authorized representative), may, within sixty (60) days after the Claimant's receipt of notice of the denial, or after the date of the deemed denial, request a review of the denial

by notice given, in writing, to the Company. Upon such a request for review, the claim

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shall be reviewed by the Company (or its designated representative), which may, but shall not be required to, grant the Claimant a hearing. In connection with the review, the Claimant may have representation, may examine pertinent documents, and may submit issues and comments in writing.

The decision on review normally shall be made within sixty (60) days of the Company's receipt of the request for review. If an extension of time is required due to special circumstances, the Claimant shall be notified, in writing, by the Company, and the time limit for the decision on review shall be extended to one hundred twenty (120) days. The decision on review shall be in writing and shall state in a manner calculated to be understood by the Claimant, the specific reasons for the decision and shall include references to the relevant Plan provisions on which the decision is based. The written decision on review shall be given to the Claimant within the sixty (60) day (or, if applicable, the one hundred twenty (120) day) period discussed above. If the decision on review is not communicated to the Claimant within the sixty (60) day (or, if applicable, the one hundred twenty (120) day) period discussed above, the claim shall be deemed to have been denied upon review.

#### ARTICLE VIII Amendment

8.1 Right to Amend or Terminate. The Company, by written instrument executed by the Company, shall have the right to (i) amend the Plan at any time and with respect to any provisions hereof, and all parties hereto or claiming any interest hereunder shall be bound by such amendment, and (ii) to terminate the Plan; provided, however, that no such amendment or termination shall deprive a Participant or Beneficiary of a right accrued hereunder prior to the date of the amendment or termination.

8.2 Amendments to Ensure Proper Characterization of Plan. Notwithstanding the provisions of Section 8.1 hereof, the Plan may be amended by the Company at any time, retroactively if required, if in the opinion of the Company, in order to ensure that the Plan is characterized as a plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees and to conform the Plan to the provisions and requirements of any applicable law (including ERISA and the Code). No such amendment shall be considered prejudicial to any interest of a Participant or Beneficiary hereunder.

#### ARTICLE X Miscellaneous

9.1 Limitations on Liability of Company. Neither the establishment of the Plan nor any modification thereof, nor the creation of any Account under the Plan, nor the payment of any benefits under the Plan shall be construed as giving to any Participant or other person any legal or equitable right against the Company, or any officer or employer thereof except as provided by law or by any Plan provision. In no event shall the Company, or any successor, employee, officer, director, or

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stockholder of the Company, be liable to any person on account of any claim arising by reason of the provisions of the Plan or of any instrument or instruments implementing its provisions, or for the failure of any Participant, Beneficiary, or other person to be entitled to any particular tax consequences with respect to the Plan, or any credit or distribution hereunder.

9.2 Construction.

- (a) If any provision of the Plan is held to be illegal or invalid, such illegality or invalidity shall not affect the remaining provisions of the Plan, but shall be fully severable, and the Plan shall be construed and enforced as if such provision had never been inserted herein. For all purposes of the Plan, where the context requires, the singular shall include the plural, and the plural shall include the singular. Headings of Articles and Sections herein are inserted only for convenience of reference and are not to be considered in the construction of the Plan. The laws of the State of Georgia shall govern, control and determine all questions of law arising with respect to the Plan and the interpretation and validity of its respective provisions, except where those laws are preempted by the laws of the United States. Participation under the Plan will not give any Participant the right to be retained in the service of the Company nor any right or claim to any benefit under the Plan unless such right or claim has specifically accrued hereunder.
- (b) The Plan is intended to be and at all times shall be interpreted and administered so as to qualify as an unfunded deferred compensation plan, and no provision of the Plan shall be interpreted so as to give any individual any right in any assets of the Company which right is greater than the rights of a general unsecured creditor of the Company.

9.3 Spendthrift Provision.

- (a) No amount payable to a Participant or a Beneficiary under the Plan will, except as otherwise specifically provided by law,

be subject in any manner to anticipation, alienation, attachment, garnishment, sale, transfer, assignment (either at law or in equity), levy, execution, pledge, encumbrance, charge, or any other legal or equitable process, and any attempt to do so will be void; nor will any benefit be in any manner liable for or subject to the debts, contracts, liabilities, engagements, or torts of the person entitled thereto. Further, neither the withholding of taxes from Plan benefit payments nor the recovery under the Plan of overpayments of benefits previously made to a Participant or Beneficiary shall be construed as an assignment or alienation.

- (b) In the event that any Participant's or Beneficiary's benefits hereunder are garnished or attached by order of any court, the Company may bring an action or a declaratory judgment in a court of competent jurisdiction to determine the proper recipient of the benefits to be paid under the Plan. During the pendency of said action, any benefits that become payable shall be held as credits to the Participant's or Beneficiary's

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Account or, if the Company prefers, paid into the court as they become payable, to be distributed by the court to the recipient as the court deems proper at the close of said action.

9.4 No Guaranty of Benefits. Nothing contained in the Plan shall constitute a guaranty by the Company or any related entity or any other entity or person that the assets of the Company or any related entity will be sufficient to pay any benefit hereunder.

9.5 No Enlargement of Rights. No Participant or Beneficiary shall have any right to a benefit under the Plan except in accordance with the terms of the Plan. Establishment of the Plan shall not be construed to give any Participant the right to be retained as a director of the Company.

9.6 Applicable Law. The Plan shall be construed and administered under the laws of the State of Georgia.

9.7 Gender; Number. Words in the masculine gender shall include the feminine gender as appropriate, and the singular shall include the plural, and vice-versa, unless qualified by the context.

9.8 Captions and Headings. Any headings used herein are included for convenience of reference only and are not to be construed so as to alter the terms hereof.

IN WITNESS WHEREOF, this Plan has been duly executed by the Company effective as of the 15th day of August, 1996.

SAVANNAH FOODS & INDUSTRIES, INC.

By: /s/ William W. Sprague, III

-----  
President

ATTEST:

/s/ John M. Tatum

-----  
Secretary

[CORPORATE SEAL]

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EXHIBIT A  
TO THE  
SAVANNAH FOODS & INDUSTRIES, INC.  
NON-EMPLOYEE DIRECTORS' SUPPLEMENTAL SHARE UNIT PLAN

<TABLE>  
<CAPTION>

	PARTICIPANT -----	SHARE UNITS GRANTED -----
<S>	<C>	<C>
1.	W. Waldo Bradley	24,212
2.	John D. Carswell	19,629
3.	Dale C. Critz	3,590
4.	Lee B. Durham, Jr.	18,607
5.	Arthur M. Gignilliat, Jr.	9,521

6.	Robert L. Harrison	7,733
7.	Hugh M. Tarbutton	24,663
8.	Arnold M. Tenenbaum	3,665

</TABLE>

## EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into this 21st day of May, 1996, to be effective as of April 23, 1996, by and between SAVANNAH FOODS & INDUSTRIES, INC., a Delaware corporation ("SFI"), and R. EUGENE CARTLEDGE, an individual resident of Chatham County, Georgia ("Cartledge").

## W I T N E S S E T H :

WHEREAS, Cartledge is a member of the Board of Directors of SFI; and

WHEREAS, SFI and its Board of Directors desire to employ Cartledge, and Cartledge desires to be so employed, as Chairman of the Board of Directors of SFI on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, for and in consideration of Ten and 00/100 Dollars (\$10.00), the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

## 1. EMPLOYMENT; SCOPE OF SERVICES.

(a) Cartledge is hereby employed as the Chairman of the Board of Directors of SFI (the "Chairman").

(b) Cartledge agrees to perform those duties set forth for the office of Chairman in the bylaws of SFI and to comply with such policy directives as may be adopted from time to time for the Chairman by the Board of Directors of SFI. Cartledge shall devote at least two (2) days each week and shall use his good faith best efforts, knowledge and skills in the performance of services required of him in the bylaws of SFI and as may be delegated to him by the Board of Directors of SFI.

## 2. TERM; TERMINATION.

(a) Term. The term of this Agreement shall begin as April 25, 1996 and shall continue until April 24, 1997, unless earlier terminated as provided herein.

(b) TERMINATION. This Agreement may be terminated prior to expiration as follows:

- (1) By mutual agreement of SFI and Cartledge at any time;
- (2) At the election of SFI upon ninety (90) days' prior written notice to Cartledge; or

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- (3) Automatically, upon the death of Cartledge.

### 3. COMPENSATION.

(a) SALARY. As Chairman, SFI shall pay to Cartledge the sum of One Hundred Eighty-Two Thousand Seven Hundred and no/100s Dollars (\$182,700.00), payable on April 25, 1996, in 16,610 shares of SFI common stock, plus cash in an amount sufficient to pay the taxes due on such compensation, subject to appropriate tax withholdings.

(b) STOCK OPTION. SFI hereby grants to Cartledge an option (the "Option") to purchase from SFI 100,000 shares of the common stock of SFI (the "Shares") at the price of Eleven Dollars (\$11.00) per share (the "Exercise Price"), subject to the terms and conditions set forth in this paragraph 3(b) of this Agreement. The Option shall expire on and may not be exercised after April 24, 2001 (the "Expiration Date"). This Option shall be exercisable by delivery to SFI of written notice of Cartledge's desire to exercise the Option, accompanied by full payment in immediate funds of the Exercise Price for the Shares being purchased. Prior to the issuance of the Shares upon exercise of this Option, Cartledge must pay or make adequate provision for any applicable federal or state withholding obligations of SFI. This Option may not be transferred in any manner other than by will or by the laws of descent and distribution and may be exercised during the lifetime of Cartledge only by Cartledge and after death by Cartledge's personal representative.

(c) EMPLOYEE BENEFITS. Except as provided in subsections (a) and (b) above, during the term of this Agreement, Cartledge shall not be entitled to any employee benefits.

### 4. TRADE SECRETS.

(a) DEFINITION. "Trade Secrets" shall mean any and all data and information relating to SFI which (A) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (B) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. "Trade Secrets" of SFI may include sales and financial data and plans, advertising information and plans, and strategic plans and initiatives of SFI. Notwithstanding the foregoing, "Trade Secrets" shall not include data and information which: (A)

was at the time of disclosure to Cartledge or became thereafter through no fault of Cartledge a part of the public domain by publication or otherwise; (B) was already in Cartledge' possession prior to the disclosure by SFI to Cartledge; or (C) was subsequently developed or ascertained by Cartledge or for Cartledge by independent means without the benefit of Trade Secrets or was received by Cartledge without restriction from a third party who was under no obligation of confidentiality to SFI with respect thereto.

(b) OWNERSHIP, NON-DISCLOSURE AND NON-USE OF TRADE SECRETS AND INTELLECTUAL PROPERTY. Cartledge acknowledges and agrees that all Trade Secrets, and all physical embodiments thereof, are confidential to and shall be and remain the sole and exclusive property of SFI. In

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addition, Cartledge acknowledges and agrees that all trade names, trademarks, service marks and similar intellectual property used in connection with the services performed by SFI (the "Intellectual Property") are the sole and exclusive property of SFI.

(1) Upon the termination of this Agreement, Cartledge shall deliver to SFI all property belonging to SFI including, without limitation, all Trade Secrets (and all embodiments thereof) and all embodiments of Intellectual Property then in his custody, control or possession.

(2) Cartledge agrees that (i) all Trade Secrets received or developed by Cartledge as a result of Cartledge' employment with SFI shall be held in strictest confidence; (ii) Cartledge shall not disclose, reproduce, distribute or otherwise disseminate such Trade Secrets, and shall use his best efforts to protect such Trade Secrets from disclosure by others; and (iii) Cartledge shall make no use of such Trade Secrets without the prior written consent of SFI, except in connection with Cartledge's employment hereunder. The obligations of confidentiality contained herein shall apply during the term of this Agreement and (i) with respect to all Trade Secrets consisting of scientific or technical data, at any and all times after termination of this Agreement; and (ii) with respect to all other Trade Secrets, for a period of two (2) years following the date of termination of this Agreement, or for such longer period of protection as is provided by law.

(c) AGREEMENT REGARDING CONFIDENTIAL INFORMATION. In the event any of the sales and financial data and plans, advertising information and plans, and strategic plans and initiatives of SFI, or any other business or financial information disclosed to Cartledge during the term of his employment with SFI, are determined by a court of law not to qualify for protection as Trade Secrets, then Cartledge acknowledges and agrees that such data or information shall nonetheless remain confidential and shall not be disclosed by

Cartledge to any other party during the term of his employment with SFI and for a period of two (2) years following the date of termination of Cartledge' employment with SFI, absent the express prior written consent of SFI. Upon termination of this Agreement, Cartledge shall deliver to SFI any and all documents evidencing and/or physical embodiments of the information described in this paragraph (c).

5. SEVERABILITY. Each particular prohibition or restriction set forth in Section 4 of this Agreement shall be deemed a severable unit, and if any court of competent jurisdiction determines that any portion of such restraint is against the policy of the law in any respect, but such restraint, considered as a whole, is not so clearly unreasonable and overreaching in its terms as to be unconscionable, the court shall enforce so much of such restraint as it determines by a preponderance of the evidence to be necessary to protect the interests of SFI.

6. SURVIVAL OF COVENANTS AND INDEMNITIES. All covenants and indemnities made herein, and all remedies relating thereto, shall survive the termination of this Agreement for any reason.

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7. NOTICES. All notices, consents, approvals and the like required under any of the provisions of this Agreement shall be in writing and shall be deemed to have been given (a) if personally delivered, upon receipt, (b) if sent by overnight courier (such as Federal Express), upon delivery, or (c) if sent by U.S. Mail registered or certified, return receipt requested, with sufficient postage affixed thereto, three days after being mailed, addressed as follows:

- (i) If to SFI:  
Savannah Foods and Industries, Inc.  
2 East Bryan Street  
Post Office Box 339  
Savannah, Georgia 31402  
Attn: William W. Sprague, III
  
- (ii) If to Cartledge:  
R. Eugene Cartledge  
6 Skidaway Village Walk  
No. 203-B  
Savannah, Georgia 31411

or as may be otherwise specified by any party by notice to the other parties.

8. AMENDMENTS AND WAIVERS; CUMULATIVE REMEDIES. This Agreement may not be amended or modified in any manner except by an instrument in writing signed by each of the parties hereto. The failure of any party hereto to enforce at any time any of the provisions of this Agreement shall in no way be construed to be a waiver of any such provision or the right of any party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach. Furthermore, all remedies are cumulative, including the right of either party to seek equitable relief in addition to money damages.

9. BENEFIT AND ASSIGNABILITY. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns. SFI shall have the right to assign its rights under this Agreement to any affiliate of SFI. The rights and benefits of Cartledge may not be assigned or transferred without the prior consent of SFI except as provided in Section 3(b).

10. LAW APPLICABLE. This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia.

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

SAVANNAH FOODS & INDUSTRIES, INC..

By: /s/ F. Sprague Exley

-----  
F. SPRAGUE EXLEY  
Senior Vice President, Human  
Resources and Administration  
and Assistant Secretary

Attest: /s/ John M. Tatum

-----  
JOHN M. TATUM  
Secretary

[CORPORATE SEAL]

/s/ R. Eugene Cartledge (L.S.)

-----  
R. EUGENE CARTLEDGE

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SAVANNAH FOODS & INDUSTRIES, INC.  
LIST OF SUBSIDIARIES

<TABLE>

<CAPTION>

NAME OF SUBSIDIARY -----	JURISDICTION OF INCORPORATION -----
<S>	<C>
Biomass Corporation	Delaware
Dixie Crystals Brands, Inc.	Delaware
Subsidiary of Dixie Crystals Brands, Inc.	
King Packaging Company, Inc.	Georgia
Food Carrier, Inc.	Georgia
Michigan Sugar Company	Michigan
Subsidiaries of Michigan Sugar Company	
Great Lakes Sugar Company	Ohio
Pioneer Trading Corporation	Virgin Islands
Refined Sugar Trading Institute	Delaware
Savannah Foods Industrial, Inc.	Delaware
Subsidiaries of Savannah Foods Industrial, Inc.	
Phoenix Packaging Corporation	Delaware
Raceland Sugars, Inc.	Delaware
Savannah International Company	Delaware
Subsidiary of Savannah International Company	
Savannah Packaging Company	Delaware
Savannah Investment Company	Delaware

</TABLE>

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 2-94678), as amended October 18, 1994, pertaining to the Employee Retirement Savings Account Plan of Savannah Foods & Industries, Inc., of our report dated November 18, 1996, appearing on page 16 of this Form 10-K.

PRICE WATERHOUSE LLP  
Atlanta, Georgia  
December 27, 1996

<TABLE> <S> <C>

<ARTICLE> 5

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF SAVANNAH FOODS & INDUSTRIES, INC. FOR THE YEAR ENDED SEPTEMBER 29, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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